

**A STUDY ON PRIVATE AND PUBLIC COMPANY  
- AN ECONOMIC PERSPECTIVE**

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**ABSTRACT**

In this study of economic perspective of private and public company, both form of company is well established. A public company is a organisation that has permission to problem registered securities to the majority through an initial public offering and it is traded on as a minimum one inventory trade market. A public organisation isn't always authorized to start its enterprise operations simply upon the grant of the certificates of incorporation. with a view to be eligible to run as a public company, it should reap every other file known as a buying and selling certificate. A private constrained business enterprise is a commercial enterprise entity this is held via personal owners. This type of entity limits the proprietor's legal responsibility to their ownership stake, and restricts shareholders from publicly trading shares. FDI beneath the automatic path is the most handy one as it does not want any approval, if the funding is within the FDI cap then an software for FDI in private confined agency is not wished. All this is wished for automatic course is that the company should record sure documents with the Reserve financial institution of India after receiving the receipt of the percentage subscription money from the overseas resident. Majority of the sectors permit 100% FDI subsequently it's miles very easy for the foreign nationals to start up a business in India. therefore, it's far recommended for the traders to invest inside the non-public restrained companies.

**Key words:** FDI, private, shareholders, public sector, responsibility, commercial

## INTRODUCTION

A is an artificial character created by using the system of law and as a result, can handiest be destroyed with the aid of the system of regulation. A enterprise is a criminal man or woman. It way that the organisation can sue and be sued its own , the emphasis being at the phrases its own A business enterprise can maintain belongings, acquire, promote, hire, mortgage, present or otherwise transfer a assets in its personal call, in other phrases, a agency as such may be a transferor or a transferee of a assets. (n.d.)A employer is a separate prison entity distinct from its contributors. It way the assets of the organization are not the property of the members. (“[PDF]PUBLIC SECTOR IN INDIA (Overview & Profile) - DPE,” n.d.) Conversely, the assets of the participants aren't the assets of the company<sup>2</sup>. further, because the corporation is created by means of the system of regulation, it can be killed only through the procedure of regulation. till a organization is dissolved,(Rodes, n.d.) it is still a prison individual . The organizations Act, 1956 presents for a spread of agencies that can be promoted and registered beneath the Act (“[PDF]PUBLIC SECTOR IN INDIA (Overview & Profile) - DPE,” n.d.). the 2 common styles of organizations which may be registered beneath. wherein at least 25% of the paid-up share capital of a private agency is held by one or more bodies company, the non-public enterprise shall mechanically become a public corporation on and from the date on which the aforesaid percent is so held. wherein the yearly average turnover of the personal company at some stage in the duration of 3 consecutive financial years is not much less than `25 crores, the private business enterprise shall be, no matter its paid-up percentage capital, end up a deemed public enterprise. in which not less than 25% of the paid-up capital of a public restricted enterprise is held by way of the private enterprise, then the personal corporation shall turn out to be a public corporation on and from the date on which the aforesaid percent is so held. wherein a personal business enterprise accepts deposits after the invitation is made by means of advertisement or renews deposits from the public , such employer shall grow to be a public agency on and from the date such acceptance or renewal is first made.five similarly, organizations can be integrated both as restricted legal responsibility corporations or as limitless legal responsibility organizations. (“[PDF]PUBLIC SECTOR IN INDIA (Overview & Profile) - DPE,” n.d.)

Memorandum and articles of affiliation The memorandum of association and articles of affiliation are the most essential documents to be submitted to the ROC for the motive of

incorporation of a organisation(Rodes, n.d.). The memorandum of affiliation is a record that units out the constitution of the company. It consists of, among others, the objects and the scope of activity of the organization and also defines the connection of the enterprise with the outdoor world (Kumar 2017). The articles of affiliation contain the regulations and rules of the organization for the control of its inner affairs(“[PDF]PUBLIC SECTOR IN INDIA (Overview & Profile) - DPE,” n.d.). At the same time as the memorandum specifies the gadgets and functions for which the organization has been fashioned, the articles lay down the rules and policies for reaching those gadgets and purposes. The aim is to find the economic advantage to private and public company

### **RESEARCH METHODOLOGY**

This study is entirely based on secondary source of data. Secondary source of data includes the following

