CHAPTER 3

PRIVATE, PUBLIC AND GLOBAL ENTERPRISES

Indian economy is a mixed economy as it consists of both privately owned and government owned business enterprises. Therefore we can classify the Indian economy into two sectors, viz, Private Sector and Public Sector. In a capitalistic economy, the private sector is dominates, while in a socialistic economy, the public sector is dominates. In a mixed economy, both the private sector and public sector go hand in hand.

Public Sector — एनटीपीसी NTPC

Private Sector — Reliance Industries Limited

RIL is a Public Ltd Co. in private sector

Private sector enterprises are those enterprises which are owned, managed and controlled by private individuals. Their main objective is to earn profit. The various forms of organizations in private sector are sole proprietor ship, partnership, HUF, co-operative societies and Joint stock companies. Example:- Reliance industries, Tata steel, Federal bank, Rubber marketing society,Pulimoottil silk house etc.

Public Sector Enterprises

Business enterprises owned, managed and controlled by the government are called public sector enterprises. These enterprises may either be partly or wholly owned by the Central or State Government. Public sector enterprises are formed by the government to participate in the economic activities of the country. The various forms of organizations in the public sector are Departmental undertakings, statutory corporations and Government Company.

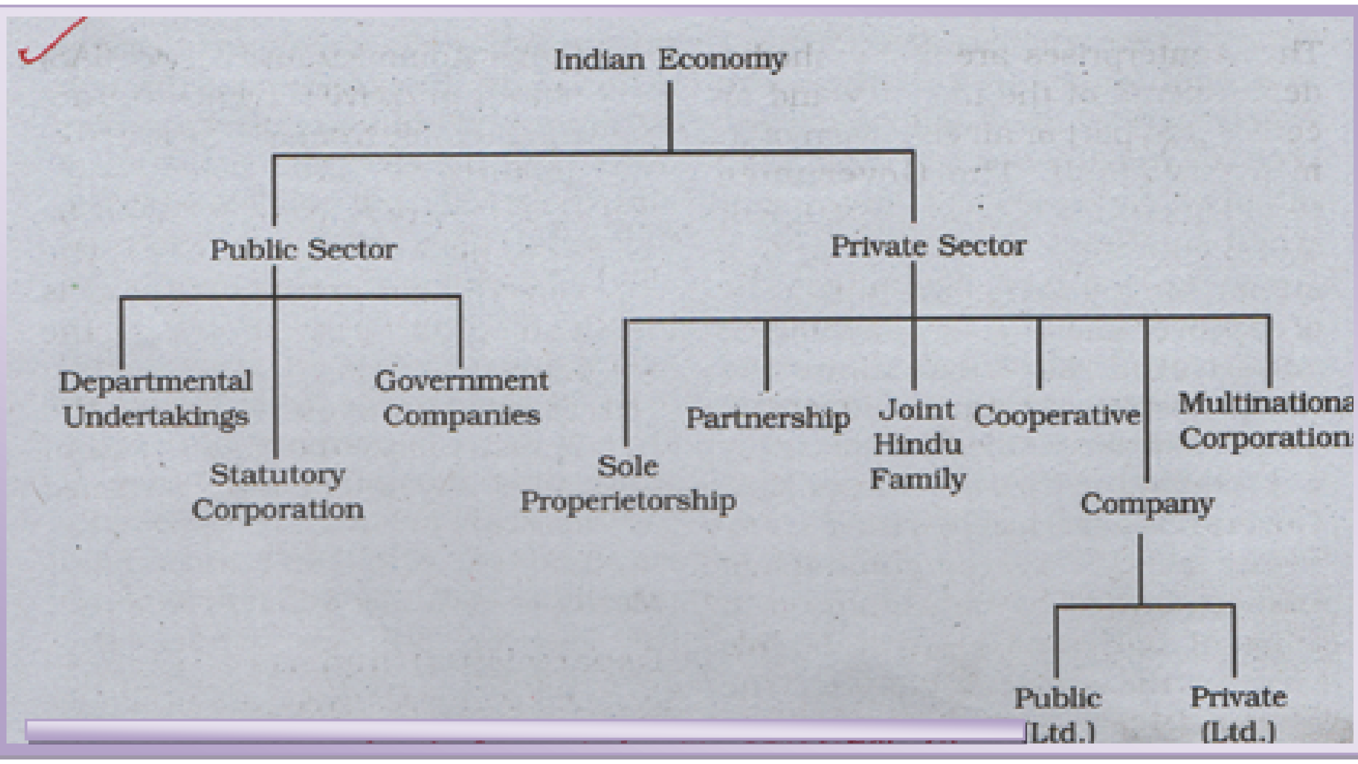


Fig : Different forms of business organizations in Indian Economy

Binoy George,M.K.N.M HSS ,Kumaramangalam

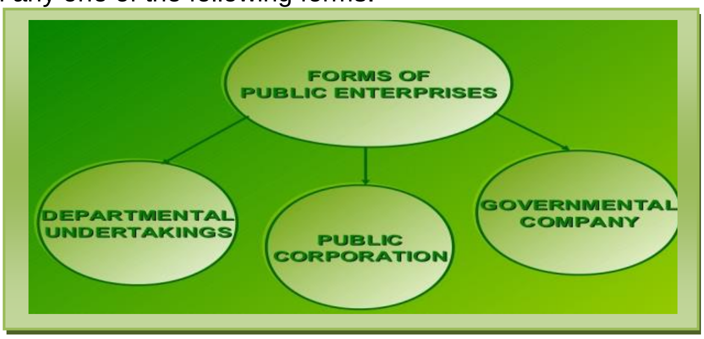
Public sector and Private Sector- a Comparison

Basis	Private Sector	Public Sector
1.Ownership	**Owned by private individuals**	**Owned by state government or central government or both.**
Objective	**To maximize profit**	**To promote public welfare**
Forms of organization	**Sole proprietorship, Partnership,** **Joint Stock Ccompany,HUF and Co operative society.**	**Departmental undertakings, statutory corporation and Government company**
Accountability	**Accountable to the owners**	**Accountable to the public through parliament**
Political interference	**Less political interference**	**Comparatively more political interference**
