

CUET · BUSINESS STUDIES · CLASS XI · CODE 305

Private, Public and Global Enterprises

CUET unit: Public, Private and Global Enterprises

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Snapshot

- India follows a **mixed economy** — both private sector and public sector business enterprises coexist, alongside global enterprises (MNCs) operating across countries.
- The three forms of organising public sector enterprises are **Departmental Undertaking, Statutory Corporation, and Government Company** — each with distinct features, merits and limitations.
- The **role of the public sector** changed sharply after the **New Industrial Policy 1991**, which emphasised liberalisation, privatisation, disinvestment and reduction of reserved industries from 17 to 8 to 3.
- **Global Enterprises (MNCs)** have seven defining features; **Joint Ventures** are contractual or equity-based, alongside the **Public Private Partnership (PPP)** model.
- High-yield CUET topic — examiners pick from feature-lists, examples (Railways, LIC, RBI, HMT), the 1991 policy reform numbers, and the Kundli Manesar Expressway PPP example.

Detailed Notes

2.1 Core concepts

The Indian economy is a **mixed economy** in which **both private and government enterprises are allowed to operate** (NCERT §3.1-3.2, pp. 58-59). The private sector covers organisations owned by individuals or groups of individuals — sole proprietorships, partnerships, joint Hindu family firms, cooperative societies and companies; the public sector covers organisations owned and managed wholly or partly by the central or state government. The **Industrial Policy Resolutions of 1948 and 1956** defined the roles of both sectors, and the **New Industrial Policy of 1991** was a sharp pivot: government began **disinvestment** of public sector equity, invited **foreign direct investment**, and welcomed MNCs/global enterprises into the Indian economy.

Public enterprises in India have three defining characteristics — **public ownership, use of public funds** and **public accountability** (NCERT §3.3, p. 59-60). They are owned by the public, draw their finance from public sources (treasury or capital market), and remain accountable to Parliament or the State Legislature. The **three institutional**



forms of public sector enterprise (NCERT §3.3) are: (i) Departmental Undertaking, (ii) Statutory Corporation, and (iii) Government Company.

Departmental Undertakings (NCERT §3.3.1, pp. 60-62) are the oldest and most traditional form — established as departments of a ministry, **not independent legal entities**. The canonical examples are the **Indian Railways** and the **Post and Telegraph Department**. Their five features are: funding through Government Treasury (annual budget appropriation), subject to government accounting and audit, employees are Government servants headed by IAS officers, the undertaking is part of a ministry and the ministry is directly accountable, and the undertaking is subject to ministerial control. Merits — effective parliamentary control, high public accountability, direct revenue to treasury, most suitable where **national security** is at stake. Limitations — lack of flexibility, delays from ministerial approval, inability to grab opportunities (over-cautious bureaucrats), red tapism, political interference, insensitive to consumer needs.

Statutory Corporations (NCERT §3.3.2, pp. 62-63) are brought into existence by a **Special Act of Parliament** which defines their powers, functions, rules and government relationship. Five features: created by a Special Act; **body corporate** — can sue and be sued, enter contracts, acquire property in its own name; wholly owned by the state; independently financed (own borrowings and revenue, no central budget appropriation); not subject to government accounting and audit; employees are **not civil servants** and are governed by Act-based service rules. NCERT examples include the **LIC, RBI, Unit Trust of India, Damodar Valley Corporation, ONGC** and **Indian Airlines**. Merits — operational independence, freedom from undesirable government control, funds not from central budget, frame own policies, valuable instrument combining government power with private-enterprise initiative. Limitations — in practice not as flexible (multiple rules), political interference in major decisions, rampant corruption in dealings with the public, government-appointed advisors curbing freedom.

Government Companies (NCERT §3.3.3, pp. 63-65) are established under the **Companies Act, 2013**. Per **Section 2(45)** of that Act, a government company is one in which **not less than 51 per cent of the paid-up share capital** is held by the central government, any state government or jointly, and includes a company that is a subsidiary of a government company. Shares are purchased in the name of the **President of India**. The company may be formed as a private limited or a public limited company. Features: created under Companies Act 2013, can sue and be sued, can enter contracts and acquire property in its own name; managed under the Companies Act; employees appointed per the Memorandum and Articles of Association; exempted from government accounting and audit rules (auditor appointed by Central Government); Annual Report tabled in Parliament/State Legislature; can raise funds from the capital market. Merits — no separate Act needed, separate legal entity, autonomy in management, controls market and curbs unhealthy practices by supplying goods/services at reasonable prices. Limitations — Companies Act provisions lose force when government is the only shareholder, evades constitutional responsibility (not

directly answerable to Parliament), management rests with government defeating the autonomy purpose.

