Municipal Bonds form a better source of finance for urban rejuvenation & can complement SMART cities project. Examine.

94th Constitutional Amendment Act recognised Municipal bodies as urban local self-government. They provide basic facilities such as water supply, healthcare, education institutions, housing, transport, etc.

With urbanisation in India peaking by 2050 as per UN world cities 2016 report, urban rejuvenation schemes such as AMRUT, HRIDAY & SMART cities are well-thought but demands sustainable financing because –

⇒ Banking institutions are under mounting Non-Performing Assets & remain reluctant for further new loans.

⇒ IL & FS crisis have had a domino effect on activities of Non-Banking Financial Institutions, thus no lending.

⇒ It is reported that the ~~private~~ foreign investments go to brown field projects than green-field projects, further affecting finances ~~of~~ ~~[illegible]~~ in new city projects.

⇒ With the implementation of GST, financial autonomy of municipal bodies have been greatly limited to only property taxes & they are now more dependent on states for ~~[illegible]~~ their finances.

The recent RBI report 2017 showed that Indian investors are increasing investing in bond markets which is why Municipal bonds may form a better alternative for finance of urban rejuvenation schemes.

~~[illegible]~~ For the success of municipal bonds, the responsibility lies in the hands of State to provide transparency in municipal bodies for boosting investors' confidence. With the coming of municipal bonds, financial autonomy of urban local bodies is restored, thereby providing opportunity for the States & centre to divert more funds to develop rural growth.