Government control	**There are not subject to strict financial control**	**There are subject to strict financial control by the government.**
Distribution of income	**Concentration of wealth in few hands**	**Equitable distribution of income**

Types of Public sector enterprise

Public sector undertakings can be organized in any one of the following forms.

1. **Departmental undertakings**
2. **Statutory corporations**
3. **Government companies**



I. Departmental undertakings

This is the oldest form of organization in the public sector. A departmental undertaking is established either as a separate full-fledged ministry or as a sub-division of a ministry (i.e. department) of the Government. For instance, the Indian Railways are managed by the Ministry of Railways. Post and Telegraph services are run as a department, in the Ministry of Communication.

They have no separate legal existence apart from government. They are managed by civil servants who are government employees. Department organizations are entirely owned and controlled by the government and its working is accountable to the parliament Departmental undertakings is headed by a minister. Government starts business in the form of departmental undertakings to run business activities of national importance like defence, telecommunication, public distribution system etc.

Eg: Indian Railway, Postage and Telegraph (P&T), All India Radio, Doordarshan, Defence Undertakings, Kolar Gold Mines, Chittaranjan, Locomotives, Integral Coach Factory etc.

Features of Departmental undertakings

1. **Department of the Government**

   The departmental organization works as a department of the government. It is a part of the Government.

2. **Full government control**

   It is fully owned and controlled by the government and is answerable to the parliament.

3. **Status of employees**

   Its employees are government employees. Their recruitment, appointments and conditions of services are similar to those of government employees.

4. **Government financing**

   The departmental undertaking is financed through annual budget appropriations by the Parliament or the State Legislature. The revenues of the undertaking are paid into the treasury.

5. **No separate legal existence**

   A departmental undertaking does not have an independent entity distinct from the Government.

