Importance of Bonds Financing as an Alternative to Direct Debt Financing (from commercial banks), and their Effects on Capital Structure: Case study of Algerian corporations.

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A thesis submitted in partial fulfillment of the requirement for the degree of Master of Science in department of Banking and Finance sciences, Yarmouk University, Irbid, Jordan.

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July 2008

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ABSTRACT

This research attempts to study the use of debt financing in Algerian listed and unlisted corporations, it also, attempts to provide more information possible about Algerian economic systems in order to develop Algerian stock exchange markets. Moreover, it suggests way to developing secondary market of bonds issues. Based on a sample of Algerian companies that exist from the time period of 1999 to 2006, two stages were used to realize the study subject:

The first stage was used to investigate the relationship between the leverage ratio earnings ratio, firm's size, and corporate income tax rate. Using the multiple regression models the results of the study show that a significant relationship exists between those variables. That is, Algerian corporations' earnings have a significant positive relationship appeared with leverage ratio, and a significant negative relationship between corporate income tax and leverage ratio. Finally there is a significant positive relationship between firms' size and leverage ratio.

The second stage was based on collection of administrated questionnaires to test the impact of outside factors on the choice of Algerian companies to use bonds instruments. To test this impact the study used One-sample test using SPSS package. The main results indicate that there is a
significant positive relationship with the main factors such as economics, socials and lawfulness from one side and the issuance of bonds by Algerian corporations from the other side.

This study recommends that Algerian corporations could take in their consideration the main factors used in this research, and an excessive effort should be concentrated on the development and activation of bonds markets through bonds trading encouragement. Finally the Algerian stock exchange should develop an advertising technique in order to provide more information and knowledge to the Algerian investors.

**Key Words:** Bonds financing, long term debt, bonds market, capital structure, Algerian listed corporations, Algerian stock exchange.