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Bond Market –An Overall View

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1. INTRODUCTION

As per world economic outlook 2013, Indiais the tenth largest economy in the world with a GDP of around US $ 2 trillion (current prices). As per twelfth five year plan India needs around USD $ 1 trillion of investment in infrastructure and it is estimated that close to 50 percent will be funded by debt from private sector. But does the private sector have the capacity to raise huge sums of money, given the poor state of affairs in long term debt market. India‗s bond markets lag behind particularly corporate bond market, they are not in a position for meeting needs of the country.As per ASIFMA report ―India bond market roadmap. ―In 2012, the size of the Indian bond market was approximately equivalent to 27% of the Chinese bond market and 69% of the Korean bond market. Government securities comprise 79% of the total amount of outstanding bonds, a larger percentage than government securities in China, which is 73%, and in Korea, which accounts for only 39%.

India‗s bond markets exhibit low levels of participation, low issuance and turnover, large spreads and concentration of trading in few securities. Bond markets India face certain structural problems which include legal issues related to corporate bond market particularly lack of creditor protection, tight regulatory oversight, restrictions imposed on institutional investors on making investments in corporate bonds, lack of secondary market trading of government bonds and so on. Many committees were set up to make recommendations on ways of revitalizing bond markets yet bond markets are far from fulfilling demands of the economy.

A robust bond market goes a long way in augmenting financial system of a country. It provides an alternative to bank financing thus relieving banks from asset-liability mismatch problem which occur due to long term lending. Dynamism of bond market is broadly determined by such as Institutional architecture, financial stability, macroeconomic fundamentals, access to various other financial services and awareness among investors. Moreover there are firm level specific factors which make the bond markets active; these are growth of firm, collateral value, size of firm, liquidity, cash flows of firm, recognition and profitability of firm.

Objectives:

The study has been undertaken to get insights about determinants of a robust long term debt market, outline the present state of affairs in long term debt market as well as review some of the work done on India‗s long term debt markets. An attempt has also been made to give a summary description of India‗s bond markets, point out limitations and steps taken to overcome the state of inactivity.

2. METHODOLOGY

Most of the information has been collected from various websites. Current news items have sourced from their websites. JSTOR has been extensively used. Popular sites like About.com and Investopedia.com have been referred to for basic meaning and definitions. Various government websites were also searched using available search option on that site. Keywords and phrases such as ―bond markets, ―Determinants, ―how to develop bond markets‖ were frequently used.

The following government websites have been extensively used: website of Reserve bank of India, Clearing Corporation of India, Securities and Exchange Commission of United States of America, Securities and Exchange board of India, National Stock Exchange, World Bank, Asian Development Bank, Asia bonds online and IMF. Google scholar has been part and parcel of this paper. All the data used has been collected from secondary sources

Relevance:

It is intended to add to the on going debate on the need and indispensability of debt markets for India. This paper will help readers in getting an overview of debt markets of India, its present state and how it works. The paper is expressly focused on identifying key factors which have profound impact on making debt market healthy. The paper would help researchers who would want to have a comparative analysis in terms of various determinants of a robust bond market among few developed and developing nations. Not to mention this paper also summarizes the work done by various researches in relation to bond markets in general, and Bond markets of India particular. The summaries are descriptive in nature and focuses upon the findings of other authors, not much critical analysis has been done.

What is Bond market?

Debt market also known as bond market is a financial market which is used by borrowers for raising long term finance. Bond markets provide a platform to investors as well as borrowers for meeting each other‘s needs. Bond markets are similar to stock markets. According to bank of international settlements, the overall global bond market stood at over $90 trillion at the end of 2010.

Bond markets are organized as over the counter markets (OTC) and exchanges. An over the counter market is a decentralized market, without a central physical location, where trading is done directly between two parties without any supervision of an exchange. On the other hand exchanges are highly organized computerized and have certain listing requirements for any company or group that wants to get listed. Bond market world over is an OTC market, Trading mainly takes place over the counter (known as OTC) between participants. The stock exchanges list a small number of bonds. Bond markets are also segmented into primary market and secondary market. Market participants include: Institutional investors, Governments, Companies, Traders and Individuals.

