

**Lesson-7**

**PUBLIC SECTOR ENTERPRISES**

**Introduction**

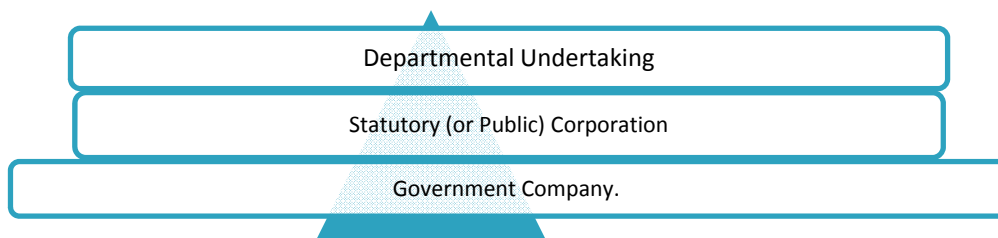
It was observed that private sector did not take interest in areas where the gestation period was long, investment was heavy and the profit margin was low; such as machine building, infrastructure, oil exploration, etc. Not only that, industries were also concentrated in some regions that had certain natural advantages like availability of raw materials, skilled labour, nearness to market. This led to regional imbalances. Hence, the government while regulating the business activities of private enterprises went in for direct participation in business and set up public enterprises in areas like coal industry, oil industry, machine building etc. We will learn about the nature and characteristics of public enterprises and the forms of their organization.

**Important points from the text:**

1. Business units owned, managed and controlled by the central, state or local government are termed as public sector enterprises or public enterprises. These are also known as public sector undertakings
2. **Characteristic of Public sector enterprises**

**Characteristics of Public Enterprises**  
Government ownership  
Government management and control  
Service motive  
Financial autonomy  
Autonomous body  
Separate legal entity  
Public accountability  
Perpetual succession

3. There are three different forms of organization used for the public sector enterprises



4. The Statutory Corporations are the organisations, which are incorporated under the special Acts of the Parliament/State Legislative Assemblies. These are autonomous bodies and are free from government control in respect of their internal management.
5. It is true that the greatest advantage of statutory corporation is its independence and flexibility, but it is found only on paper. In reality, there is excessive government interference in most of the matters.
6. A company in which 51% or more of its capital is held by central and/or state government is regarded as a Government Company. These companies are registered under Companies Act 1956 and follow all those rules and regulations as are applicable to any other registered company.

### **7. Importance of Public sector enterprises:**

- Balanced regional development
- Boost the basic industries of an economy
- Concentrate on public welfare activities
- Promote export
- Price control of essential goods
- Limit the influence of private monopoly
- Ensure security of the country
- Minimise economic inequalities.

### **Learn new points:**

Current Scenario: The government is taking every step to revive and restructure the public sector enterprises to improve their performance, productivity and profitability. Major emphasis has been given on the sick and chronically loss making enterprises, which are capable of being revived. On 24 July 1991 the Government of India announced its Industrial policy to improve the performance and portfolio of public sector enterprises. The new economic policies also emphasized on liberalization, privatisation and globalisation. The role of public sector was redefined. To grant autonomy and delegation of financial power to some of the profit making public sector enterprises Government has given them the status of Navaratnas and Miniratnas.

### **Maximize your marks**

- Read the chapter carefully
- Go through the learning point
- Get into the little details of the above mentioned important points.