5 Forms of Business Organisation - II

Location : Junior College Campus

Time : 11.00 am

(There are four friends standing in corridor of famous junior college in town. These four friends are Nutan, Suhas, Kiran and Snehal.)

Nutan : Hello Friends!

Snehal :
Suhas : } Hi, Nutan.
Kiran :

Nutan : Friends, my sister got a job in 'Indian Railways' a largest employer in India.

Kiran : Oh ! That's a great news. Has she passed railways examination?

Nutan : Yes, She has.

Snehal : Hey! Hey!! My father also got promotion in his company.

Suhas : Where does your father work?

Snehal : My father works with 'Air India'.

Suhas : Hey Friends, see the co-incidence. All great news are coming from everywhere.

(Meanwhile, Suhas got text message on his smart phone.)

What a news!! (on his own)

Nutan : What happened Suhas? You are looking happy.

Suhas : My brother got selected in MNC as a Senior Finance Manager.

(All clapped for Suhas's brothers achievement)

Kiran	:	Friends, even my mother is working with BHEL.
Suhas	:	(amused) : What's BHEL?
Kiran	:	Hey my friend Suhas, BHEL means Bharat Heavy Electricals Limited. It's government owned company.

Let's study different forms of organisations under public sector.

5.1 INTRODUCTION

In India, there is co-existence of Private and Public sector. Private sector organisations are owned by individual or group of individuals whereas, Public sector organisations are owned by the Government.

Private sector aims at profit maximization while public sector aims at providing reliable services to customers.

In the pre-independence period public sector undertakings were set-up in areas like- Post and Telegraph, Airlines, Railways etc. After independence public sector was undertaken as a part of Industrial Policy,1956.

5.1.1 MEANING:

Public Sector Organisations are those organisations which are owned, financed, managed and controlled by government or combination of governments.

Example - HPCL - Hindustan Petroleum Corporation Limited

BPCL - Bharat Petroleum Corporation Limited

5.1.2 DEFINITION:

1. **According to Britannica Encyclopedia:**

   "An undertaking that is owned by a central, state or local government, supplies services or goods at a price and is operated on more or less self-supporting basis is called as Public Sector Organisation.''

2. **According to Prof. Hansen:**

   "Public Enterprise means state ownership & operation of industrial, agricultural, financial & commercial undertaking."

❑ **Public Sector Organisations are classified as follows:**

1. Departmental Organisation.
2. Statutory Corporation.
3. Government Company.

5.2 DEPARTMENTAL ORGANISATION

The organisation which is owned, managed, controlled and financed by government is known as Departmental Organisation.

It is the oldest form of business organisation. Departmental Organisation performs its all activities as an integral part of government only.

The Minister-in-charge of ministry is head of this organisation. All departmental organisations act through officers of the government and all employees are called as government employees.

Examples of the departmental form of organisation are the Post Office, Railways, Defence Industries, Radio, Public Utility Services etc.

5.2.1 FEATURES OF THE DEPARTMENTAL ORGANISATION:

1. **Managed by Government:**

   Departmental Organisation is managed by a concerned government department. Minister at the top is responsible to the Parliament for its operations.

2. **Delegation of Authority:**

   The downward delegation of authority is affected from the top executive to every part of the organisation.

3. **Financed by the Government:**

   Departmental Organisation is financed through annual budget appropriations made by the legislature and its revenues are directly paid to the government treasury.

4. **Run by the Government:**

   Different procedures like budgeting, accounting and auditing are at par with government departments.

5. **No Separate Legal Entity:**

   Departmental organisation has no separate existence from government. It is working under concerned ministry.

6. **Government Employees:**

   Since it is an integral part of the Government, the staff of the enterprise is treated equally with other civil servants for all purposes with other government employees.

5.2.2 MERITS OF DEPARTMENTAL ORGANISATION:

1. **Direct Control:**

   In departmental organisation there is a direct and absolute control of government over the enterprise.

2. **Direct Revenue to the Government:**

   The revenues of the enterprise directly go to the Government treasury in a Departmental Organisation.

3. **Less Overheads:**

   As departmental organisations are operated by government themselves, the administrative overhead charges are less.

4. **Proper use of Funds:**

   Since these undertakings are subject to strict control and supervision, chances for misuse of funds are less in departmental organisation.