Different kinds of debt instruments are issued in bond markets. Debt instruments can be classified in terms of issuer class, coupon bearing or discounted, interest terms, repayment terms and security. Similar to Stock indices, we have bond indices. A bond index a composite index of bonds (government, corporate or mortgage backed securities), which shows how a certain group of bonds are performing. An example bond index is Barclays capital aggregate bond index. Bond markets serve variety of purposes. They provide stable financing particularly long term finance. Corporate bonds compete with other sources of capital, such as equity or bank finance, exerting downward pressure on companies' costs of funding; this helps in reducing cost of capital. Bond markets offer flexibility of choosing project-tailored funding. Bonds offer investors a stable form of investment opportunity. They ease pressure on banking for lending term funds. Bond market reduces risk in the financial system by providing an alternative financial market.

Derivatives have become one of the indispensable parts of capital markets and bond market is not immune from that. There are derivative which have debt instrument as their underlying. Credit derivatives are used for transferring credit risk. Derivatives play significant role in price discovery of assets, providing liquidity to market and transferring risk from one party to another.

A brief overview of India‘s bond market:

The debt market in India is composed of mainly two categories—the government securities comprising central government and state government securities, and the corporate bond market. Central government securities are short term (usually called treasury bills, with original maturities of less than one year) or long term (usually called Government bonds or dated securities with original maturity of one year or more), and state government issue only long term securities and they are called as state government loans (SDLs). RBI as banker of the government carries out the task of issuance and management of securities.

Government debt market India:

Government debt market is the oldest debt market in India. The concept of borrowing from public was started by East India Company during eighteenth century, the purpose to finance wars. It‘s an irony that colonial rule was established in India by utilizing the money of Indians. After independence till 1990 Indian economy was mainly a state driven, so everything was customized to make the task of government easier. Administered interest rates and financial repression were common phenomenon during 1950-1990. From 1990 onwards various reforms were undertaken to make the government debt market efficient, transparent and accountable. Ad Hoc Treasury bills were abolished; selling of securities through the auction process was started; new instruments were introduced such as zero coupon bonds, a system of

Primary Dealers in government securities was put in place; electronic systems were installed, CCIL was set up. Today government borrows money from public for meeting its fiscal needs, controlling inflation and to provide investors avenues for investing their savings. Government bonds also known as dated securities are issued with a tenor up to 30 years.

Government securities (G-Secs) are issued by RBI on the behalf of government of India. Government securities are sold through auctions conducted electronically on NDS-auction platform (this is a computerized system used for reporting and trading government securities). All government securities are deemed to be listed automatically as and when they are issued. Government securities can be bought and sold in the secondary market over the OTC. All the OTC trades are reported on the secondary market module of NDS.

All outright secondary market transactions in government securities are settled on a T+1 basis. Government securities are also traded on exchanges. The NSE WDM segment offers a trading platform, however it permits only high value transaction. All the secondary market transactions in Government Securities are settled through Clearing Corporation of India Limited (CCIL), CCIL acts as Central Counter Party to all Government securities trade and provides settlement guarantee.

Corporate bond market:

Corporate bonds are issued by private corporate sector and public sector units including public financial institutions. Corporate bond market is mainly an institutional market, which is dominated by banks, pension funds, primary dealers and other institutional investors. Retail investors are ―microscopic minority‖ in bond markets. Corporate bonds are issued on exchanges as well as in OTC markets. The bonds which are issued to public or on private placement basis and listed in recognised stock exchanges are traded, cleared and settled in recognised stock exchanges. The trading of bonds which have been executed in OTC markets is required to be reported on reporting platforms at FIMMDA, BSE and NSE.

Derivative market especially credit market derivatives have started late in India. Interest rate derivatives such as – Interest Rate Swap (IRS), Forward Rate Agreement (FRA), and Interest Rate Futures (IRF) were made permissible earlier.

Credit default swaps have been allowed since December 2011 (Narayanan, 2011). Interest rate futures have been modified and reintroduced in the market, now the product is cash settled and linked to a single 10-year Indian government security

Need of a sound a bond market:

As Federal Reserve Board Chairman Alan Greenspan had once said, it's always good for financial markets to have a "spare tire." In this regard, bond markets are an important "spare tire." Bond markets serve as an alternate source of financing, apart from banks and equity markets. This helps in reducing concentration of risks to one particular sector, for an instance one of the main reasons identified behind Asian financial crisis was. Thailand can be one of the best examples of how concentration of risks in a part of financial system is a double edged sword. Thailand had a well developed banking sector a with a flourishing equity markets but underdeveloped bond market. Bond market was undersized before the crisis, benchmark yield curve was almost absent, and banks were made to hold securities as reserves which discouraged secondary market trading(Herring & Chatusripitak, 2000).The scene is similar in India in regard to concentration of risk. Much of the borrowings by government as well as private corporations are concentrated in banks.

