

## Individual Investors and Corporate Bonds Market. Evidence from Poland

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### Abstract

**Aim:** The aim of this article was to identify the preferences of individual investors in the context of investing in corporate bonds.

**Methodology:** The study was based on two questionnaire studies with closed questions, conducted in 2018 and 2024.

**Findings:** Firstly, the interest in investing in corporate bonds has been decreasing on the part of individual investors surveyed, while at the same time their investment portfolio has increased. Secondly, investors in both 2018 and 2024 indicated the same main factors that helped them in their investment decisions. Thirdly, the attitude towards the issuers' industries has changed.

**Implications:** The study has a high implicative value for corporate bond issuers, indicating areas that are important for individual investors

**Originality/value:** The article supplements the literature with the results of a survey on the area of corporate bonds in Poland.

**Keywords:** bonds, corporate bonds, capital markets

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## 1. Introduction

Corporate bonds have been an instrument supporting corporate financing for a very long time. In Poland, this instrument began to develop in the 1990s, when the dominant group of instruments were convertible bonds. There was no secondary market at that time, because investors held bonds until redemption or conversion into shares. Almost all issues were private, and the key entity on the bond market was the Central Table of Offers, which later transformed into MTS CeTO. Naturally, the fact that there was no efficient bond trading market did not mean that these instruments were not used. Enterprises raised capital in this way, but the lack of a trading market prevented more dynamic development. In addition, without a trading market, average individual investors were practically unable to invest in bonds. Only wealthy individual investors who purchased bonds in brokerage houses or private banking could have access to this type of investment.

A breakthrough came with the creation of the Catalyst market on 30 September 2009, which caused an increase in interest in corporate bonds as a source of financing, but also as an option for investing savings by individual investors. It would be fair to say that this market has become part of the architecture of the financial market in Poland. Over the last fifteen years it has experienced its better and worse moments, especially when there were spectacular bankruptcies of issuers, and interest in corporate bonds decreased.

Unlike the stock market, the Catalyst market attracts scant interest from individual investors. The aim of this article was to identify the preferences of individual investors in the context of investing in corporate bonds. This goal was achieved thanks to a survey conducted in 2024 and a comparison of the results obtained with the previous survey conducted in 2018.

## 2. Literature Review

A company faces a decision on how to finance its development. Scientific literature examines how to select the appropriate parameters of equity and debt capital, defined as capital structure. One of the sources of financing enterprises with debt capital are corporate bonds, which are the subject of research for scientists dealing with finance. From the Polish perspective, as mentioned in the introduction, the creation of the bond trading market – Catalyst – was of great importance. It caused an increase in interest in this type of instrument, which in consequence also resulted in a growing interest in corporate bonds as a subject of scientific research.

On 30 September 2009 a new organized secondary market for Polish debt securities, called the Catalyst market, was created. The valuation shaped by the organized market is considered as better than the valuation based on OTC transactions. Thus, it was an important factor which stimulated the rise of the Polish corporate bonds market. Debt instruments are traded on the markets organized by two companies of the Warsaw Stock Exchange (WSE) capital group (WSE itself and its subsidiary, BondSpot SA). Thus, debt instruments are traded in two places and through two listing systems. However, Catalyst comprises four trading platforms. Two of them are operated by the WSE: as a regulated market and an alternative trading system (ATS) for retail customers. The two other platforms are dedicated to wholesale customers and are operated by BondSpot as a regulated market and an ATS. The execution of transactions on all Catalyst markets is guaranteed by the National Depository for Securities. Issuers are bound by reporting requirements including current and periodic reports.

One of the most popular trends in the scientific literature concerning corporate bonds is their study in the context of being a source of financing. In Poland, many papers addressed this subject (Kłosowska & Buszko, 2012; Gemra, 2016; Orliński, 2014). In developed markets, liquidity risk and corporate bond yield spread are also an area of research, see Dick-Nielsen et al. (2012), Huang and Huang (2012), and also Chen and Jiang (2020). Research also concerns the impact of various factors on corporate bonds, such as the studies by Kang and Pflueger (2015) on the impact of inflation on corporate bonds.

