

(Please do not write anything except the question number in this space)

कृपया इस स्थान में प्रश्न संख्या के अतिरिक्त कुछ न लिखें।

UPSC

Answer Questions in NOT MORE THAN the Word Limit specified for each in the Parenthesis.
Content of the Question is more important than length.
(Specimen Answer Booklet - For Practice Purpose Only)

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Q. Elaborate on the various challenges present in issuing municipal bonds in the country.

↳ Municipal Bond

It is a debt security issued by a state, municipality or country to finance its capital expenditures, including the constructions of highways, Bridges or schools.

↳ Indian cities are expanding, Urban local Bodies (ULB) need a adequate funding sources

↳ RBI - Reserve Bank of India's report on municipal finances recommended increasing Municipal Bond issuances a funding to these institutions.

↳ Challenges in Municipal Bonds (MB)

1) MB are weak finances and doubtful repayment capacities of most of these urban bodies.

2) Committed expenditure has been increasing leading to either meagre or no revenue surplus for most of these bodies.

3) most ULB's find difficult to meet SEBI's criteria of reporting surplus income.

4) Credit rating has been made mandatory. The RBI points out the 94 cities which are rated in 2018, only 59% were rated investment grade

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5) The yields of municipal Bonds issuances are attractive compared with Bank deposit and central government Bonds but higher risk and tiny size of issuances are deterrent to investors.

Need of the Hour

1) A standardised Formula needs to be adopted in all states for devolution of tax proceeds equitably with urban local bodies in line with area under their jurisdiction, Population and their developmental needs.

2) Suggestion by Experts that center and state should share specific part around 15% of the GST Revenue, with urban and rural local bodies.

3) Standard Accounting Methods should be enforced across ULBs which should be displayed without much lag on their websites..