The bond market can finance large investments. Bond market serves as an important source for financing infrastructure investments. Infrastructure investments have long gestation periods and they take long time to break-even. Banks sense trouble in financing such investments as they have to deal with asset liability mismatch problem and that‘s why they hesitate in making long term loans.

As urbanization spreads in India the requirement for funds would soar and if we go as per the estimates planning commission of India, around US $1 trillion will be required in next 20 years to build urban infrastructure. Right now much of the local government spending is met by grants provided by central and state government, however, in the long run it would be impossible for central government to grant funds for building urban amenities on such a large scale. Likewise bond market can also help India in channelling funds to backward regions of the country as it helped United States. Bond finance helped United States by allowing savings in the more mature economy of the east coast to be channelled to meet the demands of the developing west coast economy (Felman, et al., 2011).

Above all it will provide an alternative investment opportunity to savers, and prevent investments in gold and land which lie idle and are not productive for an economy. In recent past India has been facing a problem over investment in gold. As

India does not produce gold in large quantities, it has to import them. This has put a severe strain on the balance of payments scenario of the country. ―Even as economists and officials beg them not to, Indians splurge on the shiny stuff—in 2011 India imported more gold than any other country—about 1,000 tonnes, or a fifth of global annual supply. That is the same amount that sits in the central bank vaults of Switzerland. Many Indian firms raise money from external sources, these foreign investors are very sensitive to negative information and they panic at the slightest of adverse information. So relying on hot money is not a rational approach.

Determinants of robust bond market and India‘s progress:

The determinants have been classified into two groups: (i) Broad factors; and (ii) Specific factors.

Broad factors are all encompassing general features of a country which directly as well as indirectly contributes towards determination of a healthy bond market. These factors are wide and they are interrelated, interconnected and overlap each other. They have huge significance for the development of financial system of a country. These factors are Institutional environments, Business environment, Stable financial system, various banking and non-banking financial services, financial markets and financial access.

First Institutional environment encompasses overall fiscal and monetary framework, corporate governance, legal and regulatory issues, and contract enforcement. Indian financial system has undergone significant transformation since the initiation of financial liberalization in 1990s. The liberalization programme included among other, de-controlled interest rates, reduced reserve ratios and gradually reduced government control of banking operations while establishing a market regulatory framework. We need further liberalization of financial sector in the form of easing the restriction limits imposed on banks and financial institutions in making investments in bond market, SLR requirements imposed on banks and so on. Bond market in India is regulated by RBI and SEBI. There are chances of turf wars between two regulators as had happened between IRDA and SEBI concerning regulation of ULIPs – Unit linked investment plans in short ULIPs are a kind of insurance plans. The most important improvement is required is in contract enforcement. Excessive delays in contract enforcement due to overburdened judicial system are the biggest roadblock and it requires a long term plan to overcome it.

Second, Business environment basically cover following aspect human capital, taxes, infrastructure, and costs of doing business. These factors have significant impact over the way financial markets of a country evolve. Human capital determines the technological advancement which influence the way financial markets are organized. Taxes, Infrastructure and transaction cost are other enabling factors. It‘s a high time that Rationalization of stamp duties is done. Stamp duty is typically high for debentures which are levied on an ad valorem basis and such high stamp duty, in turn, encourages the loan market instead. Further, the rate of duty is variable depending on location, nature of issuer and investor. The level and complexity of stamp duty does not encourage the development of bond market.

Third Stable Financial system is like grease for real economy. It is determined by absence of currency crises, systemic banking crises, and sovereign debt crises. Currency volatility keeps foreign investors at abeyance. Balance of payment problems raise default risks, leading to illiquidity in low rated bonds. The level of currency crises, banking crises and sovereign debt crises raises default risks; these factors scare investors from investing in bonds which consequently leads to illiquidity in the market. ―At the onset of the crisis, the liquidity component rose for all rating classes except AAA. The increase occurred both because of falling bond liquidity and because of increased sensitivity of bond spreads to illiquidity.

