

KU4DSCECO208:PUBLIC FINANCE

Semester	Course Type	Course Level	Course Code	Credits	Total Hours
IV	DSC-Major	200-299	KU4DSCECO208	4	60

Learning Approach (Hours/ Week)			Marks Distribution			Duration of ESE (Hours)
Lecture	Practical/ Internship	Tutorial	CE	ESE	Total	
4	0	0	30	70	100	2

Course Description:

This course is tailored for learners with a curiosity to grasp the workings of government finances. The course aims to familiarize students with the significance of government intervention and understanding of how fiscal policy contributes to achieving macroeconomic objectives. This course explores into the efficiency and fairness considerations of taxation across central, state, and local government domains, particularly focusing on the Indian context. Additionally, it covers the dynamics of financial relations between the central and state governments in a federal system. The course will benefit students aspiring for careers in government, policy analysis, business, and journalism.

Course Prerequisite: NIL

Course Outcomes:

CO No.	Expected Outcome	Learning Domains
1	Gain comprehension of basic Public Finance concepts and utilize welfare economics principles to assess the effectiveness and fairness of government economic policies.	U, A
2	Analyse the significant taxes implemented in India and employ analytical abilities to evaluate the major tax reforms enacted in the country.	An, E
3	Familiarise with the theories of public expenditure and analyse trends and composition of public expenditure in India	U, An
4	Evaluate the sources of public debt, explore methods for debt redemption, and assess trends in Central Government Debt and Liabilities]	E, A
5	Analyse the budget and challenges in the financial relations between the central and state governments.	An, U

**Remember (R), Understand (U), Apply (A), Analyse (An), Evaluate (E), Create (C)*

Mapping of Course Outcomes to PSOs

FYUGP ECONOMICS

COs	PSO 1	PSO 2	PSO 3	PSO 4	PSO 5	PSO 6	PSO 7
CO 1	✓			✓	✓		
CO 2	✓	✓	✓		✓		
CO 3	✓		✓				✓
CO 4	✓	✓				✓	
CO 5	✓	✓		✓		✓	

COURSE CONTENTS

Contents for Classroom Transaction:

M O D U L E	U N I T	DESCRIPTION	HOURS 60
1	INTRODUCTION TO PUBLIC FINANCE		11
	1	Why study public finance? a) The role of government in the economy. b) Fiscal Functions, Objectives of public finance -allocation, distribution, and stabilization.	2
	2	Tools of Normative Analysis. Welfare economics principles- Pareto Efficiency, Equity, and Social Welfare.	3
	3	Public Goods and Externalities. a) Market failures. b) Characteristics of public goods, Public good vs private good. c) Externalities: positive and negative.	3
	4	Creative Solutions for externality problem. a) Private sector solution to Negative Externalities- Property Rights and Coarse Theorem. b) Public sector solution to Negative Externalities -Tax incentives, subsidies, regulation.	3
	TAXATION		12
	1	Major Revenue Sources-Tax and Non-Tax Revenue.	2
	2	Principles of taxation - Principle of equity: Horizontal and Vertical– Ability to pay, cost of service and benefit principles.	2
	3	Impact and incidence of tax–Tax Shifting and its influencing factors.	2
	4	Major Taxes in India, Major Tax Reforms in India.	3
5	Current Issues of India’s Tax System-Goods and Services Tax (GST) in India: Concept and Structure.	3	
3	PUBLIC EXPENDITURE AND PUBLIC DEBT		12

	1	Public Expenditure –Major classification of Public Expenditure-Plan and Non-plan Expenditure-Developmental and Non-developmental expenditure- Revenue and capital expenditure.	3
	2	Theory of Public Expenditure-Wagner’s Hypothesis, Peacock - Wiseman Hypothesis.	3
	3	Trends and Composition of Public Expenditure in India - FRBM Phase.	3
	4	Public Debt- Sources, Methods of debt redemption- Trends in Central Government Debt and Liabilities.	3
	PUBLIC BUDGET AND FISCAL FEDERALISM IN INDIA		15
4	1	Public Budget: Structure -Classification of budget Concepts: Revenue Account, Capital Account.	3
	2	Types of Deficits and their significance - Revenue Deficit, Fiscal Deficit and Primary Deficit.	3
	3	Principles of Federal Finance -Finance Commission & it’s functions- latest Finance Commission report.	3
	4	Local Finance: Meaning and problems of local finance - Functions and Resources of local bodies -Municipalities and Municipal Corporation.	3
	5	Challenges facing the development of fiscal federalism in India.	3
	TEACHER SPECIFIC MODULE		10
5	<i>Directions: Seminar or Presentations on Selected Issues</i>		
	Tax evasion, black money and parallel economy in India OR An evaluative report on budgetary trends in India OR Public policy paper on Financing in higher education sector		10

