
ACCENT REGION

UTTAR PRADESH

Municipal bonds key for infra development

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Having secured ₹500 crore by floating municipal bonds in five major cities, the Uttar Pradesh (UP) government is planning to add two more cities to the debt instrument basket to fund the state's infrastructure development. While Lucknow, Ghaziabad, Agra, Prayagraj, and Varanasi have already raised a collective corpus of ₹500 crore through municipal bonds, the state will follow a similar route for Gorakhpur and Moradabad to mop up a total of ₹130 crore.

The state cabinet recently cleared the proposal to raise ₹80 crore and ₹50 crore by the Gorakhpur Municipal Corporation and Moradabad Munici-

pal Corporation, respectively. UP is among the top states with the highest number of urban local bodies floating municipal bonds for local development.X

A bond is a debt security issued by a government agency or municipality to finance capital expenditure. The investors get returns at a predetermined rate of interest over a stipulated time period. In November 2020, bonds worth ₹200 crore of the Lucknow Municipal Corporation (LMC) were oversubscribed 250 per cent on debut at the BSE. The municipal bonds issued by the LMC with a 10-year tenure offered an interest rate of 8.5 per cent. In March 2021, Ghaziabad Municipal Corporation became the first municipality to issue green bonds worth ₹150 crore.