A separate area of research on the corporate bond market is the analysis of credit risk (Piechota, 2018, pp. 55-68). The issues of risk for various participants of the corporate bond market in Poland were also studied (Gradoń, 2014). An important event for the corporate bond market in Poland was the bankruptcy of the debt collection company, GetBack. This case also constituted the basis for conducting research related to credit risk (Lepczyński & Pisarewicz, 2018).

An interesting trend concerning corporate bonds is the cross-market relations between stock and corporate bond market, examined by Van Zundert and Driessen (2022), and Choi and Kim (2018). The information efficiency of bond markets was also studied by Hotchkiss and Ronen (2002), and Zunino et al. (2016).

In recent years, one can find many articles on green bonds and sustainable development (e.g. Ślęzyńska-Kluczek, 2022; Maltais & Nykvist, 2020; Bhutta et al., 2022). Particularly important are studies searching for the so-called greenium (Hu et al., 2022; Larcker & Watts, 2020).

There are also studies on the use of corporate bonds as an instrument for investing savings by individual investors (Dykto, 2008). The presented article fills the gap in this area thanks to the latest survey research.

### 3. Methodology

The authors present here the results of surveys conducted in 2018 and 2024. The participants in the survey were readers of the [www.strefainwestorow.pl](http://www.strefainwestorow.pl) website – individual investors, interested primarily in investing in stocks, but also in bonds. Participation in the survey was voluntary and anonymous. The participants were informed about it on the Investors' Zone website, in the form of information attached to articles and via e-mail. Information about the survey was also sent via social media, including Facebook, LinkedIn and Twitter.

The first survey was conducted from July 1, 2018 to August 30, 2018. In total, 554 participants completed the survey questionnaire. In response to the question "Have you invested in corporate bonds so far?" 261 participants declared that they had already done so. These respondents answered 12 more questions and are further referred to as survey participants. The second survey took place from 1 June 2024 to 20 August 2024, and was attended by 311, and answered by 81 participants.

The same questions were asked in both cases and the answers were then compared.

### 4. Results

As part of the study, the authors collected data on individual responses. The survey participants answered questions about their metrics at the very end. Presented further is the most important information characterising the participants, which allowed to learn more about the profile of investors.

The vast majority of the survey participants, i.e. 48.1% in 2024 and 43.2% in 2018, in the question about investment experience ("How long have you been investing?") declared that they had been doing so for over 10 years. The second largest group of the respondents (21.0% in 2024) declared that they had been investing for 3 to 5 years. Interestingly, in the survey conducted six years earlier, the second largest group were those investing for 3 to 5 years (32.5%). Nevertheless, it is clear that the survey participants were experienced investors, because in the 2018 survey, 89.3% of the participants had been investing for more than 3 years, and in 2024, 86.5%.

The data are included in Figure 1, showing the right-side closed ranges.