- Books
- Articles
- Websites
- Journals

### **Economic validity of a Public company**

The general public area emerged because the driving force of financial boom consequent to the commercial revolution in Europe. With the advent of globalization, the public sector confronted new demanding situations in the developed economies(Prabhakar 2006). now not the general public quarter had the privilege of working in a dealers marketplace and had to face opposition each from domestic and global competition. further, within the 2nd half of the 20th century within the advanced economies, the political opinion commenced swinging toward the views that the intervention as well as investment by means of government in business sports should be reduced to the extent viable. Many eminent economists argued that government must not venture into the ones regions(Dean 2001), wherein the private region ought to undertake task efficiently. Lot of emphasis turned into laid on market driven economies, as opposed to kingdom managed and administered economies. The collapse of socialist economic system of the Soviet block convinced the coverage planners, round the sector(Bragg 2009), that

role of the kingdom ought to be that of a facilitator and regulator rather than the producer and supervisor. it can be well worth citing that, in numerous international locations, the flip towards liberalism along with deregulation and deregulate also brought about discontent among a few sections of population as its benefit did no longer flow down to the weaker and deprived sections of society. today, each Public quarter & personal sector have emerge as an quintessential a part of the economic system. There may not be plenty distinction in operating of these sectors in advanced international locations, however in developing countries, the performance of Public region has great scope for development. it is also found that Pay programs are nearly comparable in each sectors in evolved countries, however huge variations exist in remuneration within the two sectors in developing countries. government of India, as part of its national schedule to sell increase, boom in efficiency and global competitiveness, has been continuously framing guidelines for business boom, monetary, exchange and foreign funding to reap standard socio-economic improvement of the country. due to particularly severe stability of bills and economic crisis within the 12 months 1991(n.d.), the government determined to shift to a liberalized economic system with more reliance upon marketplace forces(Kumar 2017), a bigger role for the non-public region inclusive of overseas direct funding. The government found out that a robust and growth oriented kingdom can be constructed if India grows as a part of the world economic system and now not in isolation(Kotia 2009). as a result, liberalising and deregulatory steps were initiated from the year 1991 onwards, which aimed toward assisting increase and integration with the global financial system. on account that then, the thrust of recent economic policy has been on progressive reforms which include reduction in the scope of industrial licensing, reforms in the Monopolies and Restrictive exchange Practices (MRTP) Act, discount of regions reserved completely for public quarter, disinvestment of fairness of selected public sector enterprises (PSEs), enhancing limits of foreign equity participation in domestic industrial undertakings, liberalization of trade and trade rate policies, rationalization and discount of customs and excise obligations and personal and corporate income taxes, selling FDI(FDI World Dental Federation 2014), investments from NRIs (Non-Resident Indians), extension of the scope of CENVAT, enforcing the VAT regime in States, taking steps to interchange over to goods & offerings tax system , e-governance and simplification of diverse methods, regulations and regulations etc. for the reason that putting in of global trade organization (WTO) within the yr 1995, as an apex body at the worldwide level(American Bar Association. Committee on

Corporate Laws and American Bar Association. Section of Business Law 2009; Funnell and Robertson 2013; Greene Clements & Co., Greene, and Co. 1957; “8 Things You Need to Know about India’s Economy” n.d.), to which India is a signatory, the world alternate has sincerely grown thereby giving indicators that global alternate reforms do play an important position in boosting monetary improvement of diverse countries. business coverage has seen a sea trade with most significant government commercial controls being liquidated. The primary Public area enterprises (CPSEs) had been labeled into ‘strategic’ and ‘non-strategic’. Strategic CPSEs have been recognized in the areas of arms & Ammunition and the allied items of defence equipments, defence aircrafts and warships Atomic strength except in the areas related to the operation of nuclear power and applications of radiation and radioisotopes to agriculture, remedy and non-strategic industries and Railway transport. All different CPSEs had been considered as non-strategic. similarly, commercial licensing by the principal authorities has been almost abolished except for a few risky and environmentally touchy industries

