

# VIDYA BHAWAN BALIKA VIDYA PITH

## शक्ति उत्थान आश्रम लखीसराय बिहार

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### PRIVATE, PUBLIC AND GLOBAL ENTERPRISES

#### Statutory Corporations

Statutory corporations are public enterprises brought into existence by a Special Act of the Parliament. The Act defines its powers and functions, rules and regulations governing its employees and its relationship with government departments. This is a corporate body created by the legislature with defined powers and functions and is financially independent with a clear control over a specified area or a particular type of commercial activity. It is a corporate person and has the capacity of acting in its own name. Statutory corporations therefore have the power of the government and considerable amount of operating flexibility of private enterprises.

#### Features

Statutory corporations have certain distinct features, which are discussed as below:

- (i) Statutory corporations are set up under an Act of Parliament and are governed by the provisions of the Act. The Act defines the objects, powers and privileges of a statutory corporation;
- (ii) This type of organisation is wholly owned by the state. The government has the ultimate financial responsibility and has the power to appropriate its profits. At the same time, the state also has to bear the losses, if any;
- (iii) A statutory corporation is a body corporate and can sue and be sued, enter into contract and acquire property in its own name;
- (iv) This type of enterprise is usually independently financed. It obtains funds by borrowings from the government or from the public through revenues, derived from sale of goods and services. It has the authority to use its revenues;
- (v) A statutory corporation is not subject to the same accounting and audit procedures applicable to government departments. It is also not concerned with the central budget of the Government;
- (vi) The employees of these enterprises are not government or civil servants and are not governed by government rules and regulations. The conditions of service of the employees are

governed by the provisions of the Act itself. At BUSINESS STUDIES times, some officers are taken from government departments, on deputation, to head these organisations.

### **Merits**

This form of organisation enjoys certain advantages in its working, which are as follows:

- (i) They enjoy independence in their functioning and a high degree of operational flexibility. They are free from undesirable government regulation and control;
- (ii) Since the funds of these organisations do not come from the central budget, the government generally does not interfere in their financial matters, including their income and receipts;
- (iii) Since they are autonomous organisations they frame their own policies and procedures within the powers assigned to them by the Act. The Act may, however, provide few issues/matters which require prior approval of a particular ministry;
- (iv) A statutory corporation is a valuable instrument for economic development. It has the power of the government, combined with the initiative of private enterprises.

### **Limitations**

This type of organisation suffers from several limitations, which are as follows:

- (i) In reality, a statutory corporation does not enjoy as much operational flexibility as stated above. All actions are subject to many rules and regulations;
- (ii) Government and political interference has always been there in major decisions or where huge funds are involved;
- (iii) Where there is dealing with public, rampant corruption exists;
- (iv) The Government has a practice of appointing advisors to the Corporation Board. This curbs the freedom of the corporation in entering into contracts and other decisions. If there is any disagreement, the matter is referred to the government for final decisions. This further delays action.