5. **Qualified Staff:**

These organisations are properly managed and supervised by the qualified staff.

6. **Maintains Secrecy:**

These organisations maintain maximum secrecy on policy matters and also they take care of essential goods and services.

5.2.3 DEMERITS OF DEPARTMENTAL ORGANISATION:

1. **Delay in Action:**

As departmental organisations are controlled by government, there is always centralization of authorities. Such excessive centralization of authority leads to delay in action.

2. **Red Tapism and Bureaucracy:**

There is always problem of Red tapism and bureaucracy in departmental organisation which affects it's trustworthiness.

3. **Less Scope for Initiative:**

There is no scope for the initiative and skill as the procedures and policies are subject to the criticism in the Parliament.

4. **Lack of Flexibility:**

Departmental organisation always lacks flexibility due to excessive control and supervision by the government.

5. **Delayed Decisions:**

For each and everything, the sanctioning of the Minister or the top executive is essential. The executives at the lower level cannot take any decision.

6. **Absence of professionalism:**

Absence of professionalism, fear of public criticism, frequent transfers of officials and staff affects the efficiency of these organisations.

Activity

- Visit All India Radio(AIR) Station in your surrounding area and find out information about it.
- Visit Indian Rail Catering and Tourism Corporation (IRCTC) office and collect information about it.
- Find out more examples of Departmental Organisations.

5.3 STATUTORY CORPORATION

A Statutory Corporation is an autonomous corporate body created by the Special Act of the parliament or state legislature with defined powers, functions and duties. State helps statutory corporation by subscribing to its capital.

For example, Reserve Bank of India, LIC etc.

5.3.1 FEATURES OF STATUTORY CORPORATION:

1. Corporate Body:

Statutory corporation is an artificial person created by law and its an independent legal entity. It is managed by the board of directors constituted by the government. A corporation has a right to enter into contracts and can undertake any kind of business under its own name.

2. Answerable to the Legislature:

A statutory corporation is answerable to parliament or state assembly whomsoever creates it. Parliament has no right to interfere in the working of statutory corporations. It can only discuss policy matters and overall performance of the corporations.

3. Own Staffing System:

Employees are not government servants, even though the government owns and manages a corporation. Employees of various corporations receive balanced or uniform pay and benefits by the government. They are recruited, remunerated and governed as per the rules laid down by the corporation.

4. Financial Autonomy:

A statutory corporation enjoys financial autonomy or independence. It is not subject to the budget, accounting and audit controls. After getting the prior permission from the government, it can even borrow money within and outside the country.

5. No Political Interference:

A Statutory Corporation comes into existence by following particular act or statute therefore there is no political interference in formation, working and administration of a statutory corporation.

All statutory corporations are free from political interference.

5.3.2 Merits of Statutory Corporations:

1. Initiative and Flexibility:

Operations and management of a statutory corporation is done independently without any government's interference, with its own initiative and flexibility.

2. Administrative Autonomy:

A statutory corporation is able to manage its affairs with independence and flexibility.

3. Quick Decisions:

A statutory corporation is relatively free from red tapism, as there is less file work and less formality to be completed before taking decisions.

4. Efficient Staff:

The statutory corporations can have their own rules and regulations regarding remuneration and recruitment of employees. It provides better facilities and attractive terms of service to staff to secure efficient working from its staff.

5. Professional Management:

Board of directors of statutory corporation consists of business experts and the representatives of various groups such as labour, consumers etc. who are nominated by the government.

6. Easy to raise capital:

Such corporations are fully owned by the government, they can easily raise required capital by floating bonds at a low rate of interest. These bonds are safe, the investors also feel comfortable in subscribing such bonds.

5.3.3 DEMERITS OF STATUTORY CORPORATIONS:

1. Autonomy on paper only:

The autonomy and flexibility of statutory corporation is only for namesake. Practically, ministers, government officials and political parties often interfere with the working of these corporations.

2. Lack of initiative:

Statutory corporations do not have to face any competition and are not guided by a profit motive. So the employees do not take initiative to increase the profit and reduce loss. The losses of the statutory corporation are made good by the government.