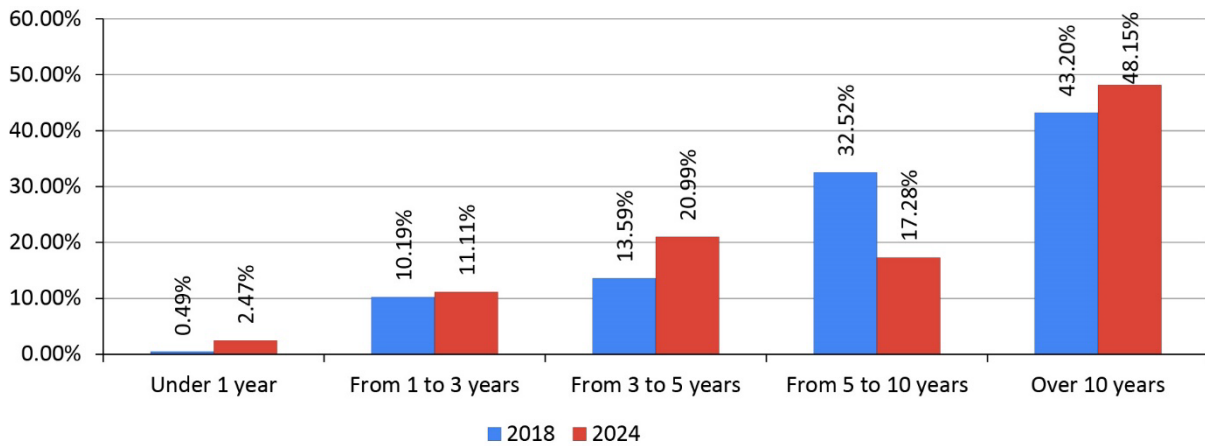


Fig. 1. Data regarding the answer to the question “How long have you been investing?”

Source: own research.

In the next question regarding the value of the investment portfolio (“What is the value of your entire investment portfolio?”), 53.1% of the respondents in 2024 answered “from PLN 100 to 500 thousand.” The same group was most represented in 2018. The second most represented group (14.8%) declared the value of the investment portfolio at the level of “over PLN 1 million.” In turn, in the study six years earlier, the second most represented group were investors with an investment portfolio worth PLN 50 thousand to PLN 100 thousand. It can therefore be stated that investors with an investment portfolio of a higher value participate in the 2024 study. The data are presented in Figure 2.

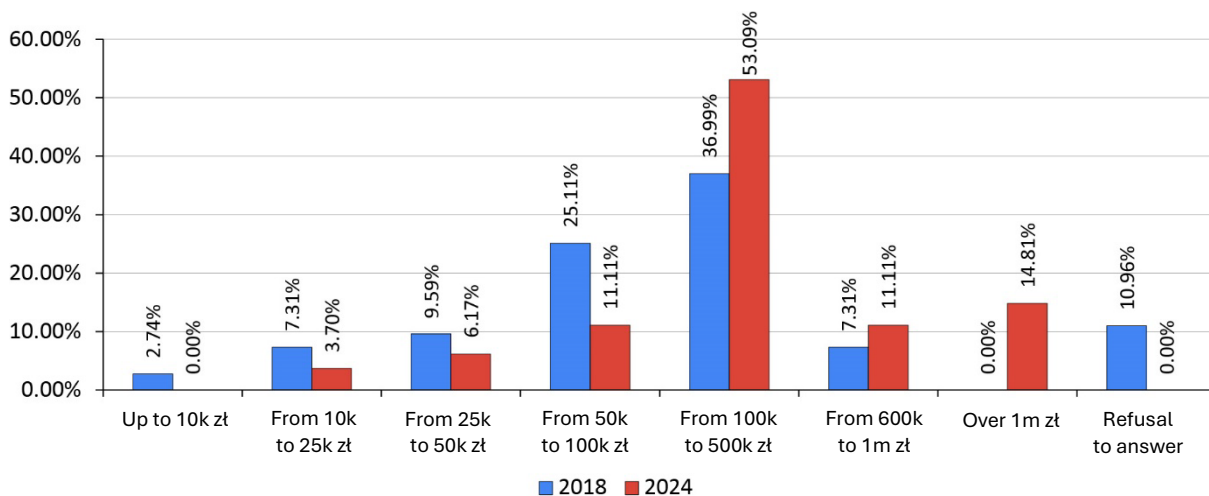


Fig. 2. Data regarding the answer to the question “What is the value of your total investment portfolio?”

Source: own research.

The study also collected data on the types of issues the respondents invested in so far. The vast majority of those surveyed in 2024 (over 88.8%) declared participation in public bond issues based on an issue prospectus. The second most popular form of investing in bond issues was public offering based on a memorandum (chosen by 24.6% of respondents). Moreover, nearly every fifth participant in the study (18.5%) declared participation in public bond issues addressed to 149 entities. In the 2018 study, a smaller percentage of investors (71.65%) declared that they were participating in issues based on an issue prospectus. At the same time, significantly more investors (42.15%) participated in issues addressed to 149 investors. The decline in popularity of this form of investment can probably be explained by the fact that it is less popular among issuers and that legal restrictions were imposed on it in 2019, following the bankruptcy of GetBack.

