

Public Finance

“ The task of economic stabilization requires keeping the economy from straying too far above or below the path of steady high employment. One way lies inflation, and the other lies recession.

Flexible and vigilant fiscal and monetary policy will allow us to hold the narrow middle course.” (US president John F. Kennedy 1962)

The Concept Of Public Finance

- **Public finance is a study of income and expenditure of the government at the central, state, and local levels.**
- **Government has to perform certain functions in a country such as to supply certain public or collective goods which individuals cannot or do not singly perform.** And this is the responsibility of the government to provide those goods for which it needs revenue.

The Concept Of Public Finance

Public Finance
Cycle
A process



The Concept Of Public Finance

Public finance is composed of the following constituents:

1. **Public Expenditure:** wages and salaries; subsidies and transfers; expenditure on goods and services such as infrastructures like road, electricity, telecom, and human capital accumulation like health and education; interest expenditure etc.
2. **Public Revenue:** Different sources of government revenue with major focus on tax revenue.
3. **Public Debt:** Often public revenue falls short of expenditure and government has to borrow from internal and external sources.

Public Expenditure

Public Expenditure is the end and aim of the collection of State revenues. It involves the judicious expenditure of public funds on the most important and socially and economically relevant activities of the State. The term 'Public Expenditure' refers to the expenses incurred by the Government for its own maintenance and also for the preservation and welfare of society and economy as a whole. It refers to the expenses of the public authorities, Central, State and Local Governments, for protecting the citizens and for promoting their economic and social welfare.

Public Debt

Public debt is the loans raised by and is a source of public finance which carries with it the obligation of repayment to the individuals, along with interest, from whom the debt was raised.

Public Financial Administration

THE IMPORTANCE OF PUBLIC FINANCE ADMINISTRATION

- To make sure the government have enough money to support public activities in term of financial and government expenditure.
- To make sure the public fund is being managed properly by following the law, rules and procedures.
- To prevent from any misused of fund, corruption in spending the public money.

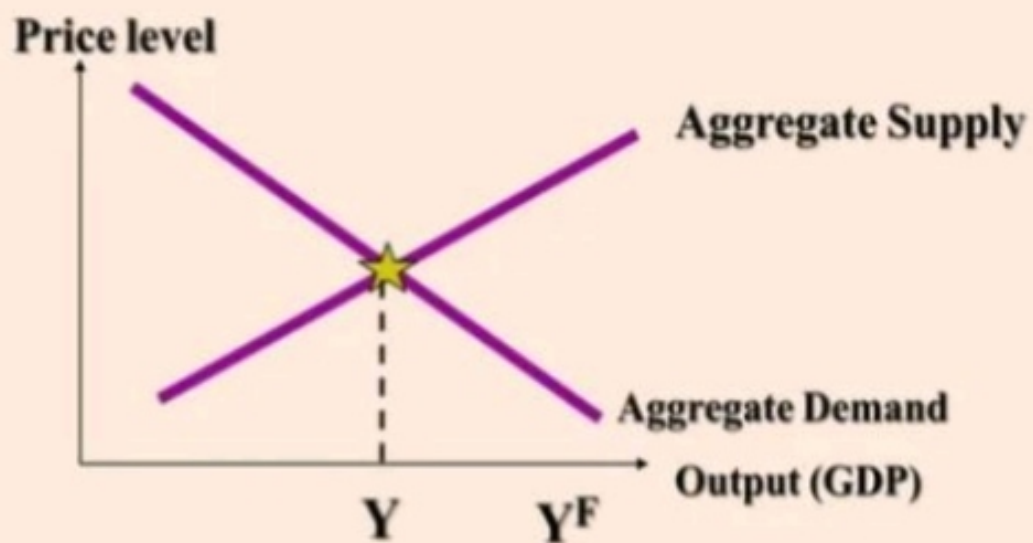


ROLE OF THE GOVERNMENT

Role Of The Government

- Promotion of human capital accumulation
- Provision of essential public goods
- Decentralization
- Facilitating and regulating the private sector for promoting industries, financial institutions, and building infrastructures.
- Protections of individual liberties
- Private rights to land and capital
- Good courts and legal systems
- Representative political systems

In the absence of the government intervention, high rates of unemployment can persist for long periods



