

Chapter 06

State Enterprises

❖ **Suitable Fields for State Enterprises**

If the state gets the ownership on continual at any business directly or indirectly inest it that business is called as the state enterprise. The business controlled or operated by the government is known as a state enterprise. Now-a-day we can see the existing state enterprise in every country. State enterprises are not suitable in all fields. There are some special fields where establishing and operating state enterprise is suitable. Suitable fields for state enterprises are stated below:

Establishing heavy and basic industries: It becomes difficult for the private industries to invest such huge amount in the heavy and basic industry. But these industries are very much needed for economic development. State enterprise plays a big role in establishing steel industry, the industry of mechanical instrument, Airplane, Oil Refining etc.

Establishing public welfare industries: The major field of state enterprise is to establish public welfare industries in a country. The industries which are ensuring water and electricity supply, developing telecommunication systems, ensuring sewerage systems, supplying gas etc. needed government support to establish and conduct activities.

Establishing defense industry: In modem world defense equipment as arms bombs, fighter, tanker, cannon etc. are always under the control of the government.

Industry for confidential work: Government initiative is necessary in case of industry where house, money, important government papers, or even maps will be published.

Currency control and banking systems: The prime of the government is to regulate the money and the capital market central bank does many things like controlling the standard of money value reducing inflation and overall controls of loans and others financial activities.

Control of harmful products: Products like alcohol, acid, and others chemical products which are harmful to society and human life need to keep under the supervision of the government.

Natural resources-based industries: The responsibility of using natural resources properly and taking care of them is lying on government hand. So the organizations based on natural resources should be established under government supervision.

At last, we can say that state enterprises are established in above fields, it will provide more facilities to the state and general public. But the government has to aware of operating and controlling these enterprises or else the result will not be good for human being. Side by side government should come forward inspire and control of private sector for establishing essential drug industries with the view to provide service to the general people.

❖ The different forms of state-owned business organization

The following are the major organizational forms of the state-owned business organization-

- **Departmental Organization:** it was, at one point *of time*, the prominent form of organization of the public enterprises for two reasons. First, it was easy for a government to create an enterprise within the organizational framework of one of it's already existing departments. Secondly, in the initial stages of developmental planning, the number of such enterprises with commercial functions was small.
- **Public Corporation:** It is an autonomous form of the organization clothed with the power of the government, but possessed with the flexibility and initiative of private enterprise" according to F.D. Roosevelt, the President of USA, given while discussing the Tennessee Valley Authority. Public Corporation may be understood in general terms as an autonomous commercial organization established at government's insistence outside the framework of government department and company legislation.
- **Government Company:** The joint stock company is another organizational form of public The company form' tads may also be called a 'government company' is described in many countries as an enterprise registered under the Companies Act of the land in which the government and/or public enterprises hold at least 51 per cent of equity capital.
- **Joint Enterprise:** State participation in an economic activity along with the private sector has led to the creation of a specific type of organizational form, which is known as joint enterprise.
- **Development Corporation:** it is difficult to exactly define 'Development Corporation'. On the basis of empirical evidence world over, especially in the developing countries,

it may signify an autonomous agency in the public sector, primarily to promote, rather than to operate, economic activities through a system of subsidizing.

❖ Importance or Necessity of State Enterprise

If the state gets the ownership on continual at any business directly or indirectly inest it that business is called as the state enterprise. The business controlled or operated by the government is known as a state enterprise. A private organization can't work for social welfare because of their profit-maximizing mentality that is why state enterprises are established. Nowadays existence of state enterprise is seen with a view to doing welfare of public and necessities of state enterprise arc given below:

Abolition of monopoly: By establishing large size business combination private owners want to create a monopoly in business. Which is not good for any state involved in public welfare, state enterprise is established to stop such monopoly.

Operating public welfare: Main objective of state enterprise is public welfare. That's wily organizations for public welfare such as WASA, DESA, and BRTC etc. established and operated under government control so that people can get service facilities.

