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Research paper



Small and Medium-Sized Enterprises and the Financing of Their Development by Bond

Omar Kharbouch, Ph.D[1*], Driss Daoui, Ph.D[2]

[1] *Department of Economics Ibn Tofail University, Kénitra, Morocco,*
[2] *Department of Economics Ibn Tofail University, Kénitra, Morocco*
**Corresponding author E-mail: kharbouchomar80@gmail.com*

Abstract

The company has always been concerned about its means of financing in order to ensure its survival and ensure its development. In recent years, and in a context characterized by the crisis, a new means of financing has developed "bond issues", while presenting advantages in terms of cost and risk compared to other bank loans, and especially for small and medium enterprises (SMEs).

***Key words**: Bonds, Cost, Risk, bank loans, SME.*

1. Introduction

There are Several techniques exist to finance business development in order to meet their potentiels and make the best use of the means at their disposal. The use of bank loans often appears as an optimal solution. Nevertheless, other alternatives can be offered to companies to face the difficulties encountered in this area.

As a result of the subprime financial crisis, several initiatives have been taken to strengthen the financial system and ensure the financial soundness of banks. The Basel Committee on Banking Supervision (Basel III) and its new solvency ratios are part of these initiatives. These major events shook and reshaped the financial markets and led the donors to rightly review their credit criteria. The bank loan then undergoes a major crisis and the companies multiply the issues of bonds by which the banks accompany them, rather than granting them loans.

According to Diamond [7], a company with a good initial reputation is financed on the bond market, however, a less reputable company is initially financed in the banking market where it will be more controlled than in the bond market, before to go to the latter as soon as his notoriety is established. In the same vein, Rajan (1992) [24] shows that the control carried out by the bank confers on it an informational monopoly that allows it to expropriate part of the company's wealth [110].

For large companies, the use of the bond market represents a significant and effective source of financing. However, its level of importance and efficiency is deteriorating compared to the financing of SMEs because of their small size and the absence of their ratings by the rating agencies. In this sense, and in recent years, forms of alternative financing have steadily improved to allow these companies to proceed with bond issues.

In this order, the purpose of this article is to answer the following question: ***To what extent can bond financing help to better control the costs and risks assumed, increase value and foster business development?***

To do this, and in order to highlight the advantages of bond financing, we will try to proceed for a descriptive and comparative approach, emphasizing the interest of the recourse that this form of financing represents in terms of financing, cost and risk as opposed to the financial intermediary

In order to better discern the question asked we will follow a methodology that treats our theme according to three main sections. We will present in a first section the bond market, as well as the specificities related to bond offers dedicated to SMEs. We will then follow up with the presentation and analysis of the benefit of bond debt versus bank credit. Finally, a third section will be devoted to the presentation of the risks related to bond issues.

2. Bond financing

2.1 Mandatory Market

An obligation is a financial security that materializes a medium or long-term debt. It is issued by a public institution or a private company, corresponding to a loan that gives the holder the right to collect interest (called coupons) and repayment at the maturity of the loan [22].

The bond then has a set of features: the par value, the amount of the issue, the name of the borrower, the maturity date, the amount payable at maturity, the interest payment date, and finally, the interest rate which therefore characterizes a loan being divided into a certain number of bond securities. The nominal amount of the loan is then equal to the number of securities issued (bonds) multiplied by the nominal value of each security.

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There are different types of bonds: convertible bonds , bonds redeemable in shares , bonds with stock warrants and bonds with bond warrants , etc.
Finally, bond markets are traded on the capital market. A new issue of bonds takes place on the primary market. It includes emissions from the private and public sectors. Institutional institutions seeking to improve the performance of their portfolios can exchange their bonds on the secondary market.

