



SECTION - 10

FINANCIAL MANAGEMENT IN PUBLIC SECTOR

This Section includes

- **Financial Management in Public Sector**

- 10.1.0 Public sector firm's equity is contributed by the government. They function with social objective. Normally, they have a low debt to equity ratio as the public sector gets support in the form of equity from the government. In India, the majority of public sector companies had very high equity component and very low Earnings per share.
- 10.1.1 The general emphasis in public sector is financial concurrence. Since it involves public money, public sector financial management is very strictly controlled through procedures and sanctions and audit, both internal and external. The finance manager is oriented more towards managing audit requirements, parliamentary compliances and other regulatory procedures.
- 10.1.2 In the post 1991 era of liberalization, Indian public sector companies were exposed to market discipline. Government started disinvesting the shares in public sector, the public sector shares were listed in the stock exchanges and many public sector companies started raising capital through initial public offerings. So, in today's context, most of the earlier discussed financial management principles will be applicable to public sector.
- 10.1.3 The performance of public sector should be measured by financial as well as non-financial measures. The non-financial measures will be used to measure the extent to which the public sector has achieved social objectives like employment generation and Corporate Social Responsibility (CSR). Public sector today, is governed by the principle called value for money, which is a comprehensive measure that links both financial and non-financial measures.