Departmental Form of Public Enterprise

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Introduction

- Departmental undertaking is the traditional and oldest form of public enterprise.
- An enterprise may constitute a department in itself or it may be organized as an integral part of department.
- Public departments are a part of Governmental set up.
- They are adopted because of ease and convenience in its set up.
Features of Department Undertaking

Sovereign Immunity of the state
• It possesses sovereign immunity of the state.
• It can not be sued without the consent of the government.

Created by an executive Discretion
• It is created by an executive resolution.
• Prior permission of parliament is not required to create it.

Financed directly by the treasury
• It is financed by annual appropriation from the treasury.
• All its revenues or a major part of it are paid into treasury.
Features of Department Undertaking

Government rules
• It is subject to budget, accounting and controls, which are applicable to other government department.

Operates as Functional Branches
• They do not enjoy the right of legal personality.
• They are restricted in their commercial rights and have no great measure of autonomy.

Staffing Pattern
• Its permanent staff consists of civil servants.
• Method of recruitment and service conditions are same as other civil servants.
Features of Department Undertaking

Not allowed to generate internal resources

- They can not build up financial resources of their own out of the revenue/ profit which they earn.

Direct Ministerial control

- It is accountable to the parliament through the concerned minister.
Advantages

Optimum Utilization of Finances

• Funds are allocated from consolidated fund
• Surplus generated by them goes directly to consolidated fund

Direct Ministerial Control

• Checking of all financial spending by the minister
• Direct intervention by the minister in the affaires of the undertakings.
Advantages

Benefit for the General Public
• Beneficial for the general public and consequently the consumer.
• The public invariably stands to benefit more from departmental enterprises.

Perfect Secrecy is Possible
• The concern minister would keep the information on this count secret.
• The parliament can not pressurize the minister to reveal such information
Advantages

Suitable for Routine Type of Activities

- This type of enterprise are suitable for the routine type of governmental activities.
- Such as revenue collection, transport, health, education etc.

Executive Efficiency and High Degree of Public Accountability

- The Actual work of administration are performed by the civil servants.
- They ensure a high degree of public accountability.
Advantages

Regularize Arrangement

- Departments are managed, operated, and controlled by predetermined government rules and regulation.
- This leads to a regularize arrangement of routine operations.

Avoids conflicts of Jurisdiction

- Every department clearly knows its responsibility, authority and area of jurisdiction.
- The possibility of avoiding conflicts of jurisdiction and overlapping of the functions is higher.
Disadvantages

Tends to Raise the Powers of the Government

- The government officials hold too much power with them.
- Centralization of authority and inadequate delegation of powers
- Reduce initiative and innovativeness amongst its employees.

Administration is Largely in the Hands of Civil Servants

- The civil servants are poorly trained and have little knowledge of economic problems.
- Overburdened with the routine work of their ministry.
Disadvantages

Follow Purely Bureaucratic Approach
• Because of bureaucratic approach departments face problems like red tapism, delays, nepotism and corruption.

Strictly Hierarchical Organization
• Concern minister is answerable to the cabinet and the parliament
• The benefits and services to the consumer are adversely affected.
Disadvantages

Tools of Party Politics
• The departmental undertaking are also feared to be used as a tool of party politics.
• Department undertakings are exposed to the danger of reckless adventure.

Department Form is not Self Sustaining
• They are perpetually dependent upon the government for their finances.
• They can’t build up their finances resources.
Disadvantages

Lack of Business Flexibility

- Insufficient autonomy and flexibility for effective operation of industrial and commercial enterprises.
- Rigid financial, political and administrative control.

Red Tapism

- Public enterprises have become synonymous with red tap and delays.
- Lack of initiative and flexibility because decisions are taken at the top level.
Disadvantages

Financial Burden on Public

• The employees of department do not take interest in improving productivity and economic expenditure.
• Main concern are their salaries and perquisites.

Short of Competent People

• These enterprise have the same salary scale and conditions of services.
• They join other private enterprises offering better facilities.