

## **Municipal Bonds in India**

### **What is the issue?**

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- 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.

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### **What is municipal bond?**

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- 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.

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### **What is the history of municipal bonds?**

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- 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.

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- 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.

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### **What is the recent incident?**

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- 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.

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### **What is the significance of municipal bond market?**

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- 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.

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**Source: BusinessLine**

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