

FACULTY OF JURIDICAL SCIENCES

Lecture-21



Private Finance

When the optimization of finances is undertaken at a micro-level, it is called Private Finance.

So, private finance is the management and analysis of the financial activities of an individual, household, business enterprise, etc. which may cover savings, investments, insurance, banking, personal loans, tax management, credibility, fixed deposits, retirement planning, real estate planning and so forth.

It involves the division or application of income on various items, based on their priority with the help of a budget, savings, protection and expenses, and after taking into account multiple factors such as risk involved, needs, future prospects, etc.

It aims at meeting personal financial goals, which can be anything such as saving for the future, buying a property, travelling abroad, retirement planning, etc.

Public Finance

Public Finance refers to that part of finance which is related to the financial activities of the public authorities at different levels, i.e. centre, state and local, and the alternative ways to finance the expenditure of the government. It is also called as public sector economics, as the development of nation solely depends on it.

It includes – public revenue, public expenditure, public debt, financial administration, budget, accounts, auditing and financial control. The analysis of public finance aims at understanding the consequences of government spending on different activities, regulations, taxes and borrowing on the wages, investment and disbursement of income.

BASIS FOR COMPARISON	PRIVATE FINANCE	PUBLIC FINANCE
Meaning	Private finance is the study of income and expenditure, borrowings, etc. of individuals, households and business firms.	Public finance is concerned with the revenue/incomes and expenditure, borrowings, etc. of the economy or government.

BASIS FOR COMPARISON	PRIVATE FINANCE	PUBLIC FINANCE
Adjustments	Individuals adjust their spending as per their income.	Government adjust the income, according to the size of expenditure on different segments.
Objective	To maximize profit.	To promote social welfare.
Nature of Budget	An individual attempts to maintain a surplus budget.	The government prefers a deficit budget.
Financial Transaction	Transactions are kept secret.	Transactions are open and known to all.
Time Horizon	No fixed period	One year
Elasticity	Less	Comparatively more