

## CHAPTER 5

### PUBLIC FINANCE

**5.1** Public Finance is the term, which has traditionally been used or applied to the packages of those policy problems, which involve the use of tax and expenditure measures. As a subject, public finance is a study of public sector economics. It is about the revenue, expenditure and debt operations of the government and the impact of these measures to the society. Public Finance is, therefore, about fiscal institutions, that is the tax systems, expenditure programs, and budget procedures, stabilization instruments, debt issues, level of government etc.

**5.2 Source of Data on Public Finance: Union Budget Document** prepared by **Ministry of Finance** is the primary source of Information related to Public Finance. The Union Budget contains following information:

- (i) **Revenue Receipts:** Revenue receipts consist of tax collected by the government and other receipts consisting of interest and dividend on investments made by government, fees and other receipts for services rendered by government
- (ii) **Revenue Expenditure:** It is for the normal day-to-day running of the Government departments and various services, interest charged on debt incurred by Government, subsidies, etc. Usually, revenue expenditure covers all the expenditure that does not create assets. However, all grants given to State governments and other parties are also clubbed under revenue expenditure, although some of them may go into the creation of assets.
- (iii) **Capital Receipts:** The major items of capital receipts are loans raised by the Government from the public (called market loans); Borrowings by the Government from the Reserve Bank of India (RBI) and other parties through sale of Treasury Bills, Loans received from foreign governments and bodies; and recoveries of loans granted by the Union Government to State governments, Union Territories and other parties
- (iv) **Capital Expenditure / Payments:** It comprises of expenditure on acquisition of assets like land, building and machinery, and also investments in shares, etc.; and loans and advances granted by the Union Government to State and Union Territory governments, government companies, corporations and other parties.

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6	5.6	Economic Classification Of The Central Budget

Source & Reference:

- A) Budget documents, Ministry of Finance.
- B) Directorate of Data Mangement, Central Excise & Customs , Ministry of Finance
- C) Office of the Pr. Chief Controller of Accounts, Central Board of Direct Taxes, Ministry of Finance.
- D) An Economic & Functional Classification of the Central Govt, Budget Various issues, Department of Economic Affairs, Economic Division, Ministry of Finanace.