3. Rigid structure:

The objects and powers of statutory corporations are defined by the Act and these can be amended only by amending the Statute or the Act. Amending the Act is a time-consuming and complicated task.

4. Clashes amongst interests:

The government appoints the board of directors and their work is to manage and operate corporations. As there are many members, it is quite possible that their interests may clash. Because of this reason, the smooth functioning of the corporation may be hampered.

5. Unfair practices:

The governing board of a statutory corporation may indulge in unfair practices. It may charge an unduly high price to cover up inefficiency.

Activity

- Visit RBI Headquarter at Mumbai.
- Name other four statutory corporations you know.
- Collect the information about Life Insurance Corporation.

5.4 GOVERNMENT COMPANY

The company which is registered under Companies Act,2013 having minimum 51% of paid-up share capital held by the central government or any state government or partly by central government and partly by one or more state governments is known as Government Company.

Examples - 1) National Thermal Power Corporation (NTPC)

2) Bharat Heavy Electricals Limited (BHEL)

3) Hindustan Machines Tools (HMT)

The shares of government company are purchased in the name of The President of India or in the name of Governor of a State.

❑ Important Concepts

1. Annual Reports:

In Government Company, annual reports and audit reports are laid or presented before the Parliament and in case of state company, such reports are presented before state legislature.

2. Appointment of Auditors:

Government on the advice of Comptroller and Auditor General of India appoints auditor for a government company.

3. Shareholding:

A Government company may either wholly or partially owned by Government. In wholly owned company, 100% capital is provided by the government. In partially owned companies minimum 51% capital is held by the government or combination of governments. Private concerns can hold maximum 49% share capital

4. Management:

The management of government company is in the hands of Board of Directors who are nominated by the government and private investors together. Government companies have professional management and skillful employees which results into higher productivity and performance.

5.4.1 FEATURES:

1. Registration Under the Companies Act:

A Government company is formed through registration under the Companies Act, 2013 and is subject to the provisions of this Act, like any other company. However, the Central Government may direct that any of the provisions of the Companies Act shall not apply to a Government company or shall apply with certain modifications.

2. Separate Legal Entity:

A Government company is a legal entity separate from the Government. It can acquire property; can make contracts and can file suits in its own name.

3. Majority of Government Directors:

In Government company major capital is held by Government. So in Board of Directors maximum directors are apppointed by respective Government.

4. Own Staff:

A Government company has its own staff except Government officials who are sent on deputation. Its employees are not governed by civil service rules.

5. Free from Procedural Controls:

A Government company is free from budgetary, accounting and audit controls which are applicable to Government undertakings.

5.4.2 MERITS:

1. **Easy Formation:**
   A Government company can be easily formed under the Companies Act, just by an executive decision of the government.

2. **Internal Autonomy:**
   A government company can manage its affairs independently. It is relatively free from ministerial control and political interference, in its day-to-day functioning.

3. **Easy to Alter:**
   Objectives and powers of the Government Company can be changed by simply altering the Memorandum of Association of the company, without seeking the approval of the Parliament.

4. **Discipline:**
   The Government Company is subject to the provisions of the Companies Act which keeps the management of the company active, alert and disciplined.

5. **Professional Management:**
   A Government company can employ professionally qualified managers because it has its own personnel policies.

6. **Public Accountability:**
   The Annual Report of a Government company is presented to the Parliament/ State Legislature. These reports can be discussed and debated there.

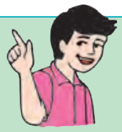
5.4.3 DEMERITS:

1. **Autonomy only in Name:**
   Independent character of a Government company exists only in name. In reality, politicians, ministers, Government officials, interfere excessively in the day-to-day working of the government company.

2. **Fear of Exposure:**
   The annual report of the government company is placed before the Parliament/State Legislature. The working of the company is exposed to press and public criticism. Therefore, management of the Government Company often gets demoralized and may not take initiative to come out with and implement something innovative.

3. **Lack of Expertise:**
   The key personnel of a Government company are often deputed from Government departments. Such person generally lack expertise and commitment leading to lower operational efficiency of the government company.

4. **Lack of Professional View :**
   Sometimes there is lack of professional view while taking decisions by the board as these companies are more bounded with fullfilment of social objectives of the business.



Activity

- Find out information on government company like NTPC, MSRDC.