Balanced distribution of wealth: It plays vital a role in the balanced distribution of wealth by industrialization creating employment opportunities, distribution of products at fire price etc. As a result, resources don't get accumulated to a certain class of people.

Maintaining price stability: State enterprise prevents ups and downs in products price by producing and distributing products according to the demand of public-private enterprises often increase the product price to make more profits. That's why government directly controls the churchly to maintain the price stability.

Operating defense industry: Government establishes and operates defense industries with a view to protecting the country from external enemies and to ensure the security of the country. If the charge of these industries given to private ownership the peace and discipline will be destroyed and security of the public will be hampered so it's better that these industries stay under state ownership.

Balanced industrialization: While industrialization, the government should consider every area and areas development of country without these government should try to develop all the industries in the country. That's why balanced industrialization becomes possible.

Establishing basic and heavy industries: For establishing of heavy industries like iron and steel industries which involve of money. That's why private companies don't come forward to invest in these industries. But these industries are really needed in every country so these industries established as state enterprise because the government has a huge capital in their hand.

Proper utilization of natural resources: State organizations take the responsibility to protect country wealth such as minerals Forests, fisheries, and wild regencies. There are many precious natural resources which need proper presentation and utilization. And state enterprise plays important role in this regard.

Operating secret industry: There are some secret industries like printing take, printing confidential documents; making weapons of modern technology in these sectors maintaining secrecy is highly needed. That's why these industries are established as a state enterprise.

Research and development: Research is needed for invention developing product quality, expansion of technology etc. These research activities are very costly. Private organizations cannot provide much money. Only state enterprise can give the facility of research and development.

From above discussion, we can say, state enterprise plays a very important role in public welfare and developing the economic condition. So, government should try to increase acceptability of state enterprise by efficient management, proper planning, and effective supervision.

❖ Importance of State Enterprises in the Economic Development

If the state gets the ownership on continual at any business directly or indirectly in case it that business is called as the state enterprise. Private enterprises fail in doing social welfare that's why state enterprises are established in present for public welfare. We can see state enterprises are important for the economic development. The importance state enterprises are stated below:

Abolition of monopoly: By establishing large size business combination, private owners want to create monopoly business, which is not good for any country. State enterprises are reducing the scope of monopoly business and involved in public welfare activities for preventing dishonest monopoly of private owners.

Operating public welfare activities: The main objective of state enterprises are providing public welfare services such as water and electric supply, sewerage systems, transportation systems which are provided by some authorized organization. For these reasons, people can get proper service facilities with less cost and contributes to the economy.

Balanced distribution of wealth: State enterprise plays a vital role in the balanced distribution of wealth through industrialization creating more employment opportunities, distribution of products at fair price etc. and it makes sure that resources are utilized in right way and economic growth is possible.

Creating more employment opportunities: Private industries play important roles in creating employment opportunities but that's not enough to meet the demand that's why state enterprises are established to solve the employment problem. Because of large size, state enterprise can provide lots of employment opportunities which can help in economic development.

Maintaining price stability: State enterprises prevent ups and downs of products price by producing and distributing products according to the demand of the public. So, a price of products become stable and keep in purchase power. Private enterprises often increase the product price to make maximum profits that's why government establishes state enterprises for directly controlling the price of the products.

Operating monetary and banking systems: Maintaining economic stability is the responsibility of government that's why government-established central bank other banks and insurance companies as state enterprise so that government can control the money market and banking systems of the country.

Control of production and quality of special products: Some special products like penicillin, life-saving medicine etc. should produce under the controlled of government-owned enterprises. State enterprise is very important for production and distribution of the quality products for the national economic benefit.

Research and development: Research is needed for invention, developing product quality expansion of technology etc. This research and development activities help in developing economic condition of the country. But their research activities are very costly private organizations cannot provide much money. State enterprise can give the facility of research and development activities for economic development.

From above discussion, we can say that state enterprise plays very important roles in public welfare and developing the economic condition. So, government should try to increase acceptability of state enterprise by efficient management, proper planning, and effective supervision.