
ABSTRACT

Issues in the Development of Bond Markets in Caribbean SIDS: The Cases of Barbados, Jamaica and Trinidad and Tobago

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The aim of this dissertation is to study the bond markets in Caribbean Small Island Developing States (SIDS), to understand their size and structure, and to help chart a way forward for the further development of these markets. This is done with special reference to bond markets in three English-speaking countries, which are all members of the Caribbean Community (CARICOM), and which have, arguably, the most developed bond markets in the Caribbean region: Barbados, Jamaica and Trinidad and Tobago. The thesis consists of three substantive essays. The first essay speaks to the state of development of the bond markets in Barbados, Jamaica and Trinidad and Tobago, and compares them to those of more developed markets using standard criteria. The study reveals that the bond markets of the three Caribbean countries are not as small or inaccessible as many perceive. The second and third essays put specific emphasis on understanding the reasons for the level of development of the corporate bond markets in Caribbean SIDS, using evidence from Trinidad and Tobago. The second essay identifies the factors that influence Caribbean corporations' decisions to issue bonds, while the third essay ascertains the factors that influence institutional investors within the Caribbean to invest in corporate bonds. Both studies employ panel data analysis, as well as the results of a survey to ascertain these factors. Corporate bond issuance was found to be influenced by: firm size, the amount of equity and bank financing used by firms, and the number of years listed on the local stock exchange. Institutional investors' investment in corporate bonds was found to be influenced by: investment portfolio size, investing firms' profitability and asset bases, size of investment in public-sector bonds, liquidity in the corporate bond market, frequency of corporate bond issues and the incomplete government bond benchmark yield curve. All three essays provide recommendations for the future development of the bond markets in the Caribbean region.

Keywords: Antoinette L Stewart-Aché; bond market development; bond financing; bond investments; CARICOM; corporate bond market; fractional probit; panel data; primary bond market, small island developing states.