5.5 Multinational Corporations

A multinational corporation is a business organisation that operates in many different countries at the same time. In other words, it's a company that has business activities in more than one country.

A multinational corporation (MNC) has facilities and other assets in at least one country other than its home country. Such companies have offices and/or factories in different countries and usually have a centralized head office from where they coordinate global management.

Very large multinationals may have budgets that exceed those of many small countries.

- Multinational corporations are sometimes referred as transnational, international corporations.

Examples of Indian multinationals.

Bata India | Infosys | Tata Motors

5.5.1 FEATURES:

1. Huge Assets and Turnover:

As MNC is operating on a global basis, they have huge physical and financial assets. This also results in huge turnover (sales) of MNCs. In fact, in terms of assets and turnover, many MNCs are bigger than national economies of several countries.

2. International Operations:

MNCs have production and marketing operations in several countries; operating through a network of branches, subsidiaries and affiliates in host countries.

3. Centralised Control:

MNCs are characterized by unity of control. MNCs control business activities of their branches in foreign countries through head office located in the home country. Management of branches operate within the policy framework of the parent corporation.

4. Mighty Economic Power:

MNCs are powerful economic entities. They keep on adding to their economic power through constant mergers and acquisitions of companies, in host countries.

5. Advanced and Sophisticated Technology:

Generally, a MNC has advanced and sophisticated technology at its command. It employs capital intensive technology in manufacturing and marketing.

6. **Professional Management:**

A MNC employs professionally trained managers to handle huge funds, advanced technology and international business operations.

5.5.2 MERITS:

1. **Employment Generation:**

MNCs create large scale employment opportunities in host countries. This is a big advantage of MNCs for countries; where there is a lot of unemployment.

2. **Inflow of Foreign Capital:**

MNCs bring in much needed foreign capital for the rapid development of developing countries. This inflow of capital will bring much needed boost for growth of the domestic economy.

3. **Proper Use of Idle Resources:**

MNCs are in a position to utilize idle physical and human resources of the host country properly because of their advanced technical knowledge. This results in an increase in the national income of the host country.

4. **Technical Development:**

MNCs carry the merits of technical development of host countries. In fact, MNCs are a vehicle for transfer of technical development from one country to another. Poor countries also begin to develop technically after hosting MNCs.

5. **Managerial Development:**

MNCs employ latest management techniques. People employed by MNCs do a lot of research in management. In a way, they help to professionalize management along with latest lines of management theory and practice. This leads to managerial development in host countries.

6. **End of Local Monopolies:**

The entry of MNCs leads to competition in the host countries. Local monopolies of host countries either start improving their products or reduce their prices. Thus MNCs put an end to exploitative practices of local monopolists. As a matter of fact, MNCs compel domestic companies to improve their efficiency and quality.

7. **Improvement in Standard of Living:**

By providing quality products and services, MNCs help to improve the standard of living of people of host countries.

8. **Promotion of International Brotherhood and Culture:**

MNCs integrate economies of various nations with the world economy. Through their international dealings, MNCs promote international brotherhood and culture; and pave a way for world peace and prosperity.

5.5.3 DEMERITS:

1. **Danger for Domestic Industries:**

MNC's, because of their vast economic power, pose a danger to domestic industries which are still in the process of development. Domestic industries cannot face challenges posed by MNCs. Many domestic industries have to wind up, as a result of threat from MNCs. Thus MNCs give a setback to the economic growth of host countries.

2. **Repatriation of Profits:**

Repatriation of profits means sending profits to their country.

MNCs earn huge profits. Repatriation of profits by MNCs adversely affects the foreign exchange reserves of the host country; which means that a large amount of foreign exchange goes out of the host country.

3. **Interference:**

Initially MNCs help the Government of the host country, in a number of ways; and then gradually start interfering in the political affairs of the host country. There is, then, an implicit danger to the independence of the host country, in the long-run.

4. **Disregard of the National Interests of the Host Country:**

MNCs invest in most profitable sectors and disregard the national goals and priorities of the host country. They do not care for the development of backward regions and never care to solve chronic problems of the host country like unemployment and poverty.