Before the crisisthe liquidity component was small for investment grade, ranging from 1 basis point (bp) for AAA to 4bp for BBB. For AAA bonds the contribution remained small at 5bp during the crisis—consistent with a flight-to-quality into those bonds. More dramatically, the liquidity component for BBB bonds increased to 93bp, and for speculative grade bonds rose from 58 to 197bp. For speculative grade bonds, premiums peaked around the Lehman Brothers default in the fall of 2008 and returned almost to pre-crisis levels in the summer of 2009 (Nielsen, Feldhutter, & Lando, 2012).

Fourth, banking and non-banking financial services include commercial banks, NBFCs, insurance, and securitization. Banks help by improving access to financial information, lowering transaction costs, allocating credit more efficiently, which is important in developing economies (Reuttner & Glass, 2012). Not only Banks are major investors but they also act as market makers and liquidity providers. Banks have been one of the biggest traders in OTC market world over. ―Non-bank financial intermediaries—such as broker-dealers, traditional asset managers, alternative asset managers, and insurance companies—can be both an important complement to banks and a potential substitute for them. Activities of non-bank financial intermediaries include their participation in securities markets as well as the mobilization and allocation of financial resources of a longer-term nature.

Eichengreen & Luengnaruemitchai (2004)identified certain key factors that affect the magnitude of corporate financing through bond markets.

List of factors that affect corporate bond markets (Eichengreen & Luengnaruemitchai, 2004):

Factors	**Measurement**	**Expected Relationship**
Economic size	GDP at PPP	Weakly positive with larger size
Natural openness	Ratio of exports to GDP	Weakly positive with openness
Development stage of the economy	PPP GDP per capita	Positive with higher development stage
Interest rate	Level of Interest rates	Negative with high interest rates
Size of the banking system	Well developed and competitive banking systems	Positive with size and development of banking system
Exchange rate variability	Variation of monthly exchange rates over one year period	Negative with greater variability of exchange rates
Geographical endowment environment	Settler mortality or distance from the equator	Positive with favorable geographical/disease environment
Riskiness of investment environment	Credit quality of investors	Negative with lower quality
Traditions of legal system	British or French system/investors‘ Right	Positive with higher rights
Law and order	Reliability of law enforcement	Positive with higher reliability
Corporate governance and transparency	Quality of accounting standards and Transparency	Positive with high quality
Banking concentration	Banking with market power	No strong relationship
Absence of public sector funding needs	Government funding requirements	Negative with low public-sector bond market capitalizations
Regulatory enforcement	Bureaucratic quality for clear and consistent implementation	Positive with better quality
Interest rate variability	Nominal interest rate volatility	Negative with high interest volatility

Apart from the broad factors there are certain specific determinants which have profound impact in making a bond market active or dormant. Specific factors are factors which are particular to bond markets or whose impact is strongly felt by bond markets. These specific factors also act as instrument for broad factors in influencing bond markets. Mizen & Tsoukas, (2013) investigates firm level determinants which affect issuance behaviour of firms of East Asian nations. The authors point out that much of the earlier studies have focused on macro factors determining the growth of bond markets and their focus is on firm level determinants‘. The authors have taken certain specific firm characteristics and tested them to find their influence. Some of the characteristics include: (i) Size of firm as indicated by total assets; (ii) Growth of firm as indicated by growth in sales; (iii) Recognition as indicated by number of years a firm has been listed on the stock market; (iv) Leverage indicated by total debt to total assets; (v) Profitability of firm as indicated by earnings before interest and taxes relative to total assets; (vi) Cash flows as indicated by the sum of the firm‘s net income and depreciation over total assets; (vii) Liquidity as measured by the extent to which current assets exceeds total liabilities; (viii) Collateral possessed by firm as indicated by proportion of tangible assets relative to total assets.

Present status of bond market in India:

The savings and investment pattern prevalent in any country tells us about the nature of investment opportunities desired by people. Indians love fixed income securities and this can be substantiated by the data of investments made by Indian households in fixed income instruments. According to the RBI data, investments in fixed income instruments accounted for 86.3 percent of the household.

During FY 2013, the household sector invested 56.2 percent of financial savings in deposits, 31 percent in insurance/provident funds, -0.9 percent in small savings, and 3.5 percent in the securities market including government securities, units of mutual funds, and other securities.

