UNIVERSITI TEKNOLOGI MARA

CORPORATE BOND AS A SOURCE OF FINANCE FOR TECHNOLOGY COMPANIES IN EMERGING ECONOMIES

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ABSTRACT

The purpose of this research is to examine the characteristics and features of corporate bonds that make significant impact on the capital gained by technology companies in emerging economies. In this era of globalization, corporate bond market has become huge and companies all over the world issue corporate bonds as one of their financial source. Corporate bond market also directly helps in contributing to the economic growth and financial stability of a country. To be more precise, this research examine the long-run relationship between Capital gained, Bond Yield to Maturity, Bond Price, Coupon Rate and Bond Issuance Rate. The secondary data collected annually for this research were from information on company's related database of the Trading Economy, Financial Report of related company and World Bank between the year 1990 to 2019. The purpose of running this research is to focus on descriptive analysis, correlation, regression and to test assumptions that the characteristics and features of corporate bonds has effect on the capital gained by technology companies in emerging economies

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1.1 Introduction

According to the U.S Securities and Exchange Commission (n.d.), bond is like an IOU which is a debt obligation. The company that issues the bond receive money from investors who buy the corporate bonds. In exchange, paying interest on the principal and returning the principal becomea legal commitment that the company has to commit to.

Companies and organizations worldwide raise capital for business activities and debt financing in the long term through issuing corporate bonds. Tendulkar and Hancock (2014) stated that investors who yearn for stable returns use this common investment channel by holding on bonds to maturity or high yield through trading bonds on the secondary market

From the last decade, the corporate bond market has been increasingly becoming global in nature and they have become much bigger and significant to the real economy. In 2013 it reached $49 trillion and has tripled in size since the year 2000. The corporate bond financing has made up 24% of total global corporate financing in 2004 and in 2012 it increased to 25%. Furthermore to measure the market activity, the $0.9 trillion of corporate bond issuance in 2000 is no match to the $3.2 trillion gained in 2013. It is also worth to note that 27 new economies that are emerging markets have recorded 30% of the global corporate bond issuance in 2013 (IOSCO Research Department, 2014).

1.2 Research Background

The globalization of the corporate bond market has become a medium for more companies to raise their finance by issuing corporate bonds to investors. Corporate bond is regarded as one of the important financial tools for all kinds of companies to gain capital in order to fund and sustain their next activity for the companies' own business development. Companies that issues corporate bonds tends to pay lesser interest than they usually would for a bank loan. When the interest of the bonds is between the credit interest and the interest of the term deposits in the banks , bond issuer that funds the company's development by loaning from a bank will pay lesser interest (Boskoshka, 2016).

According to IOSCO Research Department (2014), the largest corporate bond market has been mostly located in developed economies, however the emerging economies has been catching up. In terms of corporate bond market size, emerging economies such as South Korea, Russia, Malaysiaand Thailand rank in the top 20. Moreover, among the various