

people

## Helps in Controlling Inflation & Deflation

Public finance is a very effective tool used by the government to control inflation and deflation like situations. In order to control inflation, the government increases the tax rate and **capital expenditure**. While during deflation government decreases the tax rate bringing down the prices thereby increasing the demand.

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## Helps in Attaining Economic Stability

Public finance is also used as a tool to stabilize the economy by the government. When there is more prosperity in the [economy](#) and the people are earning more and more, the government increase the tax rate and during deflation government reduces the tax rate thereby increasing the demand.

## Helps in Developing Well Structure & Infrastructure

Public finance helps the government in raising efficient funds for promoting the various infrastructural facilities in the economy like road, ^





## Helps in Encouraging Savings & Investment

A large category of the population invests their incomes on consumption due to which saving proportionate is very low leading to very low or nil investment. The government can use its finance to promote saving and investment habits in people by reducing the tax rate and providing some relief on product and services prices.

## Helps in Allocating Resources Properly & Efficiently



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**Public finance** has importance for both developing and developed economies. It has a very important role in achieving objectives like full employment and price stability. Some of the importance of public finance are as follows-

## **Helps in Removing Inequalities in Terms of Wealth and Income**

In underdeveloped economies, there is a very serious problem regarding inequalities in the distribution of income and wealth. The rich are getting more and more while the poor are not getting enough and are thereby becoming poorer and poorer. So to promote equal distribution government need to invest in the



Public finance helps the government in raising efficient funds for promoting the various infrastructural facilities in the economy like road, railways, medical and educational facilities, etc.

## Helps in Increasing Export

It helps in promoting the export from the country and thereby earning the foreign exchange. Government reduces the tax rate or even exempt the products from the tax category that are exported. It imposes more and more tax rate on the import thereby disfavours it.

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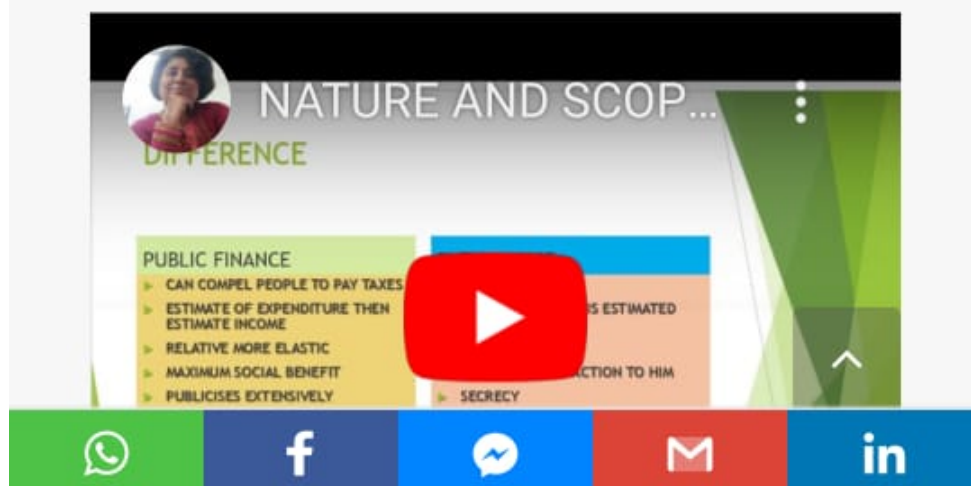




## Helps in Bringing Balanced Development in the Economy

It plays a very **efficient role** in helping the government in removing or erasing the gap between the rural and urban area, agricultural and industrial sector.

The government basically allocates an efficient amount from the fund raised through different sources for the infrastructural development in rural areas and provides direct benefits to the rural areas.



## Commerce Mates



### Helps in Allocating Resources Properly & Efficiently

It helps the government in proper allocation and utilization of man-made and natural resources. In order to allocate resources properly, the government imposes more and more taxes on the less demandable goods and imposes a low rate of taxes and even provides subsidies on more desirable products and services.

### Helps in Bringing Balanced Development in the Economy



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# Importance of Public Finance in Developing Countries



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