2.2 Bond financing: an alternative to bank loans

At the heart of its development, the company is required to obtain the necessary resources to meet its potentials and to make the best use of the means at its disposal. A need for liquidity therefore puts the company in front of 3 choices: self-financing, equity or debt. A company opting then for debt, in order to finance its investments, has the choice between different types of debt in addition to conventional bank debt obtained from one or more banks, namely mainly "bond debt".
The debate on the choice of financial structures of companies is the subject of a very abundant and diversified theoretical literature. Many economists or finance theorists have used the fundamental contribution of Modigliani and Miller (1958) to evaluate the financing practices of firms and analyze the formation of the financial structure.
Indeed, much of the available literature on this subject has focused primarily on the question facing the company at the level of arbitrage between these categories of debt. In this sense, the use of bank loans remains the most commonly used source. This mode of financing can then represent a signal of confidence emitted by the managers on the results and the good health of the company and makes it possible to reduce the information asymmetry costs.
Nevertheless, many studies have questioned the hypothesis that bank credit remains the best source of financing for companies; and that the bond has advantages that entrepreneurs can not always identify and therefore remains a very flexible mode of financing that is not guaranteed, unlike bank loans. Moreover, the bond issue is a means of financing at lower cost because it has a lower overall rate than all the others, especially as the current context is very favorable.
In recent years, there has been a noticeable change in the choice of financing methods by companies. Indeed, the latter are more likely to favor financing by bond loans compared to bank loans [26]. Several factors have been behind this arbitration, namely the benefits of the corporate bonds as well as the relaxation of their underwriting conditions, with the aim of attracting investors. in terms of maturity, yield or option (including conversion or repayment in action). In the same direction, the threshold required for the issue of bonds has been reduced, and the offer is becoming increasingly flexible where it is not always necessary to have been noted by a rating agency. On the other hand, new prudential standards of Basel III have restricted the granting of credit by banking institutions, something that has pushed companies to redirect more and more to bond issues.
The bond issue has enabled companies to diversify their sources of financing and to avoid the risks and costs of bank loans. Thus, offering issuers much more flexible and preferential terms and conditions. As an illustration of issuing bonds at 50 years, or even 100 years when it is impossible to obtain bank loans for such long terms. On the other hand, the use of the bond market allows the consolidation of the financial structure of the company since the repayment conditions are set a priori (the payment of the nominal and coupons of the bond on the dates provided).
Finally, another advantage of bonds appears in their convertible version in shares. This type of convertible bond offers the bearer the right and not the obligation to exchange the bond in shares of this company and allows to benefit from own funds that contribute to the balance sheet.

2.3 Bond offer dedicated to SMEs

Several studies and economic research emphasize the importance of small and medium-sized enterprises as they constitute the true promoters of development. Indeed, these companies form the backbone of all economies in both industrialized and emerging countries. However, their growth depends largely on the efficiency and availability of the means of financing they have, these means, now considered as competitive advantages, will allow these companies to grow and reach a critical size.
In this regard, the great importance of financing in the growth and development of enterprises was confirmed by an OECD study showing that American companies would indeed grow much faster compared to their counterparts. European countries [11]. This gap is mainly justified by the difficulties of SMEs to find adequate and sufficient funding during the early stages of their development. In the first years of their birth, the major challenge for small and medium-sized enterprises would then be to obtain adequate financing from banks and financial backers or even to have access to capital markets.
In the same way, internal financing from the entrepreneur's own funds and undistributed profits has usually been the preferred source of financing for very small businesses [17]. However, the recent crisis in the global economy has had a major impact on this form of financing, which is less and less responsive to the needs of the business. Similarly, bank loans have not escaped the adverse and considerable effects of the crisis: Banks are withdrawing from the financing of the economy, and companies are increasingly using financial markets, particularly bond are now a major source of funding, thus providing small and medium-sized companies with new sources of support for their development projects while keeping in a logical perspective.
Admittedly, the bond market still plays a limited role in the financing of SMEs compared to other means of financing, but this does not preclude that, in a vision of promoting this form of financing, several countries have created special equity compartments. reserved for small and medium-sized enterprises.
Virtually speaking, and in order to allow SMEs to carry out a first listed bond issue, NYSE Euronext has introduced a new bond financing tool named IBO (Initial Bond Offer). This new bond offer makes it possible to solicit all types of investors wishing to reduce their dependence on bank credit. The launch of the first operation of this type was implemented in 2012 by a family group specializing in development and real estate development [20]. This new public bond offering represents a new NYSE Euronext instrument for improving SME development financing.
For their part, other private initiatives come to support the development of SMEs which consists in pooling within a contract debt fund some fifteen issuers. This mutualization of the bond financing of several companies aims to reduce the cost of these operations. The subscription is made by issuing body which can be a mutual fund, a securitization mutual fund or another dedicated structure [8].
In conclusion, dedicated funds have also grown rapidly. This method of financing now represents a real solution to effectively cope with the change in SME financing model.

