

To understand the meaning of public finance, it is pre-requisite to have knowledge of words "Public" and "Finance". The word Public is a collective term which stands for the collection of individuals. The ordinary meaning of the term "Finance" is money resource i.e. coins or notes in a specified area. In Public finance, the word "Public" is used in a narrow sense whereas the word "Finance" is used in its wider sense.

"Public Finance deals with the finance of the public as an organised group under the institution of the government. It, therefore, deals only with the finance of the government."

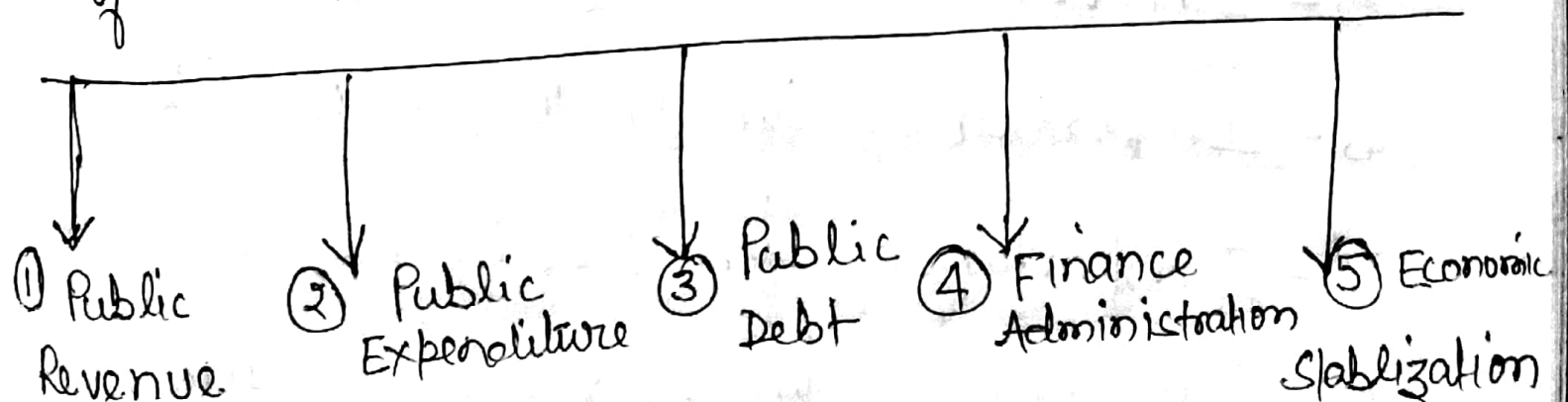
In fact, the science of public finance studies and analyses the effects of government budgetary practices of taxing and spendings as:

- (a) allocation of scarce productive resources,
- (b) distribution of income and wealth,
- (c) economic stability and full employment,
- (d) economic growth.

SCOPE of Public Finance -:

We have learnt that public finance is the study of the income and expenditure of the state. Thus we can easily infer that it is as old as the state itself. Adam Smith the father of Political Economy, is credited with having first started a systematic discussion on public expenditure.

There is no denying the fact that science of public finance deals with the finances of the state. But in public finance, we not only study the activities of the state as the want satisfying activities, but also study the financial implications and other aspects of such activities. So, the scope of public finance is the study of collection of these funds and their allocation to various branches of activities.



Importance of Public Finance —

During the 20th century, Public finance came to the forefront on account of emergence of new concept of "Welfare State". Modern Governments do not confine themselves to maintenance of law and order only, on the contrary, they actively intervene in economic matters.

- 1- Expansion of State Activities
- 2- Growing Use of Money
- 3- Reduction in Economic inequalities
- 4- Emergence of Generalised Services
- 5- Increases Employment
- 6- Importance in underdeveloped Economies
- 7- Importance in Developed Countries
- 8- Importance in Developing Countries
- 9- Useful in Social Field