5. **Misuse of Mighty Status:**

MNCs are powerful economic entities. They can afford to bear losses for a long while in the hope of earning huge profits. They have ended local competition and achieved monopoly in a greater extent. This may be the unfair strategy of MNCs to wipe off local competitors from the host country.

6. **Exploitation of Natural Resource:**

MNCs tend to use the natural resources of the host country carelessly. They cause rapid depletion of some of the non-renewable natural resources of the host country. In this way, MNCs cause a permanent damage to the economic development of the host country.

7. **Selfish Promotion of Alien Culture:**

MNCs tend to promote alien culture in host country to sell their products. They make people forget about their own cultural heritage e.g. In India, MNCs have created a taste for synthetic food, soft drinks etc. This promotion of foreign culture by MNCs is injurious to the health of people also.

8. **Exploitation of People :**

MNCs join hands with big business houses of host country and emerge as powerful monopolies. This leads to concentration of economic power only in a few hands. Gradually these monopolies make it their birth right to exploit poor people and enrich themselves at the cost of the poor working class.

Activity

- Visit a nearest company around you and find out whether it is MNC or not.
- Find out Indian MNC operting globally.
- Find out products produced or services provided by MNC.

Distinguish between

1) Private Sector Organisation and Public Sector Organisation

Sr. No.	Point of difference	Private Sector Organisation	Public Sector Organisation
1)	Meaning	The Organisation which is owned, managed, controlled and financed by individuals or group of individuals is known as private sector organisation.	The organisation which is owned managed, controlled and financed by government or combination of governments is known as public sector organisation.
2)	Constituents	The private sector organisation includes Sole Trading Concern, Joint Hindu Family, Partnership Firm, Joint Stock Company, Co-Operative Society.	The public sector organisation includes Departmental Organisation, Statutory Corporation and Government Companies.
3)	Main Motive	The main objective of private sector organisation is to earn profit.	The main objective of public sector organisation is to serve society by providing essential services.
4)	Management	The management of private sector organisation remains with owner or their elected representatives.	The management of public sector organisation is in the hands of Government officials or Board of Directors (BOD).
5)	Size of Entity	The private sector organisation firms can be of any size e.g. sole trading concern operates on small scale basis where as Joint Stock Company operates on large scale basis.	The Public sector organisation are large in size and operates on large scale basis.
6)	Capital provider	Capital is contributed by owner / private investors from their own resources or borrowings from financial institutions.	The capital of public sector organisation is mostly contributed by Government.
7)	Business Areas	The private sector organisation operates in industrial and commercial area only.	The public sector organisation operates mostly in utility services such as railways, posts, etc. and also in industrial and commercial undertakings.
8)	Decision Making	In private sector organisation decision making is quick as very few officials are involved in decision making process.	In Public sector organisation the decision making is delayed due to bureaucratic hurdles.
9)	Efficiency	There is a grater efficiency on the part of private sector due to professional approach in running the organisation	The efficiency of public sector organisation is low due to lack of competitive spirit.

2) Departmental Organisation and Statutory Corporation

Sr. No.	Point of difference	Departmental Organisation	Statutory Corporation
1)	Meaning	The organisation which is owned, managed, controlled, financed and operated by government is known as Departmental Organisation.	The organisation which is formed under a special Act of Parliament or state legislature is known as statutory organisation.
2)	Capital	The required funds come from annual budget appropriation of the Government.	The capital is contributed by the Government at the time of establishment. Additional capital if required can be contributed by the Government.
3)	Management	The departmental undertaking is managed by government officials of the concerned ministry.	Statutory Corporation is managed by board of directors nominated by the Government.
4)	Control	The Departmental undertaking is controlled by concerned ministry.	The statutory Corporation is controlled by the Act or Statute of the Parliament or state legislature.
5)	Autonomy	The departmental organisation does not have autonomy in decision making.	Statutory corporation enjoys autonomy in decision making.
6)	Legal Status	The Departmental undertaking has no separate legal status distinct from the Government.	Statutory Corporation has seperate status distinct from the Government.
7)	Establishment	The Departmental undertaking is formed under concerned ministry.	The Statutory corporation is established by special Act of the Parliament or state legislature.
8)	Borrowing Power	The Departmental undertaking cannot borrow money from public.	The statutory corporation can borrow money from public by way of bonds.
9)	Staff	The staff of departmental organisation is government servants and their services are governed by civil service rules.	The staff is recruited independently and their services are governed by service rules of organisations.

