

Vivekanand College, Kolhapur (Autonomous)

Department of Economics

Subject- Business Economics (Macro)


Topic- Public Finance: Meaning and Scope

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Public Finance- Meaning and Scope

- The government of every country has to perform certain special functions which can be classified under two heads-
 - 1) Obligatory Functions
 - 2) Optional Functions
- To perform all these functions adequately and efficiently, the government needs funds from the public.
- Public Finance is one of the important branch of Economics.
- Public finance is that science which deals with the income and expenditure of the public authorities.

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- The word public authorities include all sorts of government.
 - The term public finance is a combination of two words, namely Public and Finance.
 - The *Public* is represented the government (Central, state or local).
 - The word *Finance* means money resources (Income and Expenditure).
 - Thus, public finance refers to the systematic study of the operations of public income and expenditures of the public authorities.



Definitions

- ▶ Adam Smith- *“Public finance is an investigation into the nature and principles of the state revenue and expenditure.”*
- ▶ Prof. Dalton- *“Public finance is concerned with income and expenditure of public authorities and with the mutual adjustment of one another.”*
- ▶ Findlay Shirras- *“Public finance is the study of principles underlying the spending and rising of funds by public authorities.”*



Scope of the Public Finance

➤ Public Revenue

➤ Public Expenditure

➤ Public Debt

➤ Financial Administration



Public Revenue

- The income of the government through all sources is known as public revenue.
- It deals with the different sources and methods of raising the revenue to the government.
- It also studies about the classification of taxes, burden of taxes, its effects etc.



Public Expenditure

- Public expenditure refers to the expenditure incurred by the public authorities.
- It deals with the principles and problem related to the allocation of government spending.
- It also studies about the classification of public expenditure, its effect, public expenditure policies of govt. and trends in public expenditure.



Public Debt

- Public debt refers to the loans raised by the government both internally and externally.
- It studies the need for and methods of raising public debt and problems related to raising and repayment of public debt.



Financial Administration

- This area of public finance is all about the administration of all public finance i.e. public income, public expenditure and public debt.
- It includes preparation, passing and implementation of government budget and various government policies.
- It also studies the policy impact on the socio-economic environment, inter-governmental relationships etc.