

## Chapter – 9

### Government Organisation

---

#### I. Choose the Correct Answer

**Question 1.**

The share capital of the government company must not be less than .....

- (a) 75%
- (b) 60%
- (c) 95 %
- (d) 51%

**Answer:**

- (d) 51%

**Question 2.**

Airport Authority of India is a public enterprise. Identify the form of organization.

- (a) Statutory Corporations
- (b) Departmental undertakings
- (c) Multi-National Corporation
- (d) State-Owned Company

**Answer:**

- (b) Departmental undertakings

**Question 3.**

The oldest form of organization in the public sector .....

- (a) Public sector undertakings
- (b) Departmental undertakings
- (c) Multinational corporation
- (d) Statutory corporation

**Answer:**

- (b) Departmental undertakings

**Question 4.**

A Government company purchases shares in the name of .....

- (a) Prime Minister
- (b) President
- (c) Chief Justice of India
- (d) State Chief Minister

**Answer:**

- (b) President

**Question 5.**

The primary objective of the state enterprises is to .....

- (a) Earn profit
- (b) provide employment
- (c) Serve the people
- (d) None of these

**Answer:**

- (c) Serve the people

## **II. Very Short Answer Questions**

**Question 1.**

State the different types of public sector enterprises.

**Answer:**

1. Departmental Undertaking
2. Public Corporation
3. Government Company

**Question 2.**

What is the basic feature of a Departmental undertaking?

**Answer:**

The departmental undertaking is the oldest form of the public sector. Departmental undertakings are organized, financed & managed by the government. It is controlled by the concerned ministry & the minister's

concern is responsible, accountable & answerable for its work. It provides important public utility services such as Railways, Roadways, Atomic powers, Defence, Post & Telegraph, etc.

**Question 3.**

Give two examples for each of the following:

**Answer:**

1. Private sector enterprises
2. Global enterprises
3. Public enterprises

**1. Private sector enterprises**

- Sole proprietorship
- Partnership

**2. Global enterprises**

- Coca – Cola Corporation
- Unilever

**3. Public enterprises**

- Life Insurance Corporation
- Oil and Natural Gas Commission (ONGC)

**Question 4.**

State the form of public enterprises which is most suitable for projects related to National Security.

**Answer:**

Food Corporation of India (FCI), Tourism Corporation of India, Oil and Natural Gas Corp. (ONGC).

**Question 5.**

The Industrial Policy Resolution 2001 exclusively reserved for few industries

for the public sector. Name these industries.

**Answer:**

1. Departmental Undertaking
2. Public Corporations
3. Government Companies

### **III. Short Answer Questions**

**Question 1.**

List the areas where the state or central ownership is a preferred form of business organisation. Justify your choice of areas.'

**Answer:**

Transport authority, Coal industries, Gas industries are some of the areas where the state or central ownership is preferred. Because these industries need active, alert, and disciplined management. The independent management of the above-said area is the need of the hour.

**Question 2.**

What are the different kinds of organisations that come under the public sector?

**Answer:**

1. Departmental Undertaking
2. Public Corporations
3. Government Companies

**Question 3.**

List the names of some enterprises under the public sector and classify them.

**Answer:**

Departmental Undertaking Public Corporations Government Companies

Departmental Undertaking	Public Corporations	Government Companies
Posts	Reserve Bank of India	Coal Mines Authority Ltd.
Telegraphs	LIC	TANSI

#### Question 4.

Define Departmental undertakings.

#### Answer:

A Government company is defined under Section 2(45) of the Companies Act, 2013 as “any company in which not less than 51 % of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government company”.

#### Question 5.

What is meant by Government Company?

#### Answer:

A “Government company” is defined under Section 2(45) of the Companies Act, 2013 as “any company in which not less than 51% of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government company”.

### IV. Long Answer Questions

#### Question 1.

What are the advantages and disadvantages of Departmental undertaking?

#### Answer: Advantages:

##### 1. Easy Formation:

It is easy to set up a departmental undertaking. The departmental undertaking is created by an administrative decision of the Government, involving no legal formalities for its formation.

## **2. Direct and Control of Parliament or State Legislature:**

The departmental undertaking is directly responsible to the Parliament or the State legislature through its overall head i.e. the minister concerned.

## **3. Secrecy Maintained:**

Strategic industries like defence and atomic power cannot be better managed other than government departments. Department undertakings can maintain secrecy in their work.

## **Disadvantages:**

**1. Red – Tape and Bureaucracy:** There are too many procedures which result in a delay. Commercial organisations cannot afford delay in taking decisions.

**2. Incidence of Additional Taxation:** Losses incurred by a departmental enterprise are met out of the treasury. This very often necessitates additional taxation the burden of which falls on the common man.

## **Question 2.**

What are the features of a public corporation? (Any 5)

## **Answer: Meaning:**

A public corporation is that form of public enterprise which is created as an autonomous unit, by a special Act of the Parliament or the State Legislature.

## **Special Statute:**

A public corporation is created by a special Act of the Parliament or the State Legislature. The Act defines its powers, objectives, functions, and relations with the ministry and the Parliament (or State Legislature).

## **Separate Legal Entity:**

A public corporation is a separate legal entity with perpetual succession and a common seal. It has an existence, independent of the Government. It can own property; can make contracts and file suits, in its own name.