NCERT §3.4 (pp. 65-69) traces the **changing role of the public sector**. The Five-Year Plans initially gave huge importance to public-sector investment; the post-1990s reforms (liberalisation, privatisation, globalisation) redefined that role — PSUs must now actively compete, and loss-making PSUs are referred to the **Board for Industrial and Financial Reconstruction (BIFR)** for overhaul or shutdown. Public sector investment historically concentrated in (a) infrastructure/core sectors needing huge capital (steel, power, civil aviation, railways, petroleum, coal), (b) areas the private sector avoided (fertilizers, pharmaceuticals, petrochemicals, newsprint, heavy engineering), and (c) frontier areas (hotels, consultancies, textiles, automobiles). Six **historic contributions** of the public sector: development of infrastructure, regional balance (four steel plants in backward areas), economies of scale (electric power, natural gas, petroleum, telephone), check on concentration of economic power, import substitution (STC, MMTC promoted exports), and the changing government policy since 1991.

The **1991 reforms for the public sector** had four major elements: (1) restructure and revive potentially viable PSUs; (2) close down PSUs that cannot be revived; (3) bring down government equity in all **non-strategic PSUs to 26 per cent or lower**; (4) fully protect the interests of workers. NCERT also tracks the **reduction of reserved industries** — 1956 Resolution reserved **17 industries** for the public sector; 1991 reduced this to **8** (atomic energy, arms, communication, mining, railways and three others); 2001 reduced it further to **3** (atomic energy, arms and rail transport).

Disinvestment is defined as the sale of equity shares of PSEs to the private sector and the public, aimed at raising resources, widening participation and improving managerial performance. Sick units go to BIFR, and the **National Renewal Fund** was created to retrain or redeploy retrenched labour and compensate VRS employees. The **Memorandum of Understanding (MoU)** system grants greater autonomy to PSU managements while holding them accountable for specified results.

Global Enterprises or **Multinational Corporations** (NCERT §3.5, pp. 69-70) are gigantic corporations with operations in several countries, multi-product portfolios, advanced technology, sophisticated marketing strategies and worldwide networks. They do **not** aim at maximising profits from one or two products but spread their branches and risks. The **seven features** are: (i) huge capital resources (raised through equity, debentures, bonds, banks); (ii) foreign collaboration (with Indian public/private firms on technology, branding and dividends — sometimes giving rise to monopolies); (iii) advanced technology; (iv) product innovation through sophisticated R&D; (v) aggressive marketing strategies; (vi) expansion of market territory through international image; and (vii) **centralised control** from HQ in the home country, limited to broad policy and not day-to-day operations.

Joint Ventures (NCERT §3.6, pp. 70-73) involve the pooling of resources and expertise by two or more businesses to achieve a particular goal, with risks and rewards shared. NCERT splits joint ventures into two types: **Contractual Joint Venture (CJV)** — no

new entity, just an agreement (e.g., a franchisee arrangement); and **Equity-based Joint Venture (EJV)** — a separate jointly-owned entity is created (company, partnership, LLP, trust, venture capital fund). Six benefits of joint ventures are listed: increased resources and capacity, access to new markets and distribution networks, access to technology, innovation, low cost of production (cheap raw materials, labour, qualified workforce in India), and access to an established brand name.

Public Private Partnership (PPP) (NCERT §3.7, pp. 73-74) allocates tasks, obligations and risks optimally among public and private partners. Public partners include ministries, departments, municipalities and state-owned enterprises; private partners are local or foreign businesses, investors with technical/financial expertise, NGOs and community-based organisations. Government contributes capital, asset transfer and social responsibility; the private side contributes expertise, operations and innovation. The PPP **example** named in NCERT is the **Kundli Manesar Expressway Ltd.** — a 135-km expressway where land was provided by government and the surface was laid out by the company.

