

Q. As India is considering as a new manufacturing hub of the world, a robust corporate bond market is the need of the hour. Discuss (200 words.)

In its recent report Morgan Stanley predicted that India will be included in global bond indices in early 2022.

Why it is said that?

Because after covid-19 pandemic the world's economy is now stable and India is ~~one~~ one of the most top country where foreign countries would like to invest.

Why robust corporate market is needed.

- Since 2008, corporate bond market has been witnessing higher investment
- India's outstanding corporate debt stood at 18.2 % of GDP.

But still it is not as much high as USA (123 %) & South Korea (70%+)

Measures should be taken

- Financial literacy and education is needed because over 76 % of adults of India do not understand financial terms.
- Individual investment in market is missing. So that government may think of tax incentives to channelise household savings into financial assets.

- Government may think of credit guarantee for corporate bonds through creation of an earmarked fund by collecting cess. from companies
- Functional autonomy where stake-holders and credit rating agencies should have functional independence to improve corporate bond.

An effective & efficient corporate bond market complements a sound banking system and provides an alternative source of finance to the real sector, diversifies risks and reduces financial sector fragility. Since India considered as a new market hub a vibrant corporate bond market is need of the hour.