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10/07/2018

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Municipal bonds could help Corporations to directly raise funds, thereby reducing its dependency on Central and State grants. What are the roadblocks that hamper Indian cities to tap its full potential?

ROADBLOCKS :

1) Inflation: The municipal bonds are issued for a period of 10 years or more for a fixed rate of interest. But the rate of inflation will not be the same at the time of maturity when compared to the investment time.

2) Interest Rate Risk: When interest rate in the market goes up the current bond loses its value.

3) Credit Rating: It has graded only 55 cities out of 94 have been given above the investment grade.

4) Fiscal Stability: The urban local governments are poor in maintaining the financial assets and it lacks resource for the same.

5) Implementation: The local bodies are slow in implementation of municipal reforms.

6) Transparency: The local bodies are to be mandatorily disclose their financial information.

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दीजिए

उम्मीदवारों को इस
हाशिए में नहीं
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Even though the municipal bonds have different barriers which may restrict the citizens to invest in it, it has to be promoted and attractive by providing certain changes in it for accessing a good capital inflow into the local bodies.

In this connection the foreign markets are using municipal bonds as a main source for funding the local bodies and the same benefits can be yielded by Indian cities if the rules are properly implemented by the local government.

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