

## UNIT 4 - Functions of Public Debt Management Agency - Explained



### Introduction

- It is an interim organization set up by Ministry of Finance & will be elevated to a statutory Public Debt Management Agency (PDMA) in about two years.
- Its core purpose is to permit separation of debt management functions from RBI to PDMA in a steady & seamless manner, without causing market disruptions.
- PDMC will have 15 expert debt managers from Finance ministry & RBI for the required expertise.
- A joint implementation committee chaired by joint secretary (Budget) will supervise the conversion process of PDMC to PDMA.

### Theory of Public Debt

#### What is Public Debt?

money or credit owed by any level of government  
indirect debt of taxpayers

INTERNAL DEBT

EXTERNAL DEBT

## Main Functions

- It will only have advisory functions to avoid conflict with statutory functions of the RBI.
- It will plan government borrowings as well as accomplish its responsibilities.
- It will further monitor cash balances & create an efficient market for government securities & advice government on matters related to investment, capital market operations, fixing interest rates on small savings etc.,
- It will develop an Integrated Debt Database System (IDMS) as a centralized database for all liabilities of government, on a near real-time basis & undertake necessary elementary work for PDMA.

## Public Debt Management Agency (PDMA)

- PDMA is a proposed specialized autonomous agency that manages the internal & external liabilities of the central government in a holistic manner.
- The government has now made clear that PDMA will be formed in two years.

## Need For PDMA

- Currently, the market borrowing is managed by RBI but external debt by central government directly. Forming a debt management agency would combine all debt management functions in a single agency & bring in full management of both the internal & external liabilities.
- Supervision of government debt, regulation of banks & monetary policy are all interlinked which could be better harmonized by an agency like PDMA.