3) Statutory Corporation and Government Companies

Sr. No.	Point of difference	Statutory Corporation	Government Companies
1)	Meaning	The Company which is formed under a special statute act of parliament or state legislature is known as statutory corporation.	The company where minimum 51% of the paid up capital is held by central or state Government jointly or individually is known as Government Company.
2)	Capital	The capital is contributed by the government at the time of establishment. Additional capital if required can be contributed by government as and when required.	The capital of Government company is contributed by central and state government and even by general public and financial institutions.
3)	Management	Statutory corporation is managed by Board of Directors nominated by the Government.	Government company is managed by Board of Directors appointed by government and shareholders.
4)	Control	The statutory corporation is controlled by the Act or the statute of the Parliament or state legislature.	Government companies are controlled by government or shareholders by following the provisions of Companies Act.
5)	Establishment	The statutory corporation is established by special Act of the parliament or state legislature.	Government companies are formed and registered under the provisions of Companies Act 2013.
6)	Borrowing Power	Statutory corporation can borrow funds from the public by ways of bonds.	Government Companies can borrow funds by the way of debt or issuing shares to the public.

4) Departmental Organisation and Government Company

Sr. No.	Point of difference	Departmental Organisation	Government Company
1)	Meaning	The Organisation which is owned, managed, controlled, financed and operated by government is known as Departmental Organisation.	Any company where minimum 51% of the paid up capital is held by central or state Government jointly or individually is known as Government Company.
2)	Capital	The required funds come from annual budget appropriation of the Government.	The capital of Government company is contributed by central and state Government and by general public and financial institution.

3)	Management	The Departmental undertaking is managed by Government officials of the Concern ministry.	The Government Company is managed by board of directors appointed by Government and shareholders.
4)	Control	The Departmental undertaking is controlled by concerned ministry.	The Government companies are controlled by Government or shareholders by following the provision of companies Act.
5)	Autonomy	The Departmental organisation does not have autonomy in decision making.	The Government companies enjoys autonomy in decision making.
6)	Legal Status	Departmental undertaking has no separate status distinct from the Government.	The Government company has separate status distinct from the Government.
7)	Establishment	The Departmental undertaking is formed under concerned ministry.	Government companies are formed and registered under the provision of Companies Act 2013.
6)	Borrowing Power	The Departmental Undertaking cannot borrow money from public.	Government Companies can borrow Funds by ways of debts or issuing shares to the public.
7)	Staff	The staff of Departmental Organisation is government servants and their services are governed by civil service rules.	The staff is recruited independently and their services are governed by contract of service rules of organisations.

SUMMARY

- **Public Sector Organisation**

  Public sector Organisations are those which are owned, financed managed and controlled by government or combination of governments.

- **Departmental Organisation**

  Departmental Organisation is owned, managed, controlled and financed by government.

- **Features:**
  1. Managed by Government
  2. Delegation of Authority
  3. Financed by the Government
  4. Run by the Government
  5. No Separate Legal Entity
  6. Government Employees

Merits

1. Direct Control
2. Direct Revenue to Government
3. Less Overheads
4. No misuse of funds
5. Qualified Staff
6. Maintains Secrecy

Demerits:

1. Delay in Action
2. Red tapism and Bureaucracy
3. Less scope for Initiative
4. Lack of Flexibility
5. Delayed Decisions
6. Absence of Professionalism

Statutory Corporation:

A Statutory Corporation is an autonomous corporate body created by the Special Act of the parliament or state legislature with defined powers, functions and duties.

Features:

1. Corporate Body
2. Answerable to the Legislature
3. Own Staffing System
4. Financial Autonomy
5. No Political Interference

Merits:

1. Initiative & Flexibility
2. Administrative autonomy
3. Quick decisions
4. Efficient Staff
5. Professional Management
6. Easy to raise capital

Demerits:

1. Autonomy on paper only
2. Lack of initiative
3. Rigid structure
4. Clash amongst interests
5. Unfair practices

Government Company:

The company which is registered under Companies Act, 2013 having more than 51% of paid-up share capital held by the central government or any state government or partly by central government and partly by one or more state government is known as Government Company.