Table 1: Savings of Household Sector in Financial Assets

Financial assets	**2009-10**	**2010-11**	**2011-12**	**2012-13**
currency	**09.8**	**13.8**	**11.4**	**10.2**
Fixed Income Investments	**85.5**	**85.9**	**89.3**	**86.3**
Deposits	41.9	45.6	57.4	56.2
Insurance/PF	39.3	36.3	34.2	31.0
Small savings	04.3	04.0	-02.3	-00.09
Securities Market	**04.2**	**-0.03**	**-01.0**	**03.5**
Mutual funds	03.3	-01.2	-01.1	02.5
Government securities	00.00	00.0	-00.2	00.0
Other securities	00.9	00.9	00.3	01.0

Source: Data taken from RBI

Around 87 per cent of India‘s household savings are invested in fixed income investment plans such as bank deposits, insurance funds and pension funds and very small amount goes into securities market. This makes these institutions strongest player in the overall financial system of India; as a result these institutions have the capacity to propel debt market to new heights. In reality, their impact is mixed. No doubt, these institutions are the major investors in government securities and provide liquidity to government bonds in secondary market. However, this has acted negatively for corporate bond market. Due to their huge investments in government securities, crowding out of market takes place for corporate borrowers. This also encourages private placement of corporate bonds. Since, they hold so much of financial power that they are able to force corporate borrowers to negotiate privately.

The government and corporate sector collectively raised a total of Rs US $ 227 billion from the primary market in 2012-13(Table 2). We can see that corporate continued their preference for private placement, private placements accounted for 28 percent of the total capital raised.

Table 2: Resource Mobilisation by Government and Corporate Sector

Issuer	**2011-12**	**2012-13**
Corporate	**56**	**68**
Public issues	07	03
Private placement	49	65
Government	**148**	**159**
Central	117	127
State	31	33
Total	**204**	**227**

Source: SEBI and RBI

Private placements have grown phenomenally in recent years. What had started as a quick and less costly, informal route of raising funds has changed into a central means of raising finance today. In the year 2012-13 1,828 issues were privately placed and US $ 65 billion were mobilized (Table 3). Resource mobilization through private placement showed a growth rate of around 32 percent compared to fiscal year 2011-12. Since private placement rather than public issue of bonds dominate, the secondary market liquidity is limited as most of the investors generally hold the bonds till maturity as they have already assumed the risk and the bonds are held in the mark to market category of investment (Nath, 2012).

Table 3: Private Placement issuers, issues and amount

Year	No. of Issuers	No. of privately placed issues	Amount raised via Private placement
2007-08	104	613	29
2008-09	167	799	34
2009-10	192	806	42
2010-11	182	831	43
2011-12	164	1,327	49
2012-13	267	1,828	65

Source: ISMR 2013, SEBI

Size of bond market affects bond market in multiple ways. A large bond market is ought to be more liquid, have broader range of securities and large number of participants. In terms of size

India‘s bond market stands at around 1 trillion. In comparison China‘s bond market is USD $ 3.4 trillion, USA‘s is of USD $ 35 trillion and Australia‘s USD$ 2 trillion at the end of year 2012.

Liquidity refers to how easily an asset can be bought or sold with a minimum impact to its value. If a market has high liquidity investors could buy or sell assets quickly, as the assets are regularly traded and there are always sufficient numbers of willing sellers and buyers. Liquid financial markets have small transaction costs; easy trading and timely settlement; and large trades having only limited impact on the market price (Sarr & Lybek, 2002). The corporate bonds deals are concentrated in few issuers. The bond market is also very narrowly focused on triple-A assets. The share of the top 10 securities increased to 44.4 percent in 2012–13, compared to 44.2 percent in 2011–12 (SEBI, 2013). For this reason the market for securities with ratings below AAA are very difficult to be traded. This also excludes relatively smaller corporations from mobilizing money from bond market (Dawar, 2012). 10- Year Government securities are relatively more liquid in Indian market and most of the corporate and credit products is benchmarked against the said 10-year Government securities yield (Nath, 2012).

Municipal bond market is very much underdeveloped. Since 1997, 25 municipal bond issues have been made for mobilizing funds to the tune of nearly Rs. 14 billion, approximately US$ 0.3 billion (Sheikh & Asher, 2012). In comparison municipal bond market of United States of America is of US $ 3.7 trillion. Local self governance was recently given constitutional status, because of this recognition of local self government has increased. However, financially they are not much empowered. Most of their funds come in the form of grants that are made by central and state government. These grants are adequate considering the work that they are supposed to carry on. A kind of inertia prevails in municipalities in accessing bond markets.