6. **Sovereign immunity**

   Departmental undertaking enjoys sovereign immunity. Therefore, it can't be sued without the consent of the government.

7. **No private Investment**

   The entire amount of capital invested in the organization is made by the government. Private parties are never allowed to participate in the investment of such enterprise.

Advantages or Merits of Departmental undertakings

1. **Easy formation**

   It is created by the administrative decision of the government and involves no legal formalities.

2. **Government control**

Total government controls helps implementation of government policies.

3. Public accountability

It is fully owned and controlled by the government and is answerable to the parliament. Such control keeps the management alert.

4. Secrecy

Where national security is concerned, this form is most suitable.

5. Proper use of money

The risk of misuse of the public money is relatively less due to the strict budget, accounting and audit controls.

6. Revenue

The revenue earned by these departments' acts as a source of income for the government, as it goes directly to government treasury.

Disadvantages of Departmental undertakings

1. Political interference

It is managed and controlled by the minister, who is the representative of a political party. The minister has to look after the interest of his party.

2. Lack of flexibility

A departmental undertaking functions under strict parliamentary control. There is no much scope for initiative or innovation. Flexibility is essential for smooth operation of business.

3. Inefficient management

It is managed by civil servants or officials. These people lack business experience and professional skill.

4. Red tapism

There is excessive centralization of control which results in red tapism. Decision are generally delayed due to procedure and political consideration.

5. Financial dependence

A departmental undertaking has no freedom to handle its funds . All its earnings are deposited into the government treasury.

6. **Lack of competition**

A departmental undertaking often enjoys monopoly in its field. Lack of competition makes them incompetent.

Suitability

This type of organization is suitable in the following cases.

1. Where utmost secrecy is required eg: defence production, atomic energy
2. Where absolute government control over strategic industries, eg: telecommunication, broadcasting, public utilities.
3. Where the private sector is unable to enter due to huge capital investment. Eg: ship building, air craft manufacturing etc.
4. Where economic control is necessary eg: public distribution system

II. Statutory Corporations or Public Corporations

Statutory corporations or public corporation is a body corporate set up under a special Act of the parliament or state legislature. It is the Act which defines objectives, powers and functions of a statutory corporation. It is a separate entity for legal purposes. It can conduct business in their own name and have greater freedom in making contracts and acquiring and selling off property. It is an autonomous body fully financed by the government A public corporation is managed by a board of directors, appointed by the government.

Eg. LIC, IFCI, SBI, ONGC, UTI, Air India, Central Warehousing Corporation, KSRTC, KSIDC, RBI

Features of statutory corporations

1. Formation

It is created by government under a special Act in parliament or state legislature. The Act defines its power, duties, objectives etc.

2. Separate legal entity

It has separate existence apart from the government. It can own property, make contracts and file suits in its own name.

3. Ownership

It is fully owned by the government.

4. Management

Its management is vested in a Board of Directors appointed by the government. However, there is no government interference in the day to day working of the corporation.

5. Status of employees

A statutory corporation has its own staff. Their appointment, remuneration and service conditions are decided by the corporation itself. Its employees are not government servants.

6. **Financial autonomy**

   A public corporation has an independent financial structure. It is authorized to plough back its earnings. It can borrow money from the public and adopt independent financial policy.

7. **Public accountability**

   Their accounts are audited by the Comptroller & Auditor General of India (CAG). This ensures public accountability.

8. **Borrowing of funds**

   It has the freedom to borrow funds from the government as well as from the public.

9. **Objectives**

   It works on profit objective and as such its activities are commercial in nature.

Advantages of Statutory Corporations or Public Corporations

1. **Free from government control**

   These are autonomous bodies, which are not under direct control of the government. It provides greater degree of operational freedom.

2. **Quick decision**

   Being an autonomous body, a public corporation can take quick decisions and prompt actions on matters relating to its business.

3. **Motivated staff**

   The staff enjoys better salary and service conditions which provide better efficiency.