Features:

1. Registration Under the Companies Act
2. Separate Legal Entity
3. Majority of Government Directors
4. Own Staff
5. Free from Procedural Controls

Merits:

1. Easy Formation
2. Internal Autonomy
3. Easy to Alter
4. Discipline
5. Professional Management
6. Public Accountability

Demerits:

1. Autonomy only in Name
2. Fear of Exposure
3. Lack of Expertise
4. Lack of Public Interest

Multinational Corporation (MNC):

A multinational corporation is a business organisation that operates in many different countries at the same time. In other words, it's a company that has business activities in more than one country.

Features:

1. Huge Assets and Turnover
2. International Operations
3. Centralised Control
4. Mighty Economic Power
5. Advanced and Sophisticated Technology
6. Professional Management

❑ Merits:

1. Employment Generation
2. Inflow of Foreign Capital
3. Proper Use of Resources
4. Technical Development
5. Managerial Development
6. End of Local Monopolies
7. Improvement in Standard of Living
8. Promotion of international brotherhood and culture

❑ Demerits:

1. Danger for Domestic Industries
2. Repatriation of Profits
3. Interference
4. Disregard of the National Interests of the Host Country
5. Misuse of Mighty Status
6. Careless Exploitation of Natural Resources
7. Selfish Promotion of Alien Culture
8. Exploitation of people in a systematic manner

❑ Career Opportunities

1) IAS Level Officer/ Employees.
2) One can start own Indian multinational corporation.

❑ References

1) www.owlgen.com
2) XI Commerce- Organisation of Commerce and Management, Edition : 2012
3) www.Google.com
4) Wikipedia.com

EXERCISE

Q.1 A) Select the correct option and rewrite the sentence.

1) Departmental Organisation is financed through ……… appropriations made by the legislature.

   a) annual budget b) monthly budget c) quarterly budget

2) A ……… is an autonomous corporate body created by the Special Act of the parliament or state legislature.

   a) statutory corporation b) government company c) MNC

3) A statutory corporation is answerable to ………. or state assembly whosoever creates it.
   a) parliament   b) public   c) employees

4) In government company minimum ……….% paid up capital is held by government.
   a) 51   b) 41   c) 31

5) The shares of government company are purchased in the name of ………. .
   a) President of India   b) Chief Minister   c) Defense Minister

6) Government on the advice of ………. appoints auditor of government company.
   a) Comptroller and Auditor General of India   b) auditor   c) chartered accountant

7) A Government company is a ………. entity separate from the Government.
   a) natural   b) legal   c) human

8) ………. Company has public accountability.
   a) MNC   b) Private   c) Government

9) MNCs are powerful ………. entities.
   a) economical   b) political   c) social

B) Match the pairs.

Group 'A'		Group 'B'	
A)	BHEL	1)	Special Legislature
B)	Statutory Corporation	2)	49% paid up capital by govt.
C)	Departmental Organisation	3)	Service Motive
D)	Private Sector	4)	Railway
E)	Public Sector	5)	Profit Motive
		6)	51% paid up capital by govt.

C) Give one word / phrase / term for the following sentences.

1) Organisations which are owned by individual or group of individuals.
2) Organisations which are owned by government.
3) The sector which aims at profit maximization.
4) The sector which aims at providing reliable services to customers.
5) Organisations which are owned, financed, managed and controlled by government or combination of governments.
6) The organisation which is owned, managed, controlled and financed by government.
7) The oldest form of business organisation under public sector.
8) The organisation which performs it's all activities as an integral part for government only.
9) The organisation which is financed through annual budget appropriations made by the legislature.

10) The organisation in which there is direct and absolute control of government over the enterprise.

11) An autonomous corporate body created by the Special act of the parliament or state legislature with defined powers, functions and duties.

12) An organisation which is answerable to parliament or state assembly whosoever creates it.

13) An organisation which is not subject to the budget, accounting and audit controls by the Govt.

D) State True or False.