2.2 Definitions to memorise

Term	Definition	Page
Mixed economy	An economy in which both private and government enterprises are allowed to operate.	58
Private sector	Business owned by individuals or a group of individuals (sole prop., partnership, JHF, cooperative, company).	58
Public sector	Organisations owned and managed by government, partly or wholly by central/state.	59
Public enterprise	Business owned by the public, drawing on public funds and accountable to the public.	59
Departmental Undertaking	Public enterprise established as a department of the ministry; not an independent legal entity (e.g., Railways).	60
Statutory Corporation	Public enterprise brought into existence by a Special Act of Parliament; body corporate with own name.	62
Body corporate	Legal entity that can sue/be sued, own property and enter contracts in its own name.	62
Government Company	Company in which not less than 51% of paid-up capital is held by central/state government (Sec 2(45), Companies Act 2013).	63
New Industrial Policy 1991	Policy package introducing liberalisation, privatisation and globalisation; began disinvestment and invited FDI.	59, 67
Disinvestment	Sale of equity shares of public sector enterprises to the private sector and the public.	67
BIFR	Board for Industrial and Financial Reconstruction — body to which sick PSUs are referred.	65, 68

Term	Definition	Page
National Renewal Fund	Fund set up to retrain and redeploy retrenched labour and compensate VRS employees.	68
MoU (PSU context)	System granting PSU managements greater autonomy with accountability for specified results.	68-69
Global Enterprise / MNC	Gigantic corporation with operations in several countries, network of branches, multi-product portfolio.	69
Foreign collaboration	Agreement between an Indian and a foreign firm on technology, branding and dividends; an MNC feature.	69
Centralised control (MNC)	Control exercised from the home-country HQ over the broad policy framework only — no day-to-day interference.	70
Joint Venture	Pooling of resources and expertise by two or more businesses to achieve a particular goal, with shared risks and rewards.	71
Contractual Joint Venture	Joint venture in which no new jointly-owned entity is created; only an agreement (e.g., franchisee).	71
Equity-based Joint Venture	Joint venture in which a separate business entity is jointly owned by two or more parties.	72
Public Private Partnership (PPP)	Relationship between public and private entities in the context of infrastructure and other services, with optimal sharing of tasks, obligations and risks.	73-74
Kundli Manesar Expressway	135-km PPP example in NCERT — land by government, surface by private company.	74

2.3 Diagrams / processes to remember

The **Indian Economy classification chart** (NCERT §3.2, p. 60) is the foundational visual: Indian Economy splits into Public Sector (Departmental Undertakings, Statutory Corporations, Government Companies) and Private Sector (Sole Proprietorship, Partnership, Joint Hindu Family, Cooperative, MNC, Company — Public Ltd. and Private Ltd.). Every subsequent classification builds on this chart.

A second high-yield visual is the **comparison matrix of the three public sector forms**. Re-drawing this matrix is the cheapest CUET point. Rows: Departmental Undertaking, Statutory Corporation, Government Company. Columns: legal status (not a separate entity / body corporate / separate legal entity), governing law (executive orders / Special Act of Parliament / Companies Act 2013), funding (treasury / independent / capital market), employees (civil servants / Act rules / Memorandum & Articles), examples (Railways, P&T / LIC, RBI, ONGC / HMT, BHEL, GAIL). Almost every CUET match-the-pair question on this topic is built off a single cell in this matrix.

The **PPP Model summary box** (NCERT §3.7, p. 74) is a four-line summary: features (design-and-build contract with private party; public sector financing and ownership; transfer of design/construction risk), application (capital projects with small operating

need), strengths (risk transfer, project acceleration), weaknesses (environmental conflicts, doesn't attract private finance easily), and example (Kundli Manesar Expressway).

The **1991 reform timeline** is best memorised as a number sequence: **17 reserved industries (1956) → 8 (1991) → 3 (2001); non-strategic equity to 26 per cent or lower; FDI invited; BIFR for sick units; National Renewal Fund for retrenched labour; MoU for autonomy-with-accountability**. NTA frequently picks one of these numbers and asks the student to complete the rest.

The **seven features of an MNC** can be mnemonic-ed as **C-F-T-I-M-E-C** (Capital, Foreign collaboration, Technology, Innovation, Marketing, Expansion, Centralised control) — useful for last-minute revision.