4. **Financial independence**

   A public corporation enjoys financial autonomy. It secures funds by borrowing either from the government or from the public. It has also the authority to use its revenue.

5. **Protection of public interest**

   The top management is responsible to the appropriate government authority with regard to the basic policies and general efficiency of operation. This ensures protection of public interest.

Disadvantages Statutory Corporations or Public Corporations

1. **Theoretical Autonomy**

   The autonomy of a statutory corporation exists on paper only. The fact is that its working is often interfering with by politicians.

2. **Rigid structure**

   The objects and powers of statutory corporations can't be changed without amending the Act. Amendment is a complicated procedure.

3. Nominated board

The board of directors of a statutory corporation is appointed by the government. Quite often civil servants who do not possess required skills and experience in management are appointed.

4. Financial burden:

When a public corporation incurs losses, the government provides subsidies to make good the loss. It is really a burden to the government.

5. Ignore commercial principles

Since public corporation exists largely to serve the public interest and not guided by profit motive, commercial principles are likely to be ignored in its operations leading to inefficiency.

III. Government Company

A government company is a company in which not less than 51% of the paid up share capital is held by the central government or state government or jointly by both. In some cases government holding may be 100%. It is formed and registered under companies Act 1956 (Now it is Companies Act 2013).The shares of the government in that company are purchased in the name of the President of the India. Since the government is the major share holder and exercises control over the management of these companies, they are known as government companies. In India, the largest number of public enterprises comes under this category.

Eg.HMT, ITI, STC, Hindustan Aeronautics Limited (HAL), IOC, Hindustan Cables

Ltd, Ashoka hotels Ltd, Madras Refineries Ltd.

Features of Government Companies

1. Incorporation

It is formed and registered under Companies Act 19*56. (*Now it is Companies Act 2013)

2. **Separate legal entity**

It has separate legal existence apart from the Government. It can acquire property, make contracts, sue and be sued in its own name.

3. Management

It is managed by a Board of Directors nominated by the government and other shareholders.

4. **Own Staff**

Its employees are not government servants.

5. **Financial autonomy**

It enjoys borrowing powers. It is not subject to budgetary, accounting and audit controls applicable to government departments.

6. **Accountability**

Its annual report is placed before the Parliament or state legislature as the case may be.

7. **Ownership**
The central or state Government own not less than 51% of its paid up share capital. Private participation up to 49% is possible.

8. **Funding**
The government company obtains its fund from the government share holding and other private share holders. It can also raise additional funds from the capital market.

Advantages of a Government Company

1. **Easy formation**
Government Company is formed and registered under the Indian Companies Act, 1956, either as a Private company or as a Public company. It does not require any Special Act for its formation.

2. **Huge Capital**
A government company requires huge capital for its business operations. The company is free to collect capital through issue of shares & it can even borrow money depending upon its requirement.

3. **Professional management**
The government company due to huge capital & large size of organization can easily afford to appoint professional managers resulting in increased efficiency of the company.

4. **Flexibility in operations**
The objectives, powers and organizational set up of a government company can be easily altered according to the provision of the Companies Act, without seeking the approval of the parliament.

5. **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.

6. **Public accountability**
The annual report of the Government Company is presented to the Parliament/ State legislature. This ensures public accountability and increases public confidence.

7. **Private Participation**

Through Government company device, the government can avail of the management skills, technical know-how and expertise of the private sector and foreign countries. For example, the Hindustan Steel Limited has obtained technical and financial assistance from the U.S.S.R., West Germany and the U.K. for its steel plants at Bhilai, Rourkela and Durgapur.

Disadvantages of a Government Company

1. **Lack of Motivation:**

   The Directors or other officers of Government company are least interested in operational activities of a government company. They get fixed remuneration without any share in the profit or without any responsibility for losses.

2. **Political Interference**

   Government companies are suffering from interference by political parties & political leaders.

3. **Lack of Autonomy**

   Government Company has autonomy in theory, but in practice it has no autonomy because political parties interfere in the day-to-day operations of the company.