### **FDI in private sector**

Indian authorities has shown a keen hobby in growing the overseas investment. The private confined enterprise is in most cases favored for the business. The private limited organization is simple to elevate budget. those sorts of corporations have greater flexibility and confined legal responsibility. overseas Direct investment below personal confined organisation is bifurcated under routes which are the automatic route or Approval path(American Bar Association. Committee on Corporate Laws and American Bar Association. Section of Business Law 2009; Funnell and Robertson 2013; Greene Clements & Co., Greene, and Co. 1957; “8 Things You Need to Know about India’s Economy” n.d.). FDI is authorized as much as one hundred% in most of the sectors aside from those sectors which can be capped or restricted automatic route: beneath computerized route, overseas Direct funding in personal employer is authorized with none earlier approval or possibly Reserve bank of India within the sectors/activities as in keeping with the FDI policy issued with the aid of the Authority.

### **Approval direction:**

under approval route, FDI in personal business enterprise may be made with the approval of the authorities. The prior approval from foreign investment promotion Board shall attain earlier than

an investment is made. The sports like a suggestion for investments or technical collaboration approval becomes necessary. The permission is granted when foreign investment promotion Board (FIPB) recommended it to a central authority for approval. in addition, entities of Bangladesh or Pakistan has to go beneath approval direction simplest.

### **Prohibited area for FDI:**

Atomic power Lottery business including government lottery and on-line lottery (Even foreign collaboration, franchise, trademark, logo call, control contract is illegal)playing and betting such as on line casino (even foreign collaboration(Bull 1984), franchise, trademark, emblem call, management contract is prohibited) enterprise of chit price range Nidhi organization buying and selling in transferable improvement rights real property business or creation of farmhouse (besides improvement of townships, roads or bridges, metropolis, and regional infrastructur(Duggal et al. 2013)e, and many others.,) manufacturing of cigars, cheroots, cigarillos, and cigarettes tobacco or tobacco substitutes hobby/region now not opened to non-public sector investment (American Bar Association. Committee on Corporate Laws and American Bar Association. Section of Business Law 2009; Funnell and Robertson 2013; Greene Clements & Co., Greene, and Co. 1957; “8 Things You Need to Know about India’s Economy” n.d.)[e.g., Atomic energy and Railway Transport. After receiving the cash the non-public constrained corporation shall difficulty the stocks inside 180 days of receiving the money. The intimation of allotment of securities will be given to forex department within 30 days of the allotment. private agency shall intimate in FCGPR along with the specified files to Authority. In a majority of the sectors, FDI in private constrained corporation is eligible for a hundred% FDI underneath the automatic route. The requirement of FDI record submitting is easy and is derived after the receiving of cash. consequently the technique starting a enterprise in India turns into easy and smooth for overseas Nationals and Non-Resident Indians.

### **FINDINGS**

- FDI is high for private enterprise
- Hard to invest in public sector
- Private is limited by shareholders
- Public company has a hard time in decision making

- Private is limited

### **RECOMMENDATIONS**

- 100% FDI could be a challenging to some company
- Private is limited by shareholders
- Public limited company should attract more investment
- Private sector should bring more shareholders
- Public enterprise should be run by people

### **CONCLUSION**

Inside the enterprise all the styles of agency desires investment on the way to preserve and develop the enterprise. additionally, large capital funding is needed based at the demand of the enterprise that allows you to start the corporation. however, Proprietorship, Partnership companies and restrained liability Partnerships aren't capable of problem shares which in addition makes them unable to attract any fairness investment. then again, personal constrained organisation permits or troubles shares thereby draws the traders to feature capital to the agency. Funding or investment may be given by way of absolutely everyone from family members, to friends, or by way of debt/equity. A private restrained organisation also can take foreign investments, thru the automatic direction and approval path. however there are a few sectors in which it's miles prohibited. for the reason that liability of the shareholders or the traders are limited to their shares simplest therefore it's far probably for them to put money into a private restricted organization. With the increase inside the connectivity and comfort of regulatory regimes, there may be an increase in the globalization and go with the flow of capital throughout the countries. With the creation of globalization, all sort of business from small to big have a larger market to expose their enterprise and seeing that India is a developing usa with a huge population, overseas buyers explicit their hobby in putting in place business in India. Even Indian authorities is keen for the foreign investments as it facilitates within the boom of economic system of the country and similarly allows in development.

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