

Municipal Bonds in India

What is the issue?

\n\n

\n

- PMC recently succeeded by issuing municipal bonds.
- It may not be easy to replicate, but it can serve as a role model for local bodies.

\n

\n\n

What is municipal bond?

\n\n

\n

- A municipal bond is a debt security issued by a state, municipality or county to finance its capital expenditures, including the construction of highways, bridges or schools.
- Municipal bonds are mostly exempt from federal taxes and from most state and local taxes, making them especially attractive to people in high income tax brackets.

\n

\n\n

What is the history of municipal bonds?

\n\n

\n

- Between 1997 and 2010, the city corporations of Ahmedabad, Nashik and Bengaluru experimented with bond issues but barely managed to raise Rs.1,400 crore.
- The poor investor response was due to the fact that these bonds were not tradable and lacked regulatory clarity.

\n

- SEBI's detailed guidelines for the issue and listing of municipal bonds in March 2015, clarified their regulatory status and rendered them safer for investors.

\n

\n\n

What is the recent incident?

\n\n

\n

- The municipal bond market in India is coming alive with
- Pune Municipal Corporation (PMC) raised Rs.200 crore in the first set of a proposed Rs.2,264-crore offer.
- It also listing the bond on BSE recently.
- It is a ten-year bond offer carrying a coupon of 7.59%.
- It received a good reception raising hopes that future offers will be well-received.

\n

\n\n

What is the significance of municipal bond market?

\n\n

\n

- The take-off of the municipal bond market is critical for India's large cities and towns to upgrade their creaking infrastructure.
- The ability of municipal bodies to be self-sustaining is also critical to the success of the Centre's pet projects such as Smart Cities and AMRUT.

\n

\n\n

\n\n

Source: BusinessLine

\n



SHANKAR
IAS PARLIAMENT
Information is Empowering