4. **Delay in Decision**

   The government companies have to depend upon the government for deciding policy matters, resulting in delaying the decisions.

5. **Wastage of Resources**

   There is a good amount of wastage of resources. There is poor material management.Corrupt officials place huge orders for raw materials & inputs because of bribes & commission, even though such purchases are not required in large quantities.

6. **Low labor productivity**

   The government companies suffer from the problem of low labor productivity. It is due to faulty selection, lack of proper training and development, forced transfer etc.

7. **Poor labor management relations:**

   The government companies suffer from the problem of poor labor management relations. This is due to inefficient management and also due to selfish and militant trade unions.

Comparison between Different Forms of Public enterprises

Basis	Departmental Undertakings	Public corporation	Government company
1. Formation	By order of the ministry	By a special Act of parliament or state legislature	Registered under Companies Act 2013.
2. Legal status	No separate legal entity. It is a part of government.	Separate legal entity	Separate legal entity
3. Ownership	Wholly owned by the government	Wholly owned by the government	At least 51 % of share capital owned by the government
4. Autonomy	No autonomy	Sufficient autonomy	Sufficient autonomy
5. Status of staff	Civil servants – Govt. employees	Non govt. servants-own staff	Non Govt. servants-own staff.
6. Capital	Entire capital allocated from govt. budget	Initial capital provided by the govt.	At least 51% of capital provided by the govt.
7.Private participation	Nil	Nil	Can be up to 49%

Basis	Departmental Undertakings	Public corporation	Government company
8.Management	It is managed by govt. officials	It is managed by nominated board of directors	It is managed board of directors ,may include private individuals.
9. Eg:	Railway, P &T , All India Radio	LIC, SBI, KSRTC, KSIDC, RBI	HMT, ITI, IOC,HAL

Features of public sector enterprises

The main characteristics of public sector enterprises are;

1. **State Ownership**
   A public enterprise is wholly owned by the Central Government or State Government(s) or local authority or jointly owned by two or more of them, in case the enterprise is owned both by the Government and private sector, the State must have at least 51 percent share in ownership.

2. **Public accountability**

   The capital of public enterprises is supplied by government i.e. peoples money. Therefore, it is answerable to the parliament.

3. **Government control**

   The ultimate control of a public enterprise lies with the Government which appoints its Board of Directors and the Chief Executive.

4. **Service motive**
   The primary aim of a public enterprise is to render service to the society at large. It may have even to incur losses for this purpose.

Rationale or Importance of public sector

Establishment of organizations in public sector is very essential. The following points will reveal this,

1. To Develop Infrastructure Facilities

The function of a modern government *is* not only to maintain law and order in the country but also to ensure economic welfare of the people. The infrastructure is considered as the backbone of economic growth. The infrastructure consists of services like transportation, communication, irrigation etc.So government set up various public sector enterprises to undertake the task of developing infrastructure of our country like Railway, P &T, All India Radio, SBI, KSRTC etc.

2. To remove regional imbalances

Private entrepreneur's starts industries are only in places where there is scope for good profits. The results are that certain regions become industrially and economically well developed and other places remain backward. To remove regional imbalances the government starts industries in these backward regions.

3. To check monopoly

If business enterprises are left entirely to private sector, it will lead to concentration of economic power in the hands of few. It will prevent equitable distribution of income. State enterprise act as a check on this harmful tendency.

4. To establish basic industries

In order to accelerate the pace of economic growth, basic industries are must. These industries require heavy expenditure, and carry lot of risk. This is why; private entrepreneurs hesitate in establishing basic industries. Eg: Iron steel industries, locomotives, ship building, air craft etc

5. To develop strategic industries

There are certain industries which can't be allowed to operate in the private sector due to the strategic reasons. Eg: Atomic projects, Arms factories etc

6. To provide public utility services

Public utility services such as railways electricity, water supply, posts and telegraphs etc are usually owned and managed by the state to provide maximum benefits to the community.

7. To create employment opportunities

The large scale participation by the state in individual and commercial sector generates employment opportunity directly or indirectly.