1) Private sector organisations are owned by individual or group of individuals.
2) Public sector organisations are owned by government.
3) Private sector aims at providing reliable services to customers.
4) Public sector was undertaken as a part of Industrial Policy, 1956.
5) Departmental organisations is oldest form of business organisation under public sector.
6) Departmental Organisation performs its all activities separately from government.
7) The Minister-in-charge of ministry is the head of departmental organisation.
8) There is always problem of Red tapism and bureaucracy in departmental organisation.
9) There is large scope for the initiative and skill in departmental organisation.
10) In Departmental organisation there is flexibility in operations.

E) Find the odd one.

1) Indian Post, Indian Railway, Bank of India, Air India,
2) Life Insurance Corparation, Reserve Bank of India, Bharat Heavy Electricals Limited, ONGC.
3) Pepsi, Cocacola, Dabur, Proctor & Gamble.
4) Tata Motors, Hindustan Aeronautics Limited, Steel Authority of India Limited, Gas Authority of India Ltd.

F) Complete the sentences.

1) A Government company is a .... entity separate from the Government.
2) .... is owned, managed, controlled and financed by government.
3) All government companies are registered under .... Act, 2013.
4) MNCs are powerful .... entities.

G) Answer in one sentences.

1) What is Government Company?
2) What is Departmental Organisation?
3) What is Statutory Corporation?
4) What is Multinational Corporation?
5) What is Public Sector?
6) What is Private Sector?

H) Correct the underlined word and rewrite the following sentences.

1) Statuory Corporation is a natural person created by special Act.
2) A Statutory Corporation is not answerable to parliament or state assembly.
3) MNC have existence in single country.
4) Departmental Organisation has separate existence from government.
5) Private sector aims at providing essential services to customers.

Q.2 Explain the following terms/concepts.

1) Public Sector Organisation
2) Private Sector Organisation
3) Departmental Organisation
4) Statutory Corporation
5) Government Company
6) Multinational Corporation

Q.3 Study the following case/situation and express your opinion.

1) There is X company in which capital contribution by different entities are as follows:

   Madhya Pradesh Govt 35%, Maharashtra Government 35% and Government of India 30% of company.

   i) Find out type of this company.
   ii) Tell any one features of this company.
   iii) Give an example of this type of company.

2) There is a company which is having a registered office in Singapore and such company is having branch offices in Varanasi (India) and Hambantota(Sri Lanka). This company provides cellular services to host countries through their respective branch offices.

   i) Find out type of organisation.
   ii) In which country does the company originates?.
   iii) Name any one country which has the branch office of the company.

3) A central government passes a statute in the parliament and forms a business organisation which is having autonomy in administration and this organisation is answerable to legislature.

   i) Which type of organisation is this?
   ii) Give any one feature of this organisation.
   iii) Give any one example of this type of organisation.

Q4. Distinguish between.

1) Private Sector Organisation and Public Sector Organisation.
2) Departmental Organisation and Statutory Corporation.
3) Government Company and Multinational Corporation.

4) Departmental Organisation and Multinational Corporation.
5) Government Company and Statutory Corporation.
6) Departmental Organisation and Government Company.
7) Statutory Corporation and Multinational Corporation.

Q.5 Answer in brief.

1) State any four features of Departmental Organisation
2) State any four features of Statutory Corporation
3) State any two demerits of Multinational Corporation
4) State any four merits Government Company

Q.6 Justify the following statements.

1) Departmental Organisations are run for providing public services.
2) There is direct control of government on departmental organisation.
3) There is no political interference in statutory corporation.
4) There is professional management in statutory corporation.
5) MNC helps to end local monopolies.
6) MNC has worldwide existence.
7) MNC has mighty economic powers.

Q.7 Attempt the following.

1) Merits of Departmental Organisation.
2) Demerits of Departmental Organisation.
3) Merits of Statutory Corporation.
4) Demerits of Statutory Corporation.
5) Features of Government Company.
6) Demerits of Government Company.
7) Features of Multinational Corporation.
8) Merits of Multinational Corporation.

Q.8 Answer the following in details.

1) Explain Departmental Organisation and its features.
2) Explain merits and demerits of departmental organisation.
3) Explain Statutory Corporation and its features.
4) Explain merits and demerits of statutory corporation.
5) Explain Government Company and its features.
6) Explain merits and demerits of government company.
7) Explain multinational corporation and its features.
8) Explain merits and demerits of multinational corporation.