

JYOTI NIVAS COLLEGE AUTONOMOUS
VI SEMESTER - ELECTIVE
PUBLIC FINANCE- THEORY AND POLICY –VIII A

60 Hours

OBJECTIVES

- To help the students to understand the different aspects of public finance-taxation, Public Expenditure, Public Debt, Deficit Financing.
- To understand the working of the budget and Fiscal Policy.
- To understand the significance of centre-state relations and fiscal federalism.

Learning outcome

- To understand the origin and evolution of modern public finance.
- To analyze the significance of public revenue and its impact on production, consumption, distribution.
- To examine the importance of public expenditure in a developing economy and its various effects.
- To examine the role of the budgetary process and various aspects of budget.
- The role of fiscal policy and its importance in controlling cyclical fluctuations.

UNIT - I

PUBLIC FINANCE

10 Hrs

Public finance – meaning, scope, nature, importance,(1) Principle of maximum social advantage – Prof.Dalton’s approach(2) – objective test of social advantage – limitations. (2)Private and Public goods – meaning, differences,(2) externality- meaning, causes for market failure, types – merit goods, club goods, mixed goods [concepts](2). Fiscal Policy- Objectives, Instruments(1)

UNIT - II

PUBLIC EXPENDITURE

10 Hrs

Public expenditure – meaning, reasons for the growth of public expenditure – Adolf Wagner’s approach and Peacock – Wiseman hypothesis(4), Canons of public expenditure,(2) classification of public expenditure,(1) effect of public expenditure – production, distribution, consumption, employment, stability and economic growth. (3)

UNIT - III

PUBLIC REVENUE

11 Hrs

Public Revenue – meaning, sources – tax and non-tax,(1) tax –canons, direct and indirect taxes – merits and demerits(2), proportional / progressive – concept,(1) effect of taxation on production, distribution, consumption,(2) impact and incidence of a tax – forward and backward shifting of a tax[concept](2), taxable capacity –absolute and relative taxable capacity[concept](2), factors, VAT and GST in India – concepts.(1)

UNIT - IV

PUBLIC DEBT AND DEFICIT FINANCING

10 Hrs

Public Debt – meaning, classification, reasons, sources, effects, redemption of public debt. (6)
Deficit financing – meaning, objectives, effects.(4)

UNIT - V

BUDGET

10 Hrs

Budget – meaning, objectives, canons (principles),(1) classification[revenue and capital budgets,(1) balanced and unbalanced budget, incremental and zero based budget,(2) organisational, functional and economic classification,(1) programme and performance budgeting](1), budgeting deficit – types[budgetary deficit, monetised fiscal deficit, gross fiscal deficit, net fiscal deficit, gross primary deficit, net primary deficit],(2) budgetary process in India – preparation, legislation, execution.(1)

Fiscal Policy – contra cyclical Fiscal Policy during inflation, deflation (1)

UNIT - VI

FEDERAL FINANCE

09 Hrs

Federal finance – meaning,(1) problems – vertical and horizontal fiscal imbalance, principles(2), allocation of resources between the Centre and the States – tax sharing, loans, supplementary levy, grants-in-aid and inter-Governmental Financial Institutions.(6)

BOOKS FOR REFERENCES

1. N.Radhakrishnan – Public Finance-Theory and approach, Vrinda Publications(P) ltd, 2008.
2. K.P.M.Sundharam – Public Finance, Ratan Prakash Mandir, 1995.
3. R.C.Agarwal – Public Finance, Lakshmi Narain Agarwal Publications, 2012.
4. Dr.B.P.Tyagi – Public Finance, Jai Prakash Nath and Co, 2004.
5. D.M.Mithani – Money, Banking, International Trade and Public Finance, Himalaya Publishing House, 1998.
6. J.K.Mehta – Public Finance, Kitab Mahal, 1977.
7. M.C.Vaish – Money, Banking, Tade and Public Finance, Wiley Eastern Limited, 1989.
8. M.L.Seth – Money, Banking, International Trade and Public Finance, Lakshmi Narain Agarwal, 1989.

ADDITIONAL READINGS LIST

1. Richard A. Musgrave, Peggy B. Musgrave – Public finance in Theory and Practice, Asian Student Edition, 1983
2. Richard A. Musgrave, Peggy B. Musgrave – Public Finance in Theory and Practice, Tata McGraw – Hill Edition, 2004.
3. Dalton, Hugh- Principles of Public Finance, Allied Publishers.

PRACTICAL COMPONENT

1. Case study on merit, club, mixed goods.
2. Case study of a recent budget.
3. Analysis of tax and public expenditure trends since 1991.
4. An analysis of trends in deficit financing since 1991.
5. Case study on resource sharing between centre and state.
6. Public and private finance – similarities and differences
7. VAT & GST