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Class 11 commerce Sub. BST. Date 14.9.2020

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PRIVATE, PUBLIC AND GLOBAL ENTERPRISES

INTRODUCTION

You must have come across all types of business organizations in your daily life. In your neighborhoods market, there are shops owned by sole proprietors or big retail organisation run by a company. Then there are people providing you services like legal services, medical services, being owned by more than one person i.e., partnership firms. These are all privately owned organizations. Similarly, there are other offices or places of business which may be owned by the government. For example, Railways is an organisation wholly owned and managed by the government. The post office, in your locality is owned by the Post and Telegraph Department, Government of India, though our dependence on their postal services, particularly in cities and towns has been greatly reduced. This is because of plenty of private courier services firms operating in bigger towns. Then there are businesses which operate in more than one country known as global enterprises. Therefore, you may have observed that all types of organisations are doing business in the country whether they are public, private or global. In this chapter we shall be studying how the economy is divided into two sectors, public and private, the different types of public enterprises, their role and that of the global enterprises.

PRIVATE SECTOR AND PUBLIC SECTOR

There are all kinds of business organizations — small or large, industrial or trading, privately owned or government owned existing in our country. These organisations affect our daily economic life and therefore become part of the Indian economy. Since the Indian economy consists of both privately owned and government owned business enterprises, it is known as a mixed economy. The Government of India has opted for a mixed economy where both private and government enterprises are allowed to operate. The economy, therefore, may be classified into two sectors viz., private sector and public sector.

The private sector consists of business owned by individuals or a group of individuals, as you have learnt in the previous chapter. The various forms of organisation are sole proprietorship, partnership, joint Hindu family, cooperative and company.

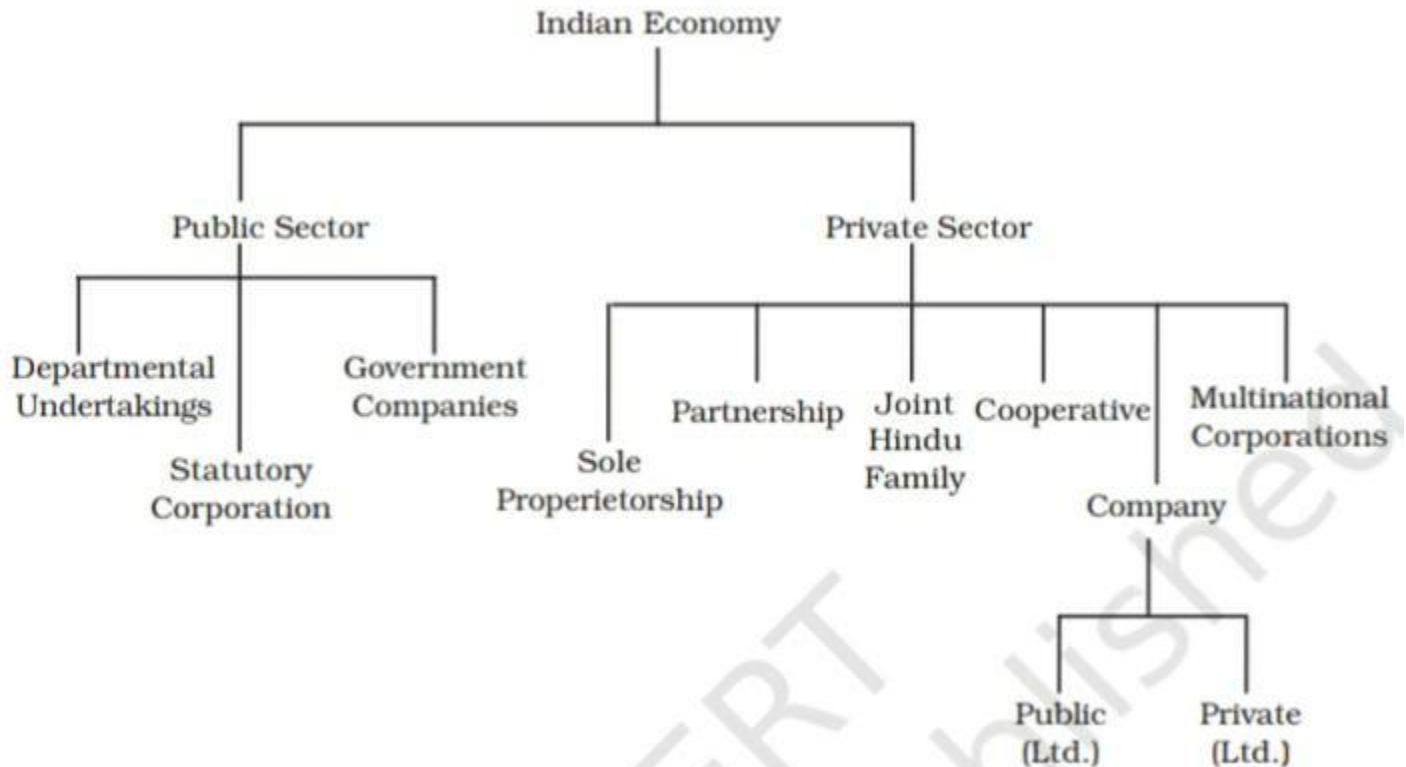
The public sector consists of various organisations owned and managed by the government. These organizations may either be partly or wholly owned by the central or state

government. They may also be a part of the ministry or come into existence by a Special Act of the Parliament. The government, through these enterprises participates in the economic activities of the country.

The government in its industrial policy resolutions, from time-to-time, defines the area of activities in which the private sector and public sector are allowed to operate. In the Industrial Policy Resolution 1948, the Government of India had specified the approach towards development of the industrial sector. The roles of the private and public sector were clearly defined and the government through various Acts and Regulations was overseeing the economic activities of both the private and public sector. The Industrial Policy Resolution, 1956 had also laid down certain objectives for the public sector to follow so as to accelerate the rate of growth and industrialisation.

The public sector was given a lot of importance but at the same time mutual dependency of public and private sectors was emphasise. The 1991 industrial policy was radically different from all the earlier policies where the government was deliberating disinvestment of public sector and allowing greater freedom to the private sector. At the same time, foreign direct investment was invited from business houses outside India. Thus, multinational corporations or global enterprises which operate in more than one country gained entry into the Indian economy. Thus, we have public sector units, private sector enterprises and global enterprises coexisting in the Indian economy.

FORMS OF ORGANISING PUBLIC SECTOR ENTERPRISES



Government's participation in business and economic sectors of the country needs some kind of organisational framework to function. You have studied about the forms of business organisation in the private sector viz., sole proprietorship, partnership, Hindu undivided family, cooperative and company.

In the public sector, as it grows, an important question arises in respect of how it is to be organised or what form of organisation it should take. The government has a major role to play in the formation of the public sector. But the government acts through its people, its offices, employees and they take decisions on behalf of the government. For this purpose, public enterprises were formed by the government to participate in the economic activities of the country. They are expected to contribute to the economic development of the country in today's liberalised, competitive world. These public enterprises are owned by the public and are accountable to the public through the Parliament. They are characterised by public ownership, public funds being used for its activities and public accountability.

A public enterprise may take any particular form of organisation depending upon the nature of its operations and their relationship with the government. The suitability of a particular form of organisation would depend upon its requirements. At the same time, in accordance with general principles, any organisation in the public sector should ensure organisational performance productivity and quality standards.

The forms of organisation which a public enterprise may take are as follows:

(i) Departmental undertaking

(ii) Statutory corporation

(iii) Government company