Essential Readings:

1. Jonathan Gruber, (2019). Public Finance and Public Policy, 6th Edition. New York: Worth Publishers
2. Musgrave, R. A., Musgrave, P. B., & Bird, R. M. (1989). Public Finance in Theory and Practice (Vol. 5). New York: McGraw-Hill.
3. Harvey S. Rosen and Ted Gayer (2012) Public Finance ,8th Edition. New York: McGraw-Hill
4. Lekhi R.K., Joginder Singh (2022) Public Finance, Kalyani publication, New Delhi
5. Government of India, Ministry of Finance, Department of Economic Affairs, Budget Division. (November, 2022). Budget Manual.
6. Surajit Das, Some Concerns Regarding the Goods and Services Tax, Vol. 52, Issue No. 9, 04 Mar, 2017, EPW
7. D K Srivastava et al., Taxing Petroleum Products: Sharing Revenue Space between Centre and States, Vol. 56, Issue No. 9, 27 Feb, 2021, EPW .
8. Kim,J.and S.Dougherty(eds.)(2020),Local Public Finance and Capacity Building in Asia:Issues and Challenges, OECD Fiscal Federalism Studies, OECD Publishing, Paris, <https://doi.org/10.1787/a944b17e-en>.Reference Distribution
9. Kaplow, Louis (2008) The Theory of Taxation and Public Economics. STU- Student edition, Princeton University Press

10. Government of India Ch.2, Report of 15th Finance Commission, (Pg. 16-19)
11. Government of India Ch. 5, Report of 15th Finance Commission
12. Rao, M. Govinda. (2017).Central transfers to states in India: rewarding performance while ensuring equity.Final report submitted to NITI Aayog
13. Government of India, Report of 15th Finance Commission
14. Stiglitz, J. and Rosengard, J. (2015) Economics of the Public Sector, 4th edition, W. W Norton& Company
15. Ministry of Finance, Department of Economic Affairs, Budget Division. (2021-22). Status Paper on Government Debt. New Delhi.
16. Karnam,Gayithri, Public Expenditure in India: Policies and Development Outcomes (Oxford, 2022; online edn, Oxford Academic, 19 May 2022), <https://doi.org/10.1093/oso/9780192857569.001.0001>
17. Reddy Y. V and Reddy G. V(2019) Indian Fiscal Federalism .Oxford

Reference Distribution:

Module	Unit	Reference No.	Remarks
1	1	Essential Reading 2	-
	2	Essential Reading 3	-
	3	Essential Reading 1 and 14	-
	4	Essential Reading 1	-
2	1	Essential Reading 4	-
	2	Essential Reading 9 and 14	-
	3	Essential Reading 14	-
	4	Essential Reading 4	-
	5	Essential Reading 6,7 and 8	-
3	1	Essential Reading 4	-
	2	Essential Reading 4	-
	3	Essential Reading 16	-
	4	Essential Reading 15	-
4	1	Essential Reading 5	-
	2	Essential Reading 15	-
	3	Essential Reading 10 and 11	-
	4	Essential Reading 4 and 17	-
	5	Essential Reading 8	-

Suggested Readings:

1. Kaushik Basu, and A. Maertens (ed.), The Oxford Companion to Economics in India, Oxford University
2. John Cullis and Philip Jones (1998), Public Finance and Public Choice, Chapter 3(sections 3.1, 3.2 and 3.3)

Assessment Rubrics:

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Evaluation Type		Marks
End Semester Evaluation		70
Continuous Evaluation		30
a)	Test Paper- 1	6
b)	Test Paper-2	6
c)	Assignment	4
d)	Seminar	4
e)	Book/ Article Review	-
f)	Viva-Voce	-
g)	Field Report/ Local Govt bodies Visit report	10
Total		100