8. Planned development

Its main aim is to promote economic and social development in the weaker section. It follows government plans and policies. It also earns profit. It provides planned development by setting up industries too.

Changing role of public sector

Totaly changed

- Reduction of number of industries reserved for public sector from 17 to 3
- Disinvestment of shares of non strategic public sector enterprises

Public sector in India was created to achieve two categories of objectives-to speed up economic growth of the country and to achieve a more equitable distribution of income and wealth among people. After independence during the first three *Five* Year Plans, the growth objective received greater attention and there was rapid expansion of the public sector. Later on the poor performance of public sector was realized. The reasons for poor performance were unorganized plants, outdated technology, under utilization of capacity, trade unionism, inefficient inventory control, political interference, poor personnel policies etc Poor performance of public sector forced the government to do rethinking on public enterprises. Industrial policy 1991 seeks to restrict the role of public sector.

In the light of the above experiences, the Government of India has introduced 4 major reforms in the public sector in its new industrial policy in 1991.The main elements of the Government policy are as follows:

1 Reduction in the number of industries reserved for the public sector

Till 1991, 17 industries were reserved for the public sector .In 1991, the number of industries reserved for public sector was reduced to 8, which was further reduced to only 3 industries in 2001.These are atomic energy, arms and rail transport. This meant private sector could enter all areas (except the three) and the public sector would have to compete with them.

2. Strengthening the enterprises through 'memorandum of understanding'

Here the Government took steps to improve the performance of PSUs through a system of Memorandum of Understanding by which managements were to be granted greater autonomy but held accountable for achieving specified targets and results.

3. Disinvestment of shares of nonstrategic public sector enterprises

Disinvestment simply means selling a part of the government equity (less than 50%) to private sector. Government holding in such unit is there by reduced and private participation enhanced. Sale of shares in IPCL, Maruti Udyog Ltd etc.are examples of disinvestment. The objectives of disinvestments are to release the large amount of public resources in non-strategic public sector enterprises, to reduce public debt, to improve managerial performances etc.

4. Policy regarding chronically sick units

All public sector units were referred to the Board of Industrial and Financial Reconstruction (BIFR) to decide whether that sick unit was to be reconstructed or closed down. There are many enterprises which are chronically sick and the only option available to the Government in such cases is to close down such undertakings.

Global Enterprises (Multinational companies or Transnational Companies)

A multinational company is the company which operates in many countries. MNC has its headquarters' in one country, but spreads its operations all over the world.It owns or controls production in more than one nation. MNCs set up its offices and factories for production in regions where they can get cheap labor and other resources. They operate on a very large scale and have very wide marketing network. They use advanced technology and deal wide variety of products. They design products and services to suit the needs of world market.

The term multinational consist of two different words, **multi** and **national.** Multi means many while the term national means countries. Eg. Pepsi, Coca-cola registered in USA, Brook Bond, Cadbury, Unilever and Lipton registered in UK, Sony and Suzuki registered in Japan,Infoy,Wipro,Ranbaxy,Tata Steel,Tata Motors etc registered in India

Famous Multinational companies

MNC and their nature of business

Nature of business	MNC
Electronic	Samsung, Philips, LG
Motor Vehicles	Fiat,Ford,Honda, Suzuki, Tata motors
Food and beverages	Pepsi, Coca-cola
News network	CNN
Athletic shoes	Adidas, Nike, Reebok

Features of MNC/Global Enterprises

Important features of multinational companies are:-

1. **International operations**

Multinational companies operate globally. The parent company produces and sells its products and services through its subsidiaries established in other countries. They operate their business on a large scale.

2. **Giant size**

The most important feature of a multinational company is its gigantic size. Their assets and sales are always billions of dollars and they also make supernormal profit. Sometimes their sales turnover exceeds the GDP of a developing Country.

3. **Centralized Control**

The branches of Multinational companies spread all over the world and are controlled and managed from the headquarters situated in the home country. All branches operate within the policy framework formed by headquarters. However there is no interference in day to day operations.