Government Budgeting



Government Budgeting



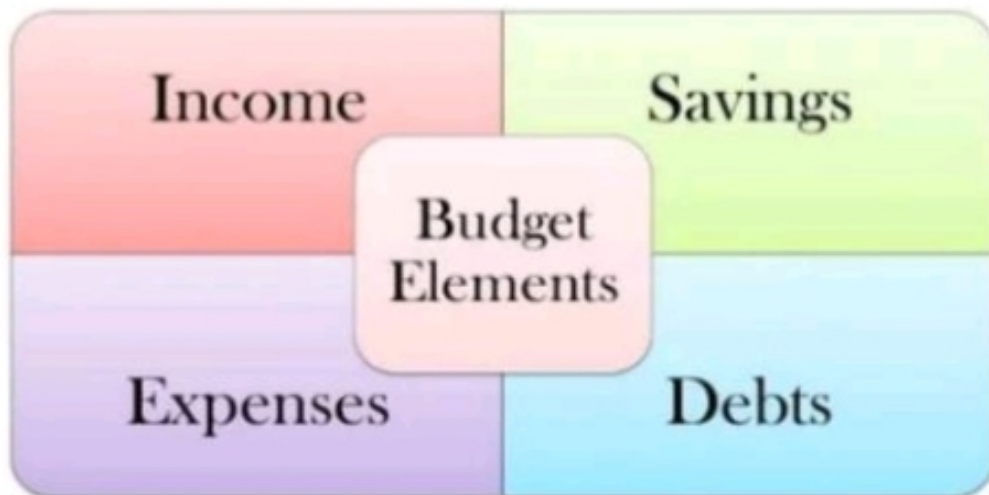
Government Budgeting

- **A good budget document contains:**
- (a) overall development policy,
- (b) size and composition of revenue and expenditure, and policy,
- (c) size and composition of external and internal borrowings, and policy,
- (d) whether budget is deficit or surplus and how is deficit covered and surplus disposed of?
- (e) actual of the previous year, revised estimates of the current year and estimates for the next

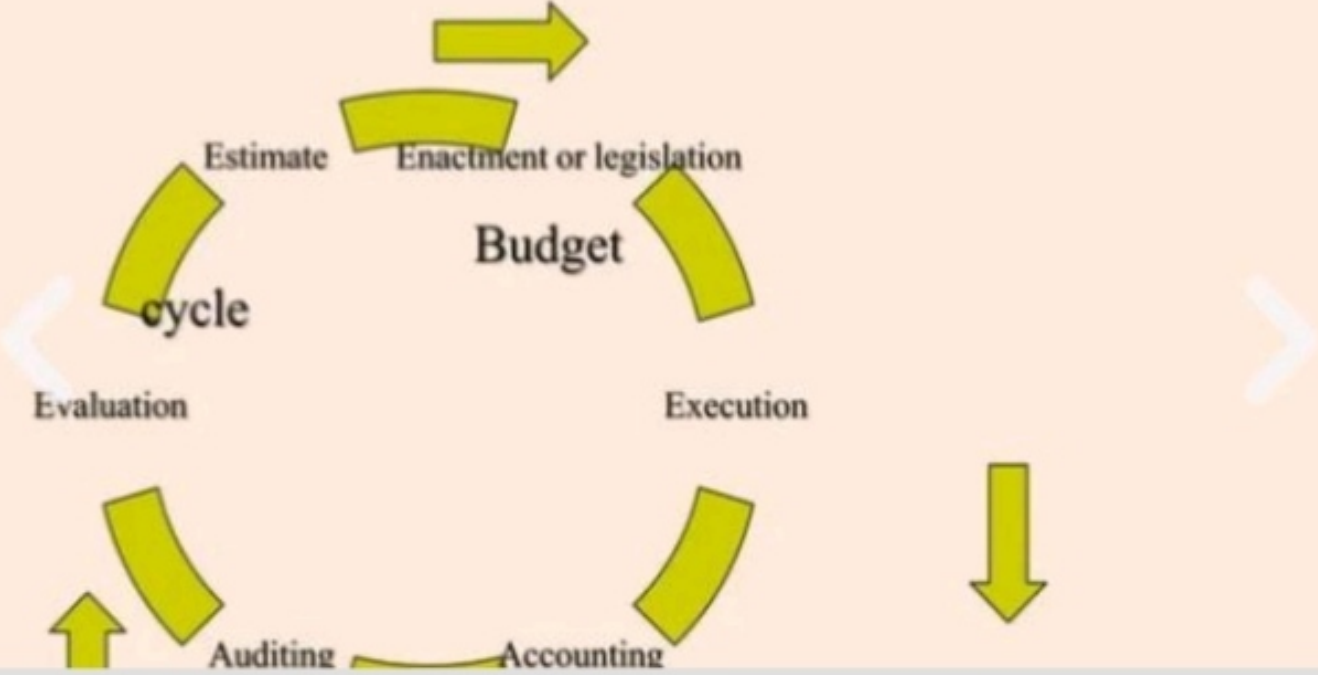
Elements Of Budget



Elements of a Budget



Government Budgeting



Taxation

Tax Revenue: Taxes are the most important source of government income. Taxes can be defined as "a compulsory contribution imposed by a public authority, irrespective of the exact amount of service rendered to the taxpayer in return."

According to Professor Seligman, a tax is "a compulsory contribution from a person to the government to defray the expenses incurred in the common interest of all, without reference to special benefits conferred."

Thank you 😊