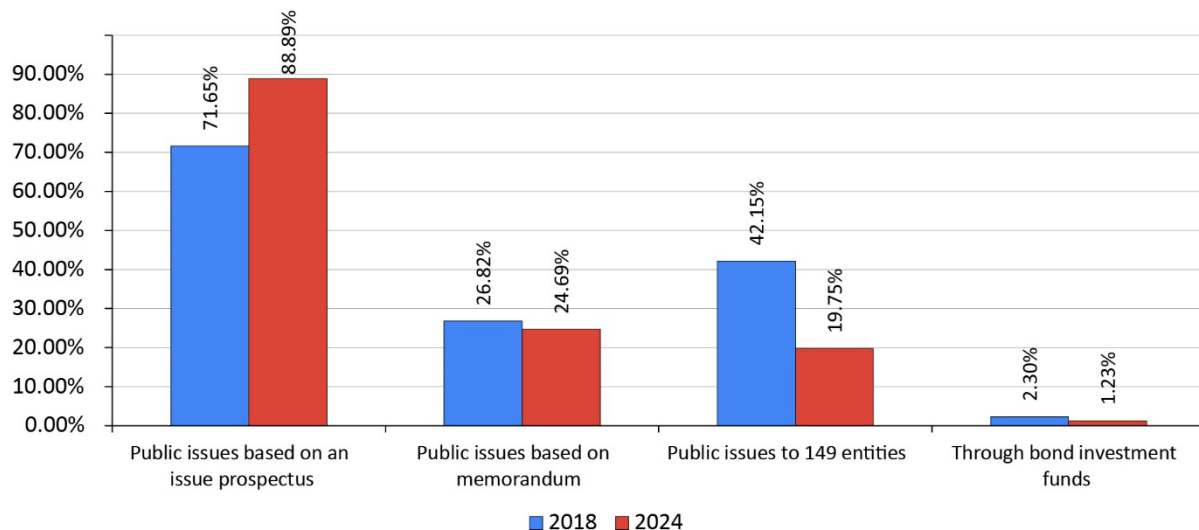


Fig. 3. Data regarding the answer to the question “What corporate bond issues have you invested in so far?”

Source: own research.

The survey also asked the participants to declare what amounts they had invested in bond issues so far. The largest number (34.6%) in the survey conducted in 2024 indicated that they were investing amounts between PLN 10,000 and PLN 50,000. The same figure (36.4%) was given in the survey conducted in 2018. The next large group (18.5%) were those declaring investments between PLN 5,000 and PLN 10,000, which in the survey carried out six years before, was the second most numerous group. The third largest group were investors investing funds between PLN 2,000 and PLN 5,000 (16.0%), but in the earlier survey these were investors (13.8%) who declared investments in one bond issue at a level of PLN 50,000 to PLN 100,000.