3. The bond issue: Financing at a lower cost

During periods of crisis, and in order to carry out such ambitious development plans, companies use the bond loan to finance themselves at a lower cost and repay their bank debts. Institutional investors or households lend their money at an interest rate equivalent to the loan issued by the government plus a risk premium that varies according to the creditworthiness of the company that issued the bond. Commercial banks also resort to the bond market to finance themselves at a lower rate than that obtained by central banks.
Thus, the bond issue represents a less expensive method of financing than bank credit, which explains its development in recent years to provide a new source of financing for businesses.

3.1 The WACC and the cost of debt

In an article published in 1958, Modigliani-Miller [22] showed, under certain constraining hypotheses, that the financial structure of a company has no influence on the value of the enterprise (no cost of transaction, bankruptcy costs, distress costs, taxation and the existence of complete markets), in an imperfect market context. However, various currents have held Modigliani and Miller's theory too restrictive, and it turned out then, that in an imperfect market context, there is a close relationship between financing decisions and the value of the firm.
According to Modigliani and Miller, the debt increases the risk taken by the shareholders, and therefore their requirement of profitability, it is therefore necessary to measure the influence of the debt on the return required by the shareholders and the cost of the equity, and by Therefore, the value of a firm is then the sum of the market value A of the shares and the market value of Debt D (V = A + D) [1].
The second proposal by Modigliani and Miller shows the effect of the debt on the expected profitability of shareholders and on the weighted average cost of capital.
The weighted average cost of capital has been defined as the weighted average of the costs of different forms of financing [16].

Weighted average cost of capital before tax

$$r_v = (Share\ of\ value\ of\ company\ financed\ by\ equity)x(Cost\ of\ Equity) + (Share\ of\ value\ of\ the\ company financed\ by\ debt)\ x(Cost\ of\ Debt)$$

According to Proposition II of Modigliani-Miller. The cost of equity of an indebted company increases with the leverage of the company expressed in market value:

Cost of own funds of an indebted company

$$r_{cp} = (Profitability\ expected\ by\ shareholders) + \frac{(Market\ value\ of\ the\ debt)}{(Market\ value\ of\ own\ funds)}\ x\ (Profitability\ expected\ by\ shareholders - Profitability\ of\ Debt)$$

The absence of taxation in the Modigliani-Miller model is the least easy assumption to accept. In 1963, Modigliani and Miller incorporated corporate taxes into their models to see the impact of these taxes on the capital structure. The authors have shown that it is better for the company to go into debt to take advantage of tax savings due to the deductibility of debt charges [1].And if the company wants to get the maximum tax benefits from the deductibility of interest, it should go into debt at 100%. But really, it is impossible for a company to get 100% debt because of the presence of certain market imperfections that nuance the benefits of debt.
For a bond loan, the cost of borrowing is equal to the internal rate of return of the flows associated with the loan net of tax. It is also called the cost of the loan. From an issuer's point of view, the rate of return of a bond is nothing other than the rate that equalizes its disbursement on date 0 and the valuation on the same date of its future cash receipts.
Indeed, the actual cost of a loan measured by the internal rate of return of the flow sequence is generally different from the nominal interest rate set in the contract. This actual after-tax cost depends on the possibility of viewing interest as a financial expense that decreases pre-tax income and thus the amount of tax and corporate income tax rate.
Taking into account the risk of default modifies the calculation of the cost of the bond issue. The latter becomes equal to the internal rate of return minus the probability of default multiplied by the expected loss in case of default [16].