## **Capital provided by the Government:**

The capital of a public corporation is provided by the Government or by

agencies controlled by the government. However, many public corporations have also begun to raise money from the capital market.

**Financial Autonomy:**

A public corporation enjoys financial autonomy. It prepares its own budget; and has the authority to retain and utilize its earnings for its business.

**Management by Board of Directors:**

Its management is vested in a Board of Directors, appointed or nominated by the Government. But there is no Governmental interference in the day-to-day working of the corporation.

**Question 3.**

What are the Features of Government company? (Any 5)

**Answer:**

**1. Registration Under the Companies Act:**

A Government company is formed through registration under the Companies Act, 1956; and is subject to the provisions of this Act, like any other company. However, the Central Government may direct that any of the provisions of the Companies Act shall not apply to a Government company or shall apply with certain modifications.

**2. Executive Decision of Government:**

A Government company is created by an executive decision of the Government, without seeking the approval of the Parliament or the State Legislature.

**3. Separate Legal Entity:**

A Government company is a legal entity separate from the Government. It can acquire property; can make contracts and can file suits, in its own name.

**4. Whole or Majority Capital Provided by Government:**

The whole or majority (at least 51 %) of the capital of a Government company is provided by the Government; but the revenues of the company are not deposited into the treasury.

### **5. Majority of Government Directors:**

Being in possession of a majority of share capital, the Government has authority to appoint majority of directors, on the Board of Directors of a government company.

### **Question 4.**

What are the advantages and disadvantages of a Public corporation?

### **Answer: Advantages:**

#### **Bold Management:**

Due to Operational Autonomy, A public corporation enjoys internal operational autonomy; as it is free from Governmental control. It can, therefore, run in a businesslike manner. Management can take bold decisions involving experimentation in its lines of activities, taking advantage of business situations.

#### **Legislative Control:**

Affairs of a public corporation are subject to scrutiny by Committees of Parliament or State Legislature. The Press also keeps a watchful eye on the working of a public corporation. This keeps a check on the unhealthy practices on the part of the management of the public corporation.

#### **Qualified and Contented Staff:**

The public corporation offers attractive service conditions to its staff. As such it is able to attract qualified staff. Because of qualified and contented staff, industrial relations problems are not much severe. The staff has a motivation to work hard for the corporation.

#### **Tailor-Made Statute:**

The special Act, by which a public corporation is created, can be tailor-made to meet the specific needs of the public corporation; so that the corporation can function in the best manner to achieve its objectives.

#### **Not Affected by Political Changes:**

Being a distinct legal entity, a public corporation is not much affected by political changes. It can maintain continuity of policy and operations.



**Lesser Likelihood of Exploitation:**

The Board of Directors of a public corporation consists of representatives of various interest groups like labour, consumers, etc. nominated by the Government. As such, there is a lesser likelihood of exploitation of any class of society, by the public corporation.

**Reasonable Pricing Policy:**

A public corporation follows a reasonable pricing policy, based on cost-benefit analysis. Hence, the public is generally satisfied with the provision of goods and services, by the public corporation.

**Disadvantages:****Autonomy and Flexibility:**

Only in Theory Autonomy and flexibility advantages of a public corporation exist only in theory. In practice, there is a lot of interference in the working of a public corporation by ministers, government officers and other politicians.

**Misuse of Monopolistic Power:**

Public corporations often enjoy a monopoly in their field of operation. As such, on the one hand, they are indifferent to consumer needs and problems; and on the other hand, often do not hesitate to exploit consumers.

**Rigid Constitution:**

The constitution of a public corporation is very rigid. It cannot be changed, without amending the Statute of its formation. Hence, a public corporation could not be flexible in its operations.

**Low Managerial Efficiency:**

Quite often civil servants, who do not possess management knowledge and skills, are appointed by the government on the board of Directors, of a public corporation. As such, the managerial efficiency of a public corporation is not as much as found in private business enterprises.

**The problem of Passing a Special Act:**

A public corporation cannot be formed without passing a special Act; which is a time-consuming and difficult process. Hence, the scope for setting up public corporations is very restricted.

**Clash of Divergent Interests:**

In the Board of Directors of a public corporation, conflicts may arise among representatives of different groups. Such clashes tell upon the efficient functioning of the corporation and may hamper its growth.

**Question 5.**

What are the features of a Departmental organization? (Any 5)

**Answer:****Ultimate Responsibility:**

The ultimate responsibility for the management of a departmental undertaking lies with the minister concerned; who is responsible to the Parliament or State Legislature for the affairs of the departmental undertaking. The minister, in turn, delegates his authority downwards to various other management levels, in the departmental undertaking.

**Governmental Financing:**

The departmental undertaking is financed through annual budget appropriations by the Parliament or the State Legislature. The revenues of the undertaking are paid into the government treasury.

**Accounting and Audit:**

The departmental undertaking is subject to the normal budgeting, accounting, and audit procedures, which are applicable to all Government departments.

**Managed by Civil Servants:**

The departmental undertaking is managed by civil servants, who are subject to the same service conditions as applicable to civil servants of the Government.

**Sovereign Immunity:**

A departmental undertaking cannot be sued anybody, without the consent of the Government.