DEBT SECURITIES ISSUANCE IN MALAYSIA: TYPE OF SECURITY AND IMPACT ON EQUITY RETURNS, SYSTEMATIC AND TOTAL RISK

By

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ABSTRAK

Kajian ini meneliti hubungan antara ciri-ciri syarikat dengan tawaran sekuriti pinjaman dan mengkaji sama ada terdapat perbezaan antara syarikat yang menerbitkan sekuriti pinjaman kacukan dan bukan-kacukan. Seterusnya, kajian ini menyiasat kesan terbitan sekuriti pinjaman ke atas kelakuan pasaran ekuiti penerbit sekuriti pinjaman. Keputusan regresi menunjukkan wujud hubungan positif bagi saiz syarikat, manakala hubungan negatif bagi struktur pemilikan pengurusan dengan terbitan sekuriti pinjaman. Teknik regresi logit menunjukkan syarikat yang mempunyai keuntungan dan pemilikan pengurusan yang tinggi lebih cenderung menerbitkan sekuriti pinjaman bukan-kacukan daripada sekuriti pinjaman kacukan. Namun demikian, kajian ini mendapati tiada perbezaan ketara di antara penerbit sekuriti kacukan dan bukan-kacukan terhadap saiz syarikat, aset ketara dan peluang pertumbuhan. Keputusan kajian peristiwa secara umumnya menunjukkan syarikat yang menerbitkan sekuriti pinjaman mangalami peningkatan dalam pulangan syarikat tetapi penurunan dalam risiko sistematik manakala risiko keseluruhan tidak berubah. Sekuriti pinjaman kacukan mengalami penurunan dalam pulangan syarikat dan risiko sistematik tetapi peningkatan dalam risiko keseluruhan. Namun begitu, terbitan sekuriti pinjaman bukan-kacukan didapati tidak mempengaruhi kelakuan pasaran ekuiti. Implikasi daripada temuan kajian ini ialah syarikat yang mempunyai kedudukan kewangan yang kukuh perlu digalakkan untuk terlibat dalam sekuriti pinjaman kacukan. Seterusnya, penurunan risiko sistematik mampu mendorong terbitan sekuriti pinjaman agar kecairan pasaran dapat ditingkatkan. Akhir sekali, sekuriti pinjaman bukan-kacukan tidak sesuai digunakan sebagai isyarat pasaran kerana terbitan sekuriti ini tidak memberi kesan kepada kelakuan pasaran ekuiti.

ABSTRACT

The study examines the association of company characteristics with debt securities offers and explores whether there is any significant difference between hybrid and non-hybrid debt securities issuers. In addition, the study investigates the impact of debt securities issuance on the equity market behaviour of the issuers. The regression result found a positive and significant association for company size but negative association for managerial ownership structure with debt securities issuance. Subsequently, using logistic regression techniques, the study revealed that companies with higher profitability and higher managerial ownership appear to favour non-hybrid debt securities to hybrid debt securities. Nonetheless, the study found no significant difference between hybrid and non-hybrid debt securities issuers in terms of company size, asset tangibility and growth opportunities. The event study results reveal that overall debt securities issuers experience increase in company return following the debt securities issuance and decrease in systematic risk while total risk remain unchanged. Hybrid debt securities experience significant fall in stock returns and systematic risk but an increase in total risk. Non-hybrid debt securities issues, however, are found to have no impact on equity market behaviour. Findings of the study imply the need to promote participation from financially strong companies in the hybrid debt securities segment. Further, the decline in systematic risk for debt securities issuing companies could motivate the issuance of debt securities and thus improve the market liquidity. Finally, non-hybrid debt securities are not appropriate to be used for market signal as no impact on market behaviour was found following the non-hybrid debt securities issuance.

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CHAPTER 1

INTRODUCTION

Raising external capital through security offerings is an important event in the financing decision of corporations. The use of different types of securities and their effects on company value varies from country to country due to differences in financial systems and institutional factors (Rajan & Zingales, 1995; De Haan & Hinloopen, 1999; Lee, Lee & Lee, 2000; Pandey, 2004; Isachenkova & Mickiewicz, 2004; Hovakimian, Hovakimian & Tehranian, 2004; Buferna, 2005; Guha & Kar, 2006; Abor, 2008). Generally, there are two main ways of obtaining external financing for corporations, i.e. by issuing equity or by incurring debts. Issuing equity or shares to the public is usually undertaken in the stock market while incurring debt is usually through direct bank borrowings or by issuing debt securities such as bonds, notes and commercial papers in the capital market.

Along with the analysis of bank loans and equity issues, the investigation of debt securities offerings to the public has been an interesting area of academic research in corporate finance as debt securities instruments are gradually becoming an important corporate financing alternative. The purpose of this dissertation is to analyze the effect of debt securities financing decisions of Malaysian corporations by specifically examining the contributing company characteristics to debt securities issuance decision and the spillover effect of debt securities issuance to equity market behaviour.

The contents of the thesis is for internal user only

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