

DISCIPLINE SPECIFIC ELECTIVE COURSE 2 (DSE-2): PUBLIC FINANCE

CREDIT DISTRIBUTION, ELIGIBILITY AND PRE-REQUISITES OF THE COURSE

Course title & Code	Credits	Credit distribution of the course			Eligibility criteria	Pre-requisite of the course
		Lecture	Tutorial	Practical/ Practice		
Public Finance (DSE2)	4	3	1	0	Class 12	None

Learning Objectives

The course aims to develop an understanding of

- Fundamental concepts of Public Finance.
- Economics of government expenditure and taxation
- Efficiency and equity aspect of taxation of centre and state government.
- Different types of canons in taxation.

Learning outcomes

By studying this course, the students will be able to:

- Apply tools of basic microeconomics to key policy issues relating to the spending, taxing and financing activities of the Government.
- Understand difference in impact of direct and indirect taxation.
- Understand the recent developments and issues in Indian Public Finance.

SYLLABUS OF DSE-2

Unit 1: Theory of Public Finance

(12 hours)

Public finance: Meaning, nature, scope and importance, difference between private and public finance. Principle of maximum social advantage. Role of state in public finance. Elementary theory of product and factor taxation. Sources of revenue: taxes, loans, grants and aid – meaning and types, Principle of public expenditure. Public finance and the economic system.

Unit 2: Current Issues in Indian Tax System

(12hours)

Direct and Indirect Tax Reform in India, Different forms of direct tax in India, Changing regime of taxation-direct to indirect taxation. Introduction of GST and its implication for state finances and fiscal federalism in India, Latest finance commission and its recommendation for fiscal devolution.

Unit 3: Center State Financial Relations

(9hours)

Center state fiscal relations, horizontal and vertical tax devolution in India,

State and local finance in India.
Performance and Equity debate in fiscal devolution in India.
Report of finance commission in post liberalisation period.

Unit 4: Principles of Taxation

(12 hours)

Canons of taxation, Meaning of Canons of Taxation -Types of Canons of Taxation-Canon of equality or equity, Canon of certainty, Canon of economy, Canon of productivity, Canon of Diversity, Canon of convenience, Canon of elasticity, Canon of simplicity, Canon of diversity, Characteristics of Canons of Taxation.

Essential/recommended readings

1. Musgrave, R. A. and Musgrave, P.B., Public Finance in Theory and Practice (1989), 5th edition. McGraw Hill Education.
2. Bagchi, Amaresh. Reading in Public Finance, Oxford University Press.
3. Bhatia H.L.. Public Finance. Vikas Publishing House;
4. Shankar Acharya, Thirty years of Tax Reforms in India, EPW, May 2005
5. Rao, M. Govinda, "Central transfers to states in India: rewarding performance while ensuring equity." Final report submitted to NITI Aayog (2017) (pages 1 to 18).
6. Government of India, Fifteenth Finance Commission Report 2021-26, Chapter 6

Suggestive readings

1. Report of Finance commission of India, Various years.
2. Economic Survey, GoI, Various year
3. State Finances: - A Study of Budget, RBI, Latest report

Note: Examination scheme and mode shall be as prescribed by the Examination Branch, University of Delhi, from time to time.