3.2 Agency and information asymmetry costs

One of the major market imperfections that has not been taken in the Modigliani-Miller model is agency conflicts. In a text published in 1976, the two authors Jensen and Meckling [13] define the agency relationship as "A contract by which one or more persons (principal) engage another person (agent) to perform at its name any task which implies a delegation of a certain power of decision to the agent ".
Indeed, the existence of conflicts of interest between shareholders and managers affects the performance of the company and consequently the wealth of shareholders. This divergence of interests generates costs called agency costs that come from the control exercised by the shareholder over the manager and the expenses incurred by the manager to show the shareholder that he is indeed doing to maximize his wealth. . To solve the problem of agency that exists within the company, debt financing reduces cash flow available to managers and prevents them from diverting funds unduly. In this sense, Shabou (1995) [25] shows that debt has the advantage of reducing agency costs of equity, the incentive of the manager to be efficient and therefore prevent the risk of bankruptcy of the company.
As a result, financing by bank credit is expensive because the bank makes its customers bear the costs of control it performs. It also generates agency costs related to the control that must be performed by the creditor bank to discipline shareholders and managers. Unlike bank credit financing, debt financing does not require managers to control the bond market.
The second major market imperfection is asymmetry of information. The latter is defined by Beaudoin & St-Pierre [2] as being any situation in which two people must make important decisions related to an event or a project, but do not have the same quantity and quality of information on this event. In the presence of this informational asymmetry, the bank stands out for its "easy" access to private data and its "efficient" control of borrowers. On the other hand, a bond issue is supposed to be a way to finance oneself without fearing a strict control of the subscribers.
According to De Fiore and Uhlig [5] bond issues are cheaper than bank loans. They explain, in a dynamic general equilibrium model, that since, unlike banks, bond investors do not invest in collecting information on the companies they finance, the cost of a bond issue will be less high than that of a bank debt

3.3 Cost of debt in the United States and the Euro zone

From September 2008 and the collapse of Lehman Brothers, the 2008/2009 crisis has altered the fundamental balances of the debt business. The new paradigm is reflected by the decline in bank lending and the development of the bond market, thus, the crisis has increased the cost of access to financial resources of banks and companies are faced with a credit less generous than by the past.
A comparison of the modes of financing of the principal European countries with that of the American market gives an idea of the extent of the change related to this disintermediation which could take place in Europe. At the beginning of 2013, bank loans accounted for around 22% of outstanding corporate debt in the US, while they accounted for between 70% and 80% of corporate debt in major European countries.
To compare the cost of corporate financing in the United States with that of the euro zone in recessions, we must compare credit spreads and interest rate margins on fixed-rate loans. The results show that on average, the cost of bank loans is more expensive than the bond market in the euro zone; the costs are similar in the United States. But in recessions, the cost of fixed-rate bank credit increases much less than credit spreads on bonds [23].

4- Analysis of the risk of a bond loan

Investment in interest-rate instruments, such as bonds, is generally considered low risk when compared to investing in highly leveraged equities or derivatives. However, it is still true that the holding of bonds presents certain risks.
The first risk of a bond placement may come from the issuer's risk of bankruptcy in the event that the issuer fails to honor its commitments. This non-quantifiable default risk is assessed by rating agencies and the assessment of an issuer's reliability is indicated by a series of letters. This risk remains negligible for issues guaranteed by the State and for issuers of good quality [12].
A second type of risk for bonds is liquidity risk. This risk is related to securities that are not traded on an organized market, or that are listed on an organized market with a low volume of transactions, which poses a liquidation problem at a reasonable price.
A third type of bond risk is interest rate risk, ie. one that is associated with interest rate fluctuations. The bond offering will, therefore, be fully risk-free if the investor retains its bond investment until maturity and can securely reinvest all coupons for the duration of his investment at the same rate as the bond. In the event that the investor buys a bond without a coupon, he will achieve his objective despite fluctuations in interest rates. In general, investors who accept an active strategy and investors who are concerned about fluctuations in wealth in the short and medium term are interested in the variation of interest rates. In this case, an increase (respectively a decrease) in interest rates will be unfavorable (respectively favorable) to the investor.