4. **Advanced technology**

MNC possess latest and advanced technology. They are able to conform to international standards and quality specifications. It enables them to provide world class products and services.

5. **Product Innovation**

They are characterized by having highly sophisticated research and development departments engaged in the task of developing new products, new designs etc. Qualitative research requires huge investments which only global enterprises can afford.

6. **Huge capital resources**

They are in a position to raise huge funds from different sources. They can issue equity shares, debentures or bonds to the public. Because of their financial strength they are in a position to raise funds from international business too.

7. **Expansion of market territory**
   Their operations and activities extend beyond the physical boundaries of their own countries. Their international image also builds up and their market territory and enabling them to become international brands.

8. **Concentration of economic power**

   Generally, MNC start business with huge amount and at a large scale. They kill indigenous corporations through strategic advantages like patents, superior technology etc and rise to monopoly and concentration of economic power in host countries.

Advantages of multinational companies (MNC)

1. **Automatic Inflow of Foreign Capital**
   MNCs bring in much needed capital for the rapid development of developing countries. In fact, with the entry of MNCs, inflow of foreign capital is automatic.

2. **Improvement in Balance of Payment Position**
   MNCs enable the host countries to increase their exports and increase their import requirements. As such, they help the host country to improve upon its Balance of Payment position.

3. **End of Local Monopolies:**
   The entry of MNCs leads to competition in the host countries. Local monopolies of host countries either start improving their products or reduce their prices.

4. **Improvement in Standard of Living**
   By providing super quality products and services, MNCs help to improve the standard of living of people of host countries.

5. **Promotion of international brotherhood and culture**
   MNCs integrate economies of various nations with the world economy. Through their international dealings, MNCs promote international brotherhood and culture; and pave way for world peace and prosperity.

6. **Employment Generation**

   MNCs create large scale employment opportunities in host countries. This is a big advantage of MNCs for countries; where there is a lot of unemployment.

7. **Technical Development**

   MNCs carry the advantages of technical development in host countries. In fact, MNCs are a vehicle for transference of technical development from one country to another. They introduce new technologies in production and marketing.

8. **Facilitate managerial revolution**

   MNC's bring managerial revolution in the host countries through professional management and the employment of highly sophisticated management techniques.

9. **Overall Development**

   The investment level, employment level, and income level of the country increases due to the operation of MNC's.

Limitations of MNCs from the viewpoint of host country

1. **Danger for Domestic Industries**

   MNCs, 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. **No Benefit to Poor People**

   MNCs produce only those things, which are used by the rich. Therefore, poor people of host countries do not get, generally, any benefit, out of MNCs.

4. **Danger to Independence**

   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.

5. **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.

6. **Careless Exploitation of Natural Resources**

   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 foreign Culture**

   MNCs tend to promote foreign culture in host country to sell their products. In India, e.g. 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, in a Systematic Manner**

   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.

JOINT VENTURES

Some Joint Ventures in India

- BAJAJ- ALLIANZE
- ICICI-LOMBARD
- IFFCO-TOKIO
- BHARTI-WALLMART
- TATA MOTORS- FIAT
- MAHINIDRA- RENAULT
- TATA -AIG

MARUTI SUZUKI

Way of Life!

When two businesses agree to join together for a common purpose and mutual benefit, it is known as **joint venture**. A joint venture may be between businesses of within the country or between two countries. More and more companies are adopting the joint venture approach as a part of their growth strategies. Joint venture helps to pool together resources and expertise of two or more companies to achieve a particular goal. The risks and rewards of the business are also shared. These enterprises agree to join together for the expansion of business, development of new products, or moving into new markets, particularly in another country. Eg. Maruti Company of India and Suzuki Company of Japan joined together to form Maruti Suzuki India Ltd. More examples:Bharati &Airtel, Hero Honda,Birla Yamaha Ltd etc.

