

ABSTRACT

This research aimed to examine the relationship between bond market development and economic growth in Southeast Asia emerging countries and East Asia developed countries. Bond yield is used as indicator of bond market development, while the growth of real GDP represents economic growth. In Addition, this research adds foreign investor represented by the ratio of foreign holding and trade openness with proxy total value of exports and imports to test the impact.

This research used VAR and VECM test which also consist of Johansen Cointegration Test, Granger Causality Test, The Impulse Response Function and Varian Decomposition to test the relationship between variabels. VECM model is used for Indonesia, Malaysia, Thailand and Japan. The exception of South Korea case using the VAR model because there is no cointegration. The data used in this analysis is monthly data from 2008 to 2015.

The result showed by granger causality test both of the emerging and developed country showing that there are no causality between bond market development and economic growth. Unidirectional relationship from bond market development to economic growth was found in Japan case. Based on VECM result in short term, bond market development affects to economic growth in Indonesia, Malaysia, Thailand and Japan. In the long term, economic growth is cointegrated with bond market development in Indonesia, Malaysia, Japan and Thailand. Foreign investor doesn't have impact to bond market development. On the contrary, foreign investor affects to economic growth in Indonesia and Japan. Trade openness doesn't affect to bond market development. But in the other hand, trade openness have impact to economic growth in Malaysia, Japan and South Korea.

Keywords: Bond market development, economic growth, foreign investor, trade openness, VAR & VECM.