



HIMACHAL PRADESH NATIONAL LAW UNIVERSITY, SHIMLA

Semester: V

**B.A./B.B.A. LL.B. (Hons.)
Economics - V (Public Finance)**

**Paper Code: LB-505E
Credit - 04**

Introduction:

Public economics is the study of government policy through the lens of economic efficiency and equity. The course highlights the important issues in Indian public finance in the context of India's economic development. The important objectives of public finance are allocating resources for the provision of public services and to ensure growth and development, ensure macroeconomic stabilization and bring about the desired distribution of incomes. The course will develop students' skills on how to write a public policy paper and make a presentation on public policy issues.

Course Objectives:

1. To understand the nature, scope, and significance of public finance.
2. To understand management of public expenditure, public debt.
3. To understand Indian taxation policy.
4. To understand budgetary techniques and practices.

Learning Outcomes:

On the successful completion of course, students will be able to:

1. Understand the Role of Public Finance in National Economy.
2. Understand the basic taxation system in India.
3. Understand the influence of Public Expenditure and Public Debt.
4. Understand budgetary provisions in India and Indian Fiscal Federalism.

Module - I

Public Finance: An Introduction

- 1.1. Meaning and definition of public finance;
- 1.2. Public finance and private finance;
- 1.3. The principle of Maximum Social advantage;
- 1.4. Market Failure; Private Goods, Public Goods, and Merit Goods;
- 1.5. Overview of Different Role of Government: Allocation, Stabilization, and Distribution.

Module - II

Taxation

- 2.1 Revenue - Meaning, source, tax and non-tax revenue and importance – Canons of Taxation;
- 2.2 Types of tax: Direct and indirect taxes, Progressive, proportional and regressive taxation, single and multiple taxation;
- 2.3 Current Issues of India's Tax System; Effects of taxation;
- 2.4 Taxable Capacity: Determinants of taxable capacity. Shifting and incidence of taxes;
- 2.5 Distinction between impact and incidence of taxation; Factors affecting incidence of tax; Tax evasion; Goods and Services Tax (GST); and Demonetization.

Module - III

Public Expenditure and Public Debt

- 3.1 Public Expenditure: classification of public expenditure. Causes and growth of public expenditure;
- 3.2 Effects of public expenditure on production, employment, and distribution;
- 3.3 Public Debt: Meaning and classification; Need for public borrowing;
- 3.4 Effects of public debt on production, consumption, and distribution;
- 3.5 Burden of public debt. Redemption of public debt; Growth of public debt.

Module - IV

Public Finance in India and Fiscal Federalism

- 4.1. Indian Fiscal Policy; Budget: concepts, instruments and objectives;
- 4.2. Types of Government Budgets: Revenue Account, Capital Account; Different Concepts of Budgetary Deficits in the Indian Context;
- 4.3. Economic and Functional Classification of Central Govt. Budgets;
- 4.4. State and Local Finances;
- 4.5. Economic analysis of recent union budgets.

Prescribed Books:

1. H. L. Bhatia, PUBLIC FINANCE, (Vikas Publishing House, 2017).
2. Harvey Rosen, PUBLIC FINANCE, (McGraw Hill, 2009).
3. Richard Musgrave and Peggy Musgrave, PUBLIC FINANCE IN THEORY AND PRACTICE, (McGraw Hill, 2017).
4. R. K. Lekhi and Joginder Singh, PUBLIC FINANCE, (Kalyani Publishers, 2017).

Prescribed Readings:

1. REPORT OF THE 15TH FINANCE COMMISSION, (2021-2026).
2. ECONOMIC SURVEY, GOVERNMENT OF INDIA, (2022-2023).
3. STATE FINANCES: A STUDY OF BUDGETS, RESERVE BANK OF INDIA, (Latest).

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