4.1 Default and liquidity risk

The purchase of a bond exposes the buyer to a risk of default by the issuer. This is the risk that the company issuing the bond, ie the one to whom we have lent money, cannot honor the payment of a coupon or the repayment of the nominal amount at maturity . In the bond world, we call this a default. A default occurs if the corporation cannot temporarily settle a term or if it goes bankrupt. This type of risk does not materialize only in case of default of the issuer. A deterioration in the quality of the issuer (as assessed by its rating) or a general deterioration in economic conditions will increase the risk premium required by investors. Therefore, the potential yield of the bond will increase and its price will decrease.
This risk is almost zero for government bonds such as "OAT" (treasure-like bonds), "German Bunds", "English Gilt" or "US Treasuries", exceptions made by countries in crisis like Greece or Portugal for example. Indeed, the probability that one of these states goes bankrupt is close to zero.
The rate actually reflects the degree of investor confidence in the country concerned. And therefore the speculative character of the obligation. The same pattern applies to bonds issued by large corporations. The stronger the company, the lower the risk of default, the lower the interest rate. And vice versa.
Because of this risk, most bonds sell at a lower price (or yield spread) than government bonds of equal maturity. This is because there is virtually no risk that a government will default on its commitments: we then say that bonds offer a risk-free rate of return.
In practice, with the exception of high-yield bonds (or "bad" bonds), very few bond issuers fail to meet their commitments. The investor is more concerned about a possible change in the solvency valuation, as this would have an immediate impact on the price of bonds (current or future) issued by the borrower. In fact, if there is a deterioration in an issuer's credit rating, the price of its bonds will also drop. This may create significant capital losses for bondholders who want to sell before maturity.
In recent years, the risk of sovereign default was totally underestimated by investors. The latter lived with many illusions: the sovereign issuers of developed countries could not default and the banks enjoyed an implicit guarantee from said sovereigns who put their creditors safe in case of default. Indeed, the absence of fear of default is one of the reasons that may have led investors to lend more than reasonable to states suddenly little pushed to good budget orthodoxy. But the consequences of the 2007 crisis (subprime deal, bankruptcy of Lehman Brothers, Greek debt restructuring), have brought investors to realism: lending money generates at least one risk. However, the risk in question remains at least partly.
Unlike bond issues, the risk of default in the banking market, which is at the origin of the subprime crisis, is the fundamental risk of all banking activities. It is the first risk that the bank may face. In the new Basel Committee Agreement, this is defined as follows: "A default on the part of a debtor occurs when one of the events occurs, if not both. Either the bank considers improbable that the debtor repays all his credit or the arrears of the debtor on a large credit due to the banking group exceeds 90 days.
Studies have shown that firms created during periods of economic crisis recruit less often among unemployed workers, they pay higher wages in compensation for the risk of unemployment, but they are subject to higher default rates. These companies that borrow from banks have a higher risk of default than large companies that are the most productive and that can provide resources in the medium and long term by issuing [6];
On the other hand, the difference between bank and bond financing is not on the side of the borrower who, in any case, must repay and pay the interest - economists say he has to provide the service of the bank. debt - but on the side of the lender.
In this sense, by granting a credit, the lender commits a sum of money for a duration fixed in advance. It deprives itself of liquidity. For example, a bank loan is perfectly illiquid, which means that the bank cannot recover the amount lent before maturity. It is to escape this constraint that banks have developed instruments to convert credit into securities (securitization).

This is where the advantage lies for the lender who intervenes by subscribing to bonds. Because these are negotiable: it is possible to sell them at any time and thus regain the liquidity that the lender initially waived.

