## **Public Finance**

**Level: Bachelor of Arts** 

Year: III

Code: Econ. 425

Paper: V

Full Marks: 100 Pass Mark: 40 Teaching hour: 150

## **Course Objectives:**

The objectives of this course are to provide knowledge to familiarize the issues, needs and effects of public finance along with the performance of public enterprises and to acquaint with fiscal federalism.

Units	Contents	Hours
I: Government and	Role of public sector; Government as a tool for operating	
Economy	the planning process; Market failure: Imperfections,	15
	decreasing costs, externalities, shortage of public goods;	
A Comment of the Comm	Market failure and role of government.	
II: Introduction to	Meaning; Historical evolution of public finance: Classical,	
Public Finance	Keynesian and post-Keynesian view of public finance;	10
	Comparison of public finance and private finance; Role of	
	public finance in developed and developing countries.	
III: Public Goods	Definition, types, characteristics of public goods; Demand	
and Externality	and supply of public goods; Public goods and externality.	10
IV: Public	Causes of growth in public expenditure; Principle of	
Expenditure	maximum social advantages; Effects of public	
	expenditure on production, employment, economic	15
	stability and growth, distribution of income and wealth;	
	Canon of public expenditure.	
V: Public Revenue	Meaning and sources of revenue: Tax and non-tax; Direct and indirect taxes: Features, merits and demerits; Shifting of taxes: Concept, types, theories and factors influencing the shifting of taxes; Incidence and impact of taxation; Division of tax burden: Expediency theory, sociopolitical theory, benefit received theory; The principle of benefit and ability to pay approaches; Taxable capacity and tax effort ratio; Effects of taxation: consumption, production, distribution, economic stability; Characteristics of a good tax system.	25
VI: Public Debt and Foreign Aid	Introduction to public debt; Types and role in the economy; Public debt management: Principles and techniques; Public debt and economic stabilization; Debt policy in developing country; Debt trap: causes, consequences and remedies; Foreign aid: Introduction, types and importance; Public debt and foreign aid in Nepal: Evolution, trend and issues; Conditional and unconditional grants.	20

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VII: Fiscal Policy	Meaning, evolution, objectives and techniques of fiscal policy; Types and instruments of fiscal policy; Effectiveness of fiscal policy in developing countries; Fiscal reform and fiscal cliff.	15
VIII: Budget and Budget Formulation	Meaning of budget; Process of budget formulation; Reforms in budgeting: Programme budgeting, performance budgeting, zero - based budgeting; Gender responsive budget; Deficit financing: Meaning and sources.	15
IX: Fiscal Federalism	Concept, evolution, types, components of fiscal federalism; Inter - governmental fiscal transfer: Vertical and horizontal, top to bottom and bottom to top grants; Problems of federal finance adjustment; Public private partnership (PPP) model.	15
X: Public Enterprises	Meaning and features; Pricing principles of public enterprises; Public enterprises in liberalization Era; Performance of public enterprises in Nepal.	10

## References

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Musgrave, R. & P. B. Musgrave (1976). Public finance in theory and practice. Tokyo: McGraw Hill, Kogakhusa.

Bhatia, H. L. (2008). Public finance. 26th edition. New Delhi: Vikas Publishing House Pvt. Ltd

Singh, S. K. (1996). Public finance in theory and practice. New Delhi: S. Chand Company Ltd.

Hajela, T. N. (1999). Public finance. New Delhi: Konark Publisher Pvt. Ltd.

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Shah, R. K. (2016). Fiscal federalism in Nepal. Kathmandu: Ekata Books.

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Lekhi, R. K. (2007). Public finance. New Delhi: Kalyani, Publishers.