

VIDYA BHAWAN BALIKA VIDYA PITH

शक्ति उत्थान आश्रम लखीसराय बिहार

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Teacher name – Ajay Kumar Sharma

PRIVATE, PUBLIC AND GLOBAL ENTERPRISES

Departmental Undertakings

This is the oldest and most traditional form of organising public enterprises. These enterprises are established as departments of the ministry and are considered part or an extension of the ministry itself. The Government functions through these departments and the activities performed by them are an integral part of the functioning of the government. They have not been constituted as autonomous or independent institutions and as such are not independent legal entities. They act through the officers of the Government and its employees are Government employees. These undertakings may be under the central or the state government and the rules of central/state government are applicable. Examples of these undertakings are railways and post and telegraph department.

Features

The main characteristics of Departmental undertakings are as follows:

- (i) The funding of these enterprises come directly from the Government Treasury and are an annual appropriation from the budget of the Government. The revenue earned by these is also paid into the treasury;
- (ii) They are subject to accounting and audit controls applicable to other Government activities;
- (iii) The employees of the enterprise are Government servants and their recruitment and conditions of service are the same as that of other employees directly under the Government. They are headed by Indian Administrative Service (IAS) officers and civil servants who are transferable from one ministry to another;
- (iv) It is generally considered to be a major subdivision of the Government department and is subject to direct control of the ministry;
- (v) They are accountable to the ministry since their management is directly under the concerned ministry.

Merits

Departmental undertakings have certain advantages which are as follows:

- (i) These undertakings facilitate the Parliament to exercise effective control over their operations;
- (ii) These ensure a high degree of public accountability;
- (iii) The revenue earned by the enterprise goes directly to the treasury and hence is a source of income for the Government;
- (iv) Where national security is concerned, this form is most suitable since it is under the direct control and supervision of the concerned Ministry.

Limitations

This form of organisation suffers from serious drawbacks, some of which are as follows:

- (i) Departmental undertakings fail to provide flexibility, which is essential for the smooth operation of business;
- (ii) The employees or heads of departments of such undertakings are not allowed to take independent decisions, without the approval of the ministry concerned. This leads to delays, in matters where prompt decisions are required;
- (iii) These enterprises are unable to take advantage of business opportunities. The bureaucrat's over-cautious and conservative approval does not allow them to take risky ventures;
- (iv) There is red tapism in day-to-day operations and no action can be taken unless it goes through the proper channels of authority;
- (v) There is a lot of political interference through the ministry;
- (vi) These organisations are usually insensitive to consumer needs and do not provide adequate services to them.