In India there are no separate laws for joint ventures. Joint venture companies incorporate in India are treated the same as domestic companies. All joint ventures in India require government approvals if a foreign partner or a Non Resident Indian (NRI) is involved. A joint venture must be based on a memorandum of understanding signed by both the parties highlighting the basis of joint venture agreement.

A joint venture can be formed in three ways:

i. A foreign investor buying an interest in a local company.
ii. A local company acquiring an interest in an existing foreign Company.
iii. Both the foreign and local companies jointly form a new company.

Advantages of a Joint Venture

The major benefits of joint ventures are as follows.

1. **Increased resources and capacity**
   In a joint venture the resources and capacity of two or more firms are combined. It enabling the joint venture company to grow and expand more quickly and efficiently. The joint venture is able to face market challenges and take advantages of new opportunities.

2. **Access to new markets and distribution networks**
   When a business enters into a joint venture with a partner from another country, it opens up a vast growing market. They can also take advantage of the established distribution channels of the local partner.

   Eg: Through a joint venture (Maruti Suzuki) Suzuki entered into the vast Indian market. Their products which have reached saturation point in their home markets can be easily sold in new markets.

3. **Access to latest technologies**
   Joint ventures help to use latest technologies in the world. Advanced technology adds to efficiency and effectiveness in production, this leads to reduction in cost of production.

4. **Innovation**
   Every market always expects new and innovative products. Foreign partners can easily come up with innovative products because of new ideas and technologies.

5. **Low cost of production**

When International Corporation invests India, they benefit largely due to the lower cost of production. India is a country with low cost of raw materials and labour, technically qualified work force, wider market etc. Thus international partner gets products of required quality and specifications at a much lower cost than what is prevail in the home country.

6. **Establishment of brand name**

When two businesses enter into a joint venture one of the parties benefits from others goodwill which has already been established in the market. There is a ready market waiting for the product to be launched. A lot of investment is saved in the process of marketing.

Public private partnership (PPP)

A public private partnership means an enterprise which a project or service is financed and operated through a partnership of Government and private enterprises. An example for PPP:

Rajiv Gandhi Super-specialty Hospital, Raichur, Karnataka

The Rajiv Gandhi Super-specialty Hospital in Raichur Karnataka is a joint venture of the Government of Karnataka and the Apollo hospitals Group, with financial support from OPEC (Organization of Petroleum Exporting Countries). The basic reason for establishing the partnership was to give super-specialty health care at low cost to the people Below Poverty Line. The Govt. of Karnataka has provided the land, hospital building and staff quarters as well as roads, power, water and infrastructure. Apollo provided fully qualified, experienced and competent medical facilities for operating the hospital. The losses anticipated during the first three years of operation were Public-Private Partnerships in India 3 reimbursed by the Govt. to the Apollo hospital. From the fourth year, the hospital could get a 30% of the net profit generated. When no net profit occurred, the Govt paid a service charge (of no more than 3% of gross billing) to the Apollo Hospital. Apollo is responsible for all medical, legal and statutory requirements. It pays all charges (water, telephone, electricity, power, sewage, sanitation) to the concerned authorities and is liable for penal recovery charges in case of default in payment within the prescribed periods. Apollo is also responsible for maintenance of the hospital premises and buildings, and maintains a separate account for funds generated by the hospital from fees for registration, tests and medical charges. This account is audited by a Chartered Accountant engaged by Apollo with approval of the Governing Council. Likewise, Apollo maintains separate monthly accounts for all materials used by patients below the poverty line (including diagnostic services), which are submitted to the Deputy Commissioner of Raichur for reimbursement. Accountability and responsibility for outsourcing the support services remain with the Apollo.

"Don't say you don't have enough time. You have exactly the same number of hours per day that were given to Helen Keller, Pasteur, Michelangelo, Mother Teresea, Leonardo da Vinci, Thomas Jefferson, and Albert Einstein"

H. Jackson Brown Jr.

Prepared by,

Binoy George

HSST,MKNM HSS

Kumaramangalam

Thodupuzha

binoykuzhinjalil76@gmail.com