

Good Morning Students,

This lesson is for class 10th for the subject of "Economics". The topic for today is "Public Finance" which is covered in chapter 9 titled 'Introduction to Public Finance' of your book.

This lesson is being submitted to you on 29.7.24

All the students now please open page number 100 of your book and listen carefully.

Public Finance :-

The term public finance is combination of two words 'public' and 'finance'. The word public is used to signify the government (all sorts of government - Central, State and Local) while finance simply means monetary resources. Thus by public finance we mean that part of economics where we discuss the revenue and expenditure operations of the government.

Prof. Dalton defined public finance as "Public finance is connected with income and expenditure of public authorities and with adjustment of one to another".

Subject Matter of Public Finance :-

Public finance is generally studied under the following five main divisions :-

(i) Public Revenue :- It includes the income of ①

the government and deals with the methods of raising public revenues, and principles of taxation.

(ii) Public Expenditure:-

Public expenditure refers to those expenditure incurred by the government to satisfy those common wants which an individual cannot satisfy at its own. This branch of public expenditure deals with the principles, problems and effects of public expenditure.

(iii) Public Debt:-

Public debt refers to the loans taken by the government. Under this category, causes and methods of public debt are studied.

(iv) Public Administration:-

This branch deals with preparation of the budget and parliamentary control over public finance.

(v) Economic Stabilisation:-

In it, we study fiscal policy of the government in bringing about economic stability along with social justice in the country.

Nature of Public Finance:-

Public finance has two aspects.

(1) Positive Aspect:-

In its positive aspect, public finance is concerned only with sources of public revenue, public expenditure and

public debt in an objective manner irrespective of its impact on public welfare.

(2) Normative Aspect:-

The basic norm of public finance is economic welfare. In the normative aspect, public finance not merely include revenue and expenditure process of the government but also the effects of fiscal operations upon the economic activities.

Similarities between Public finance and private finance:-

1. Same Objective
2. Based on Rationality
3. Limited Resources.
4. Income and Expenditure
5. Efficient Management.

For explanation refer to page 161 and 162 of your book.

Before going further let's take a short break. Write the answers of the following questions during the break.

- Q. 1. What is Public finance?
2. What is normative aspect of public finance?

Difference between Public Finance and Private Finance:-

The followings are the points of difference:-

- (1) Adjustment of Income and Expenditure.
- (2) Motives of Expenditure.
- (3) Nature of Budget.
- (4) Nature of Resources.
- (5) Principle of Benefit
- (6) Secrecy and Audit
- (7) Coercive Methods.

For explanation refer to page number 161 of your book.

With this, I am ending my topic here. Write the answers of the following questions in your note-books.

1. What is subject matter of Public Finance?
2. Explain the difference between public finance and private finance.
3. How private finance is similar to public finance?

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