**Business Studies**

**Chapter 3- Private, Public and Global Enterprises Notes**

The important topics covered in this chapter have been discussed below.

**Public and Private Sector**

The Indian economy consists of both private and government-owned businesses. Individuals or groups can own the private sector business. Any state or federal government can own an organisation entirely or partly. The government is responsible for taking care of public sector organisations. The federal or state governments may take over these organisations entirely.

They could be a part of the ministry or created by a Parliamentary Special Act. The government of India initiated an approach to economic development in the Industrial Policy Resolution of 1948. The Industrial Policy Resolution of 1956 set forth some goals to help achieve to speed up the expansion rate and industrialisation.

The industrial policy of 1991, as opposed to all the other strategies where the government considered disinvesting in the public sector and allowing independence to the private sector.

Companies outside India were asked to invest in India. The Indian economy consists of the public sector, private sector and multinational corporations.

**Indian Economy- Public and Private Sector**

**Public Sector**

1. Departmental Undertakings
2. Statutory Corporation
3. Government Companies

**Private Sector**

1. Sole Proprietorship
2. Partnership
3. Joint Hindu Family
4. Cooperative
5. Multinational Corporations
6. Company (public ltd.), (private ltd.

**Changing Role of Public Sector**

* **Development of Infrastructure:** It is a prerequisite for industrialisation. Without transportation, communication, fuel, energy and industries, industrialisation cannot be continued. The government can collect money and coordinate and train workers and technicians. The expansion of rail, sea, road and air transport is necessary to see industrialisation and future growth.
* **Regional Balance:** The Indian government oversees development in all states and regions. Special attention is paid to any delays. Four major steel facilities were built to help promote growth and get jobs.
* **Economies of Scale:** As large-scale companies require a lot of investment, the government was forced to step in and take advantage of economies of scale. Power, electricity and natural gas were necessary for proper functioning.
* **The concentration of Economic Power:** The industrial conglomerates should engage in heavy sectors resulting in wealth. The public sector established industries required a lot of investment for their functioning.
* **Import Substitution:** Importing heavy machinery, which is necessary for an industrial basis was challenging. Different engineering firms helped in the substitution process. Different public sector firms like MMTC played a significant role in improving the country’s exports.
* **Government Policy towards Public Sector Since 1991:**The government has implemented reforms in the public sector as a part of a new industrial policy. In 1956, about 17 industries were reserved for the public sector. Three industries – rail, armaments and atomic energy were reserved for the public sector in 2001. The goal was to collect funds and foster public and worker participation in ownership of the businesses.

The public sector units came under the Board of Industrial and Financial Reconstruction. It helps determine whether a sick unit should be finally built again or closed. In certain cases, the board reassessed the revival and the rehabilitation plans. Performance could be improved using MOU. The public sector units were given targets.

**Types of Public Sector Enterprises**

Public sector organisations are established in three forms.

1. **Departmental undertaking –**This is the earliest kind of public sector enterprise and is considered as one of the government’s departments. It does not have an individual existence other than the government and operates under one government department or ministry. For example, post and telegraph, broadcasting, railways, telephone service, etc.
2. **Public corporation/statutory corporation –**It is a body found by the state or central legislature or by a special act of parliament. It is entirely government-funded, and the act of the legislature determines all the decisions, objects, limitations, powers, etc. For example, the State Bank of India, Life Insurance Corporation of India, Air India, Oil and Natural Gas Corporation, and Food Corporation of India.
3. **Government company –**The central or state government holds 51% of the paid-up share capital in such a company. However, the government companies are controlled, governed, and registered under the Companies Act, 2013. For example, Hindustan Machine Tools, Steel Authority of India, and State Trading Corporation.

**Global Enterprises**

Global enterprises are industrial conglomerates that expand their marketing operations across various nations. MOFA is the other name of these branches. They spread their branches far and across. They help positively grow the economy.

**Features:**

* **Huge Capital Resources:** They can raise funds from various sources. There are options to sell stock, debentures, and bonds to the public. They can borrow money from banks and other institutions in the world.
* **Foreign Collaborations:** It is possible to enter into agreements with Indian companies for selling of technology, manufacturing, use of brand names for finished products and other things. They work with the government as well as private companies. There are restrictive terms related to technology transfer and Priceline. Collaborations with other countries led to monopolies and concentration of power in a few hands.
* **Advanced Technology:** Businesses have a lot of advantages in the manufacturing process. As they can adhere to worldwide norms and specifications, the countries where these operations are advanced.
* **Product Innovation:**High research and advancement in technology help invent new products and improve existing ones. Proper research can help in financial investments that only corporations can make.
* **Marketing Strategies:** Implementation of marketing strategies help improve sales. The marketing methods help boost sales. They have a niche worldwide, so their brand presence has grown over time.
* **Expansion of Market Territory:**The company’s market territory grows daily. This helps to increase brand awareness. They have a monopoly in the market due to their huge size.
* **Centralised Control:** The headquarters of the company are located in the home nation. They have control over all branches. The control is limited to the broad policy framework. There is no change in daily operations.

**Joint Ventures**

A joint venture is made when two businesses work together to achieve a certain goal. This is done to enjoy profits. The agreement helps stipulate required permissions and licenses will be obtained within a time frame. An MOU needs to be signed by both parties where an outline is mentioned. The gain and loss of the business are also mentioned. Some common examples of joint ventures are AVI of India Pvt Ltd.

**Joint Venture-Types**

1. **Equity-Based**

* Company
* Limited liability partnership
* Partnership

1. **Contractual**

* Cooperation Agreement/Strategic Alliances

1. **Equity-Based Joint Venture**

* A joint venture agreement is where two parties agree to create a company which the parties jointly own. The business form may, however, vary.

1. **Contractual Joint Venture**

* This venture is based on commitment. There is no direct ownership, but the involved parties need little control.

**Benefits:**

* The joint venture firm can help increase resources and capabilities, growing and expanding.
* Once a company forms a joint venture with someone from another country, it gains a huge market.
* The access to latest technology and manufacturing helps in higher quality products to help save time, energy and money.
* Joint ventures will let businesses come up with new and creative marketing strategies. New ideas and technology can help international partners come up with creative solutions.
* International companies invest in India because they can enjoy profits due to cheap production costs. They can obtain high-quality products to meet all global needs.
* Each party will gain from another party.

**Public Private Partriershíp**

A Public Private Partnership (PPP) collaborates between the public and private entities based on infrastructure and its services.

**Features:**

* Government entities such as ministries, state enterprises and municipalities are public partners in PPP.
* Along with social responsibility, expertise and environmental awareness, the government’s involvement helps in investment and asset transfer, supporting partnership.

**Pros:**

* Design transfer and construction risk.
* The potential to accelerate projects.

**Cons:**

* There may be a conflict between parties due to environmental considerations.
* It might not attract private financ