2.4 Common confusions / NTA trap points

1. **51% minimum stake** defines a Government Company — not 50% or 49%. NTA frequently tests this exact figure from Section 2(45) of the Companies Act 2013 (NCERT §3.3.3, p. 63).
2. **Statutory Corporation vs Government Company** — statutory corporations require a **Special Act of Parliament**; government companies are formed under the **Companies Act 2013** without any separate Act. CUET distractors often swap these.
3. **Departmental Undertakings are not independent legal entities** — they are part of the ministry; employees are Government servants. NCERT examples are **Railways and Post & Telegraph**. Distractors often plant LIC or RBI here, but those are **statutory corporations**.
4. **1991 reform numbers** — reserved industries reduced **17 → 8 → 3**; non-strategic PSU equity to be brought down to **26 per cent**. Get these in this exact sequence.
5. **Centralised control of MNCs** is limited to the **broad policy framework only** — there is **no interference** in day-to-day operations. NTA distractors say "complete day-to-day control".
6. **PPP example** — **Kundli Manesar Expressway** is the named NCERT example; do not confuse with other expressway/metro projects.
7. **Contractual vs Equity-based Joint Venture** — CJV has no new entity (just an agreement, e.g., franchise); EJV creates a separate legal entity. CUET match-the-pair items routinely test this.
8. **Body corporate** — statutory corporations and government companies are body corporate; departmental undertakings are NOT. Students often wrongly think all three are body corporate.
9. **Functions of management vs forms of public enterprise** — these are unrelated lists but examiners sometimes test whether the student conflates them with the §3.3 form-classification.

10. **Disinvestment vs Nationalisation** — disinvestment is **sale** of PSU equity to private sector/public; nationalisation is the reverse (private business taken over by the state). The two terms appear in CUET assertion-reason items.

2.5 Case examples

- **Indian Railways (NCERT § 3.3.1 example, p. 60-61)** — NCERT's canonical departmental undertaking: funded through annual budget appropriation, employees are Government servants, headed by IAS officers, subject to ministerial control, no separate legal personality. The Railways case grounds every CUET item on "the most suitable form for national security and integration".
- **Life Insurance Corporation of India (LIC) and Reserve Bank of India (NCERT § 3.3.2, p. 62)** — both invoked as statutory corporations created by Special Acts of Parliament (LIC Act 1956, RBI Act 1934). They are body corporate, can sue and be sued, are independently financed, and employees are not civil servants. The LIC/RBI case is the standard distractor against which "Departmental Undertaking" options are tested.
- **HMT and BHEL (NCERT § 3.3.3 implicit, p. 63-64)** — referenced as government companies formed under the Companies Act 2013 with majority government shareholding. They illustrate the autonomy-cum-accountability tension: management is supposed to be professional, but in practice the sole government shareholder dominates.
- **STC and MMTC (NCERT § 3.4 contribution (v), p. 67)** — State Trading Corporation and Minerals and Metals Trading Corporation are government enterprises that promoted exports and supported import substitution during the planned-economy phase — the import-substitution contribution of the public sector.
- **Kundli Manesar Expressway Ltd. (NCERT § 3.7, p. 74)** — the named PPP example: 135-km expressway, government provided the land, the company laid the surface. This case is the canonical CUET stem for any PPP question — students who memorise "135 km", "land by government" and "surface by private company" pick up an easy mark.

Practice MCQs

Q1. Under Section 2(45) of the Companies Act 2013, a company qualifies as a "Government Company" if the paid-up share capital held by the central or state government(s) is at least:


- A. 26 per cent
- B. 49 per cent
- C. 51 per cent
- D. 74 per cent

Q2. Which of the following statements about a Statutory Corporation is/are correct? (I) It is brought into existence by a Special Act of Parliament. (II) It is a body corporate and can sue and be sued in its own name. (III) Its employees are Government civil servants governed by Central Service Rules. (IV) Its funds are derived as an annual appropriation from the Government Treasury.

- A. (I) and (II) only
- B. (I), (II) and (III) only
- C. (II) and (IV) only
- D. (I), (II), (III) and (IV)

Q3. Match the form of public enterprise in List I with its example/defining feature in List II: | List I (Form) | List II (Example / Feature) | |---|---| | (P) Departmental Undertaking | (1) Created under the Companies Act 2013 | | (Q) Statutory Corporation | (2) Indian Railways | | (R) Government Company | (3) Brought into existence by a Special Act of Parliament |

- A. P-1, Q-2, R-3
- B. P-2, Q-3, R-1
- C. P-3, Q-1, R-2
- D. P-2, Q-1, R-3

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PYQ Alignment

This chapter is among the most frequently tested in CUET Business Studies — typically yielding 5-7 MCQs per year. NTA's favourite picks are the **51% paid-up capital** definition of a Government Company, examples for each form of public enterprise (Railways, LIC/ RBI, HMT), the **17 → 8 → 3 reduction** sequence under the 1991 policy, the seven features of Global Enterprises (especially "centralised control" and "foreign collaboration"), the distinction between Contractual and Equity-based Joint Ventures, and the **Kundli Manesar Expressway PPP** example. See the cross-subject PYQ pool at [/pyq/business-studies](#) .

