

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.

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.

etc. the Post Office, Railways, Defence

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 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: for all purposes with other government employees. Government, the staff of the enterprise is treated equally with

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.

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 fulfilment of social objectives of the business.