

**P.G. SEM - II**  
**CC- 8 (CORPORATE LEGAL FRAMEWORK)**  
**TOPIC - DIFFERENCE BETWEEN PRIVATE AND PUBLIC COMPANY**

**Difference Between Private Company and Public Company**

A private company and a public company are two important forms of business organizations recognized under company law, and they differ mainly in ownership structure, capital raising ability, and legal requirements. A private company is owned by a small group of individuals and restricts the transfer of its shares, whereas a public company allows the general public to purchase and trade its shares freely. In a private company, the minimum number of members required is two and the maximum is limited to two hundred, excluding employee-members, while a public company requires a minimum of seven members and has no maximum limit on membership. Private companies cannot invite the public to subscribe to their shares or debentures, but public companies can raise capital from the public through stock exchanges and public issues. The management and control of a private company remain closely held among promoters or family members, ensuring greater privacy and flexibility in decision-making, whereas public companies are subject to stricter legal regulations, disclosure requirements, and corporate governance norms to protect public investors. In terms of share transferability, private companies impose restrictions to maintain ownership control, while shares of public companies are freely transferable, increasing liquidity for investors. A private company generally enjoys fewer legal formalities and compliance requirements compared to a public company, which must follow extensive reporting, auditing, and regulatory standards. Additionally, public companies often have greater access to financial resources due to public investment but face higher scrutiny and operational transparency. Thus, while private companies offer control and confidentiality, public companies provide opportunities for large-scale capital formation and business expansion, making both forms suitable for different business objectives and growth stages.