

**Semester III**  
**ECODSC – 202**  
**Public Finance**  
**Total Credits: 3**  
**Teaching Hours: 45 hours**

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**Course Description:**

This course is designed to make the students familiar with the significance and scope of public finance. The course incorporates important fiscal instruments like taxation and public expenditure and also deals with the alternative theories and principles governing tax and expenditure policies of the government. In addition to these, the issues of public debt and the conceptual issues related to public budget has also been included. Further the course also highlights the important issues like centre state financial relation and policy formulation.

**Course Outcome:**

After completion of the course the students will understand the arts and science of public finance. They will understand the areas of market failure and the need of government intervention. The analytical skill of the students in relation to the various aspects like impact of tax and public expenditure on economic activities is expected to be enhanced. The students may enrich their knowledge base on aspects like fiscal policy regulation, budgetary mechanism, centre state financial relation etc.

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**Unit 1: Introduction**

Nature, Significance and Scope of public finance, Public vs Private Finance, Public Finance- Allocation, Distribution, Stabilization and Growth Functions of Government, Public Goods and Private Goods, Public Goods and Market Failure, Externalities.

**Unit 2: Public revenue**

Meaning and Sources of Public Revenue, Classification of Taxes - Direct and Indirect Taxes, Canon of Tax, impact, incidence and shifting of tax, impact of tax on production and distribution; Principles of taxation: Benefit Principle and Ability-to-pay principle; Tax systems- Progressive, regressive and proportional.

**Unit 3: Public Expenditure**

Meaning, Canons of Public Expenditure, Classification of public expenditure, Significance of public expenditure, Reasons for the growth of Public Expenditure in Modern State, effects of public expenditure on production, distribution and employment, Public Expenditure as an instrument of Fiscal Policy.

**Unit 4: Public Debt**

Meaning, Sources of public Debt – Internal and External Debt, Burden of public Debt, Methods of Redemption of public Debt, Role of public Debt with special reference to developing Countries.

**Unit 5: Govt. budget and Finance Commission**

Meaning, Types of Public Budget, Component of Public Budget - Revenue account and Capital account, Role of Government Budget, Concept of Budget Deficit, Latest Union Budget of India, Finance Commission - Meaning, Functions of Finance Commission, Recent recommendation of latest Finance Commission.

**Suggested Readings:**

1. Musgrave, R.A and P.B. Musgrave, Public Finance in Theory and practice MC- Graw Hill
2. Government of India, Report of the latest Finance Commission.
3. Public Finance – Dr. B. P. Tyagi
4. Harvey S. Rosen and Ted Gayer: Public Finance, Eight edition

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