



UNIVERSITI TEKNOLOGI MARA JOHOR

**“FACTORS THAT AFFECT BOND MARKET
DEVELOPMENT IN MALAYSIA”**

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ABSTRACT

The study aim to investigate the factors that affect the Bond market Development in Malaysia. In this study, the entire bond market in Malaysia was covered. The independent variables for this study are exchange rate, the development stage of economic using GDP per capita and size of banking system. Bond market development is the dependent variable in this study and the bond market development is measured using size of local currency of bond market. Secondary data was used the factors to influence development of the bond market. This study used time series data in order to get the findings where the data is collected for 16 years (year 2000 until 2015). The data for this study is obtained from WorldBank Data and AsianBonds Online. The data also analysed by using Eviews to do descriptive analysis, normality test, correlation analysis, multiple regression analysis and test on assumption in order to interpret the significance of the relationship. The expected results show that exchange rate have negative relationship with bond market development and size of banking system and the development stage of economic using GDP per capita have positive relationship with bond market development.

Keywords: Bond market development, economic size, exchange rate, size of banking system

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CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

The first chapter of the study is overview about the background and rationality for carrying the study. Several sections will be considered in this chapter starting with the background of study in the section 1.1. Next, section 1.2 will be describes the problem statements that led to this studies. Research objective, question and significant of the study will be explain and discuss in section 1.3, 1.4 and 1.5. Last of the section in this chapter one which is 1.6 will be represented the scope of the study.

1.2 BACKGROUND OF STUDY

This research is focused on the factors that affect the bond market development in Malaysia. In this chapter, the dependent variable and independent variable will be discussed. The dependent variables for this research are bond market development in Malaysia, and the independent variables are exchange rate variability, size of banking system and the development of stage of the economy using GDP per capita.

The bond market is a financial market in which the participants are provided with the issuance and trading of debt securities. The bonds is used by the government and corporate sectors. The bonds are use to raise funds and capital for government projects, business expansions and increase operation and productions. However, the bond market is affected by several factors. These factors is affected to all countries.