4.2 Interest Rate Risk

The interest rate is the percentage applied to the amount of money lent by one agent to another to calculate the income the lender will receive. The payment of this income is in addition to the repayment of the sum lent. Many different rates are quoted on the financial markets or calculated by market professionals (rates associated with bills, loans and interbank loans, ...). Even if these rates vary together, their correlation is not perfect. The description of a rate requires the representation of a function, termed the interest rate term structure, which links the level of the interest rate and the duration of the loan (or maturity) [14].
For a company, the interest rate risk represents the risk of financial loss due to a change in the interest rate. The risk may relate to existing or future assets or liabilities.
Investment in bond products implies a sacrifice of certain immediate consumption in exchange for an uncertain future situation. Hence the notion of risk defined by JP Morgan as uncertainty about the future value of financial security [3].
At maturity, ie at the end of its life, the bond is repaid at face value. However, the sale of a bond before its maturity may result in a gain or loss. It therefore involves a capital risk. In principle, the value of a bond increases when market rates fall and falls as rates rise. When issued, the bond rate reflects market conditions. If, later on, market conditions prove to be more remunerative, the bond becomes less attractive, and therefore its value falls. Bonds are then generally less volatile than other financial securities, which implies a small variation in interest rates and a low interest rate risk.
On the other hand, at the level of the bank credit market, the interest rates charged by the banks are not the same depending on the duration of the loan, the borrower, the possible guarantees and the destination of the credit. Moreover, from one bank to another, interest rates for the same type of credit may be different. Thus, there is not an interest rate but interest rates [27]. This risk materializes when an institution that refinances a fixed rate long-term loan in the short term, faces a sharp rise in interest rates.
Controlling interest rate risk is delicate because it is a risk in the long term, the realization of which is uncertain, but which depends on today's choices. Banks nevertheless have an ability to adapt, in particular by offsetting on the new business any difficulties arising from past activity.

4.2.1 Interest rate risk measures: Duration, sensitivity and convexity

Bond markets have experienced interest rate changes whose long-term developments remain uncertain. To understand the effect of interest rates on bond prices, we use the three concepts "duration", "sensitivity" and "convexities". These concepts are measures of interest rate risk.

Duration according to Macaulay
To understand the effect of interest rate fluctuations on the bond investment at the end of the horizon it has set, the notion of "duration" must be introduced. Macaulay [19] defines the duration of a loan as the average life of the discounted flows.

$$D = \frac{\sum_{t=1}^{T} t.\frac{Yt}{(1+r)^t}}{\sum_{t=1}^{T}\frac{Yt}{(1+r)^t}}$$

With Yt represents the cash flow generated by the obligation at the end of the period t, r the actuarial rate of return required by the market and T the number of periods to run until the bond is redeemed. The denominator of the expression is nothing but the evaluation of the obligation.
The approach of duration according to Macaulay has replaced the life expression of a title of the loan in the calculation of the average life of a bond. The latter is a bad approach to the duration of the loan when the replacement rate in the market is far from the nominal rate.
The "duration" factor can be considered as the average duration of the bond or a coefficient that measures the importance of bond price fluctuations according to the interest [18] . Duration also approaches a classical notion in economics, elasticity: with respect to (1 + r):

$$D = -(1+r).\frac{\frac{\Delta p}{\Delta r}}{p} = \frac{\frac{\Delta p}{p}}{\frac{\Delta r}{r}} \quad with\ (\Delta r \approx \Delta(1+r))$$

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•Modified duration or sensitivity
We can give the duration an interpretation in terms of the sensitivity of the price to the interest rate. Consider the Macaulay duration formula for a bond:

$$D = -(1+r).\frac{dp/dr}{P} \quad or \quad \frac{dp}{dr}\left(\frac{1}{p}\right) = \frac{-D}{1+r}$$

$\frac{D}{1+r}$ is the modified duration DM or the sensitivity of the bond [4]. We can write:

$$\frac{dp}{p}.\frac{1}{dr} = -DM = S \quad or \quad \frac{dp}{p}.\frac{1}{dr} = -DM.dr = S.dr$$

