

PUBLIC CORPORATIONS

Prepared by,
Mr. Thomas G.M.,
Associate professor,
Pompei college aikala DK

INTRODUCTION:

- ◉ Public corporations are **another kind of line agencies** which have come in to existence as a result of the entry of the state in to the field of business and commerce.
- ◉ Robson described it as **the most important innovation in political organization and constitutional practice.**
- ◉ In India the Damodar Valley Corporation set up in 1948 was the first corporation.
- ◉ The idea of public corporation is very much influenced by a **company like organization** in private administration.

MEANING:

- Public corporation is a new concept in administrative organization.
- Marshall E. Dimock has defined “**public corporation as a publicly owned enterprise that has been chartered under federal, state or local law for a particular business or financial purpose.**”
- Prof. M.C. Shukla defined it as “a corporate body created by legislature, with defined powers and functions, and financially independent, having a clear-cut jurisdiction over a specified area or over a particular type of commercial activity.”

MEANING ...

- ⦿ Thus, government corporations are organized to achieve a public purpose by law.
- ⦿ A corporation is set by a special act of the legislature.
- ⦿ Public corporations are not an end in themselves but an extension of the government activities designed to promote public welfare.

FEATURES OF PC :

- ◎ The main features of PC s are as follows -
 1. A legal entity,
 2. Body corporate,
 3. Financial self-support,
 4. Autonomous body,
 5. Separate accounting system,
 6. Created for specific purpose,
 7. Accountable to the government,
 8. Autonomy in day-to-day management,
 9. Service motive, etc.

1. A LEGAL ENTITY,

- ⦿ Being a corporate body, it enjoys a separate legal entity and is liable to be treated as such.
- ⦿ It can enter into contracts, acquire and hold property, sue and can be sued in its own name.
- ⦿ It has a perpetual succession and common seal.

2. BODY CORPORATE:

- ◉ it is a body corporate created by a separate Act of Parliament or state legislature.
- ◉ Since it is created by a special Act, its powers, duties, privileges, relationship to the government department, etc. are all defined by the Act.

3. FINANCIAL SELF-SUPPORT:

- It is financially self-supporting.
- The government initially contributes to its capital and may also grant loans from time to time to enable it to function properly.
- Thus, it is financially independent. It has its own assets, income and expenditures, separated from the union budget.

4. AUTONOMOUS BODY:

- ⦿ It is administratively speaking an autonomous body.
- ⦿ its Board of directors and chairman are appointed by the government.
- ⦿ Its personnel are separated from the rest of the civil services. They are appointed by the corporation itself.

5. SEPARATE ACCOUNTING SYSTEM:

- It has a separate accounting system.
- It is not subjected to the budgetary, accounting, and audit regulations which apply to departmental undertakings.

6. CREATED FOR SPECIFIC PURPOSE:

- ⦿ Each public corporation is established by a separate law for some specific purpose. It cannot do anything else.
- ⦿ For example, LIC can take the insurance of the life of an individual but cannot undertake the insurance of property or vehicles.

7. ACCOUNTABLE TO GOVERNMENT:

- Public corporations are responsible, and accountable to the government despite its financial, personnel and managerial autonomy.
- They have to work according to the policy guidelines given by the government from time to time.
- They have to submit the annual report and other documents to the government.
- Its board members are appointed as well as can be removable by the government.

8. AUTONOMY IN DAY-TO-DAY MANAGEMENT:

- Public corporations are managed by a board of directors.
- This board has autonomy in day-to-day management.
- Government issues only some policy guidelines.
- It does not interfere in the daily routine matters of management.

9. SERVICE MOTIVE:

- ◉ The chief motive of the corporation is to render service to the public; earning of surplus or profit takes a secondary phase.

FEATURES

- ⦿ In brief, PC is an autonomous body.
- ⦿ It is accountable to the government.
- ⦿ It can recruit its own employees and they are not government servants.
- ⦿ The main objective of corporations are is to provide quality goods and services to the public at reasonable rates.

DISTINCTION B/W DEPT & PC:

Departments	Public Corporations
1. These perform state regulatory activities	1. These are there to perform business type of activities,
2. It is headed by a minister	2. Headed by a board of directors
3. These are not operated on a self supporting basis	3. On the other hand, PCs are operated on a self supporting basis.
4. Depts. are mostly money spending services of the govt.	4. It is generally meant to produce revenue. There is direct relationship b/w income & expenditure in PC.
5. dept. do not enjoy administrative & financial autonomy	Pc enjoys administrative and financial autonomy.

DISTINCTION B/W DEPT & PC....

Depts.	Public corporations
6. Staff of the depts. are selected by the public service commissions.	6. They are appointed by the corporation itself.
7. Depts. follow the routine procedures, there is no scope for experimentations	7. Pc have more flexibility and they have plenty of scope for experimentation.
8. We find direct political control over depts.	8. There is no political control and less political interference in a public corporation.
9. Vast majority of functions of the government are carried by depts.	9. While public corporations carry out only business or commercial activities.

MERITS:

- PCs have the following advantages -
 1. As these public corporations are given a lot of flexibility and autonomy, they can act swiftly and can take quick decisions. They can **easily adapt their policies to the changing economic conditions.**
 2. The public corporations are **less subjected to party pressures.** Therefore, public corporations can take public enterprises out of political influences and partisan considerations.
 3. Public corporation is a **best device to combine commercial efficiency of a private firm with public accountability of a govt. dept.**

MERITS:

4. Public corporations proved to be a valuable instrument for social control of economic life.
 5. Public corporations have opportunities for experimentation. They can adopt new methods of training, etc. according to the needs of the business enterprise.
 6. A public corporation enjoys administrative and financial autonomy. It can take long term policy decisions independently of the government. Thus there is freedom of action.
- Thus, freedom of operation, flexibility, business efficiency and opportunity for experimentation are some of its plus points.

DEMERITS:

- ◉ A public corporation suffers from the following drawbacks -
 1. The corporations find it extremely difficult to effect changes in its constitution as it is only the legislature is competent to bring about the changes.
 2. It is difficult to distinguish between matters of policy and matters of day-to-day administration. This may lead to conflict b/w govt. and the management of the PCs.

DEMERITS:

3. **Whenever politicians are appointed as chairman, public corporations may come under the influence of political considerations.**
4. **Autonomy and flexibility of public corporations are endangered when ministers, government officials interfere in the day-to-day management of the corporations.**
5. **In the absence of the profit motive and competition, there is lack of motivation to work hard and improve efficiency. The corporation may charge high prices from consumers to cover up its inefficiency.**

CONCLUSION:

- ◉ Despite its weaknesses listed above, the public corporation offers the best form of management of public enterprises as it combines what is best in public interest and what is necessarily the ideal in private enterprise namely, the operational autonomy.
- ◉ However, in reality, the proliferation of autonomous corporations instead of remedying corrupt government, many a times resulted in a chaotic administrative system. (Harold Seidman)