

# VIDYA BHAWAN BALIKA VIDYA PITH

## शक्ति उत्थान आश्रम लखीसराय बिहार

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Teacher name – Ajay Kumar Sharma

### PRIVATE, PUBLIC AND GLOBAL ENTERPRISES

#### Government Company

A government company is established under The Companies Act, 2013 and is registered and governed by the provisions of The Act. These are established for purely business purposes and in true spirit compete with companies in the private sector. According to the section 2(45) of the Companies Act 2013, a government company means any company in which not less than 51 per cent of the paid up capital is held by the central government, or by any state government or partly by Central government and partly by one or more State governments and includes a company which is a subsidiary of a government company. Under the Companies Act 2013, there is no change in the definition of a company. All provisions of the Act are applicable to government companies unless otherwise specified. A government company may be formed as a private limited company or a public limited company. There are certain provisions which are applicable to the appointment/retirement of directors and other managerial personnel. From the above it is clear that the government exercises control over the paid up share capital of the company.

The shares of the company are purchased in the name of the President of India. Since the government is the major shareholder and exercises control over the management of these companies, they are known as government companies.

#### Features

Government companies have certain characteristics which makes them distinct from other forms of organisations. These are discussed as follows:

- (i) It is an organisation created under the Companies Act, 2013 or any other previous Company Law.
- (ii) The company can file a suit in a court of law against any third party and be sued;
- (iii) The company can enter into a contract and can acquire property in its own name;
- (iv) The management of the company is regulated by the provisions of the Companies Act, like any other public limited company;

(v) The employees of the company are appointed according to their own rules and regulations as contained in the Memorandum and Articles of Association of the company. The Memorandum and Articles of Association are the main documents of the company, containing the objects of the company and its rules and regulations;

(vi) These companies are exempted from the accounting and audit rules and procedures. An auditor is appointed by the Central Government and the Annual Report is to be presented in the Parliament or the State Legislature;

(vii) The government company obtains its funds from government shareholdings and other private shareholders. It is also permitted to raise funds from the capital market.

### **Merits**

Government companies enjoy several advantages, which are as follows:

(i) A government company can be established by fulfilling the requirements of the Indian Companies Act. A separate Act in the Parliament is not required;

(ii) It has a separate legal entity, apart from the Government;

(iii) It enjoys autonomy in all management decisions and takes actions according to business prudence;

(iv) These companies by providing goods and services at reasonable prices are able to control the market and curb unhealthy business practices.

### **Limitations**

Despite the autonomy given to these companies, they have certain disadvantages:

(i) Since the Government is the only shareholder in some of the companies, the provisions of the Companies Act does not have much relevance;

(ii) It evades constitutional responsibility, which a company financed by the government should have. It is not answerable directly to the Parliament;

(iii) The government being the sole shareholder, the management and administration rests in the hands of the government. The main purpose of a government company, registered like other companies, is defeated.