India‘s internalization began with the new industrial policy of 1991. The reforms have been comprehensive, touching every part of the financial architecture of the country and the process is not over yet. As India adopted globalisation with utmost care and caution, selective permission has been given to foreign investment in India. Foreign investment is allowed in government as well as corporate bonds. FII limit for investment in government bonds stand at US $ 30 billion and the limit on corporate bonds is of US $ 51 billion dollars. The total net investment by FIIs in 2012-13 stood at US $ 31,047 million (ISMR, 2013). This is not significant in terms of the need of the country and its ability to absorb foreign investment. India‘s foreign investment framework has been influenced by perceptions that foreign investment is volatile and could respond sharply to adverse domestic events, thus exacerbating a domestic crisis. As a result, regulators are conservative and keep strict vigil on the working of bond market. A working group set up by RBI to look at the regulating framework for foreign investors found that, foreign investor panicked most due to an international event such as Lehman crisis of September 2008 rather than a domestic event like 2008 terrorist attack(RBI, 2010). It‘s proven that an open economy has positive correlation with bond market development; therefore, keeping the economy chained will only prolong the development (Bhattacharyay, 2011)

Yield is a measure of return that we get by holding a bond for a certain period of time**.** NSE disseminates a Zero Coupon Yield Curve (ZCYC) (NSE Zero Curve) to help in the valuation of securities across all maturities, irrespective of its liquidity in the market. This product has been developed using the Nelson-Siegel model to estimate the term structure of the interest rate at any given point of time, and has been successfully tested using the daily WDM trades data. This is disseminated daily. The ZCYC depicts the relationship between the interest rates in the economy and the associated terms to maturity. The zero coupon yield curve has remained between 7.50 per cent and 11.00 per cent between April 2012 and Sep 2013 for maturity ranging from 0-1 year up to 10 year and above(ISMR, 2013).

Steps that could be taken to develop bond markets:

We can learn from the experience of other countries which have had similar characteristics as we are having now. For instance, the growth of Australian bond market in the late nineties and early twenties was the result of deregulation programme undertaken during early nineties. The deregulation programme proved to be advantageous in following ways: it provided a risk free benchmark rate, it led to the development of futures market, bond indices were constructed, market participants invested in building of infrastructure and the workforce became sophisticated (Battellino & Chambers, 2006). In fact the requirement of India is not much different as per suggestion made by (Dawar, 2012). The area that greatest attention is regulatory framework designed for bond markets. (Khanna & Varottil, 2012) have identified various legal aspects such as poor enforcement of contracts, absence of a robust corporate insolvency framework, lack of standardization and transparency in the primary markets, and ineffective protection against opportunistic behaviour between creditors and borrowers as the main reasons for not having a healthy bond market.

The supranational initiatives taken by Asian countries for bond market development which includes Asian Bond Fund (ABF), Asian Bond Market Initiative (ABMI), Executives‘ Meeting of East and Asia-Pacific Central Banks (EMEAP) have helped immensely in bond market development (Mizen & Tsoukas, 2013). Leveraging global bond indexes, like JP Morgan Government Bond Index, by getting entry into such indexes government can attract huge foreign investment that tracks these indexes. However in order to get an entry certain reforms have to made concerning registration, documentation and due diligence rules for the entry of foreign institutional investors (FIIs) in the Indian debt market(Kumar & Chatterjee, 2013)

3. SUMMARY AND CONCLUSION

Macroeconomic factors which affect whole financial system of a country such as Institutional environments, Business environment, financial stability, Banking financial services, Non-banking financial services have significant impact on determination of type of bond market that prevail in any country. Equally important are specific factors concerning bond markets in general and firms. Specific factors such as size, access, efficiency and stability of bond markets are no less important in influencing the activity in bond markets. Firm level specific factors namely growth, recognition, size, leverage, profitability, cash flows and so on too determine the dynamism of bond markets.

India's bond markets are at crossroads today. Drastic changes are required for making bond markets healthy component of financial system. This will go a long way in easing pressure from banking system of the country. Efficient bankruptcy laws, tougher laws for opportunists, easing norms for long term foreign investors specially institutional investors, consolidation of government securities will propel the bond markets to newer heights same as equity markets.

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