The modified duration or sensitivity of a bond measures the fluctuations in terms of profitability $\frac{dp}{p}$ caused by an absolute change in the interest rate of 1%. A positive change in the interest rate will cause the bond price to fall, while a negative change will imply an increase in the security price. This variation is expressed as a percentage. The sensitivity thus makes it possible to know the future value of a bond by using different scenarios of interest rates

•Convexity
For low fluctuations, duration offers satisfactory results. But, for significant variations in the interest rate dr; we can multiply this variation by sensitivity to calculate the change in the bond price [15].
A factor called convexity is to use the 2nd order approximation to account for larger changes in the interest rate.
The change in the price of a bond is not linear. That's why we use convexity to take into account this curvature.

We can then apply the Taylor formula to the expression of P (r) to estimate the change in the price of a bond.
A second order Taylor series development gives us the approximation formula:

$$dP = \frac{\partial P}{\partial r}.dr + \frac{1}{2}\frac{\partial^2 P}{\partial r^2}.\partial r^2$$

If we divide the two members of the previous equation by the price:

$$\frac{dP}{P} = \frac{1}{P}\frac{\partial P}{\partial r}.dr + \frac{1}{2P}\frac{\partial^2 P}{\partial r^2}.\partial r^2$$

Or $\frac{dP}{P} = -S.dr + \frac{1}{2}.Convex.(dr)^2$

With $Convex = \frac{1}{P}.\frac{\partial^2 p}{\partial r^2}$ reflects the convexity of the relationship between the price of the bond and the market rate r.

To choose between two bond investments with the same rate and the same sensitivity, we must select the most convex because its value will decrease for a long time in the event of an increase of the interest rates and will progress more if the rates fall . On the other hand, the convexity becomes more important when the maturity of the bond is high and when the coupon rate is low.

5. Conclusion

Companies, and more specifically SMEs, are the real promoters of development in all economies, whether developed or emerging. They represent between 96% and 99% of industrial enterprises and contribute to the renewal of the productive fabric. Economic development then depends on the growth and development of market enterprises. Nevertheless, this development, for their part, remains largely dependent on their financing capacity, availability, accessibility and, above all, the degree of control, cost and risk associated with it.
In fact, adequate and sufficient financing of SMEs during the early stages of their development assures them a healthy and rapid growth, these types of companies must modify their structure, increase their production, renew their equipment and recruit new staff continuously. In this sense, to finance their development, various techniques exist. : the use of bank loans seems an obvious solution, however, in the face of the difficulties encountered in this area, as well as the global economic crisis that has largely limited the granting of credit by banks, it appears necessary to observe and study other alternatives that may be offered to corporate executives, mainly "bond issues" that provide small and medium-sized companies with real cost and risk control benefits.
The 2008-2009 financial crisis launched a gradual process of substituting bank debt for bond debt. The bond market then provides SMEs with new resources to finance their development and provide them with greater visibility. The IBO, the Private Placement and the Dedicated Bond Funds are the new bond instruments that have been developed in recent years in order to best meet the expectations of SMEs. This method of financing represents today an unavoidable source of financing with important specific characteristics, in terms of cost and risk.
In Morocco, SMEs constitute the nerve center of the national economy, with 40% of production and 31% of exports (statistics carried out in 2011 by the confederation of SMEs), which opt more for individual legal forms "individual companies" for many reasons, namely mainly the non-obligation to declare capital. However, this choice, although it confers benefits to SMEs, especially at the tax level, prevents them from benefiting from certain means of financing such as: than the stock market listing (issue of shares and bonds).
Like some developed countries that have seen the emergence of new bond financing tools, which will allow small and medium-sized companies to make a first bond issue, and therefore to overcome the difficulties, costs and risks involved. to other forms of financing, Morocco - not being equally spared from the negative effects of the last financial crisis - should also think about filling the restriction that banks have granted credit to SMEs by considering new market channels whose access conditions are more fluid, and above all more adapted to the specificities of this type of business, which is the basis of the national economy.

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