

# **Scope of Public Finance**

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- The science of public finance deals with the activities of the state as the want satisfying activities; we study the financial implications and other aspects of such activities also. The state has to perform manifold functions and for the performance of these functions is needed. So, the scope of public finance is on the study of collection of these funds and their allocation to various branches of activities.

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## 1. Public Revenue

- It deals with the alternative sources of state income. It discusses and analyses comparative advantage and disadvantages of various forms of revenue and the principles which should govern the choice between them. The sources of public revenue is taxation, non-tax revenues, public debt and creation of additional currency claim, deposit, fees, and assessment etc. It deals within the canon of taxation and the taxation is the main sources of public revenue.

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- (A) Taxation includes the various principles governing the choice of tax measures, the problem of incidence of Taxation, the effect of Taxation on the working of the economy.
- (B) Non-tax revenue includes dividends and profits from public undertaking, grants, fees, fines, and interest receipts etc. each of them is of significant importance in overall policies of the government in general and in particular.
- (C) In the modern governments, the public debt has become an important source of revenue. It is assumed as an important instrument for regulating the working of the economy.

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## 2. Public expenditure

- It deals with the study of the principle and problems relating to the expenditure of public funds. It contributes to financial flows of economy and influences its demand and supply patterns. It also a major tool for implementing welfare, growth, stabilization, and policies of the government. Further, it also deals with the theoretical set-up of different criteria and the latest trends which have emerged in the public expenditure and try to find out the factors which were responsible for the latest trends.

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## 3. Financial administration

- Under financial administration, it is concerned with the Government machinery which is responsible for performing various functions of the states. It includes public budget, its passing, implementation, audit and similar other matters.

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## 4. Economic stabilization

- Now-a-days economic stabilization, economic growth, and distributive justice is the major issues in economic policies of modern government which need to be treated separately.

## 5. Federal finance

- Existence of a multilayer system of government necessitates a corresponding division of functions and inter-governmental financial flows, financial imbalances and their rectification. Federal finance is therefore an integral part of the modern public finance.

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- From the above discussion, it is clear that the scope of public finance is not static but the dynamic which is widening continuously with the change in the concept of state and its functions of the state. As the social and economic responsibilities of the state are increasing day-by-day. The methods and techniques of arising public income, public expenditure, and public borrowing are also changing.