

Objectives of Public Debt :

The state may borrow not only to meet the rising expenditure, as the income from revenue may fall short of current expenditure but also to meet the sudden & unforeseen expenditure such as war expenditure.

There is hardly any government today which has not borrowed the money within or outside the country.

The main objectives of PD are:

1. Bridging the gap between revenue and expenditure
The most ~~imp~~ important aim of public debt raised by the government is to fill the gap between revenue ~~raised by~~ received by the government and proposed expenditure during a year (i.e. to cover temporary budget deficit)
2. Fighting Depression - Public Dept is the most indispensable tool of managerial financial management to eradicate evils of depression.
3. To finance Development Projects - The underdeveloped countries are now very keen on speedy economic development which involves huge investment. They are unable to raise adequate finance through taxation. Hence resort to public borrowing becomes

necessity and what to say of underdeveloped and developing countries even developed countries like USA, UK, Germany, Japan etc also have resort to public borrowings so as to meet the expenditure of development projects like railways, roads, power houses etc.

4. To meet wartime expenditure - A modern war is very costly affair. To prosecute a modern war by taxation is simply out of question, hence public borrowing becomes essential. Thus the government may resort to public borrowing to raise adequate resources & transfer resources from civilian sector to military sector.
5. To curb inflation - Dangers of inflation are known to everybody. By raising public debt the government can withdraw a large volume of money from public and prevent the prices from rising and thereby controlling inflation.
6. To meet unprecedented expenses / To meet emergencies - sometimes the government has to meet emergencies like floods, famine, earthquake, riots etc. To meet these government may have to borrow from public.
7. To finance Public enterprises - Public sector is that part of economy which is under the direct control of

government. The government may borrow for financing these public enterprises.

8. Expansion of Education & Public Health Facilities
In modern times the government are welfare governments who are responsible for expansion of education & health services and for this purpose also generally government borrows.