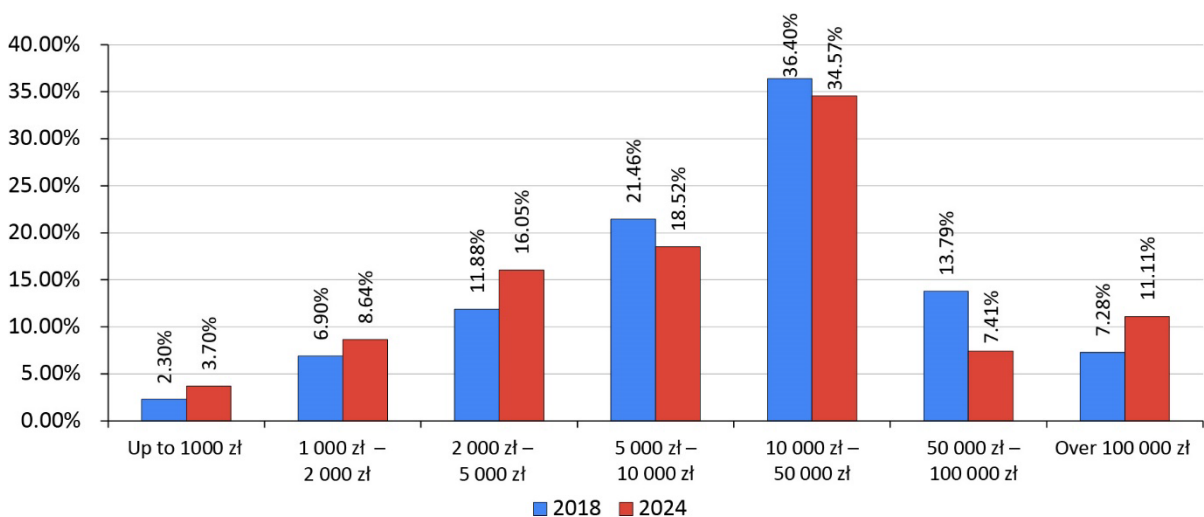


Fig. 4. Data regarding the answer to the question “How much do you invest or have invested in a single corporate bond issue?”

Source: own research.

In the next question related to the expected security for bonds, in both the 2018 and 2024 surveys, the predominant answer was that the expected security was a mortgage on real estate (55.6% and 49% of respondents, respectively). The second most popular expected security was a registered pledge. Interestingly, the percentage of the respondents expecting a pledge on the issuer’s shares increased in 2024 – it was 13.6% compared to 8.4% in 2018. The data are included in Figure 5.



Fig. 5. Data regarding the answer to the question “What form of security for corporate bonds do you think is best?”

Source: own research.

The authors also asked about the factors considered when investing in bonds. Interestingly, the three most popular factors, i.e. rate of return, issuer history and credibility of the issuer’s management, were the most popular declared factors both in the 2018 survey and in 2024, as mentioned by over 80% of respondents in both surveys.

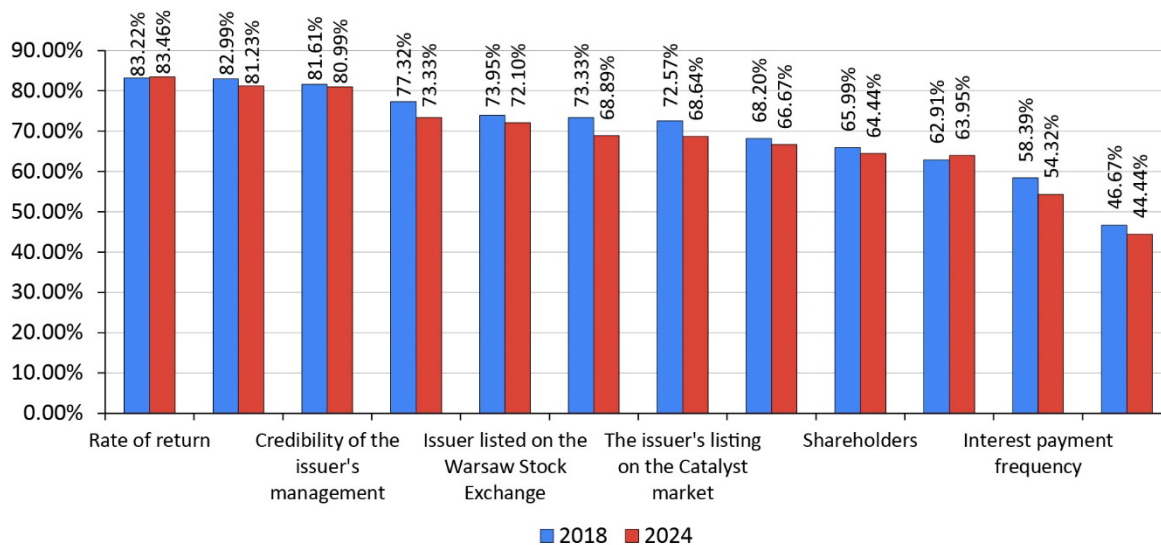


Fig. 6. Data regarding the answer to the question “What factors do you consider when deciding to invest in corporate bonds?”

Source: own research.

In reference to the factors from the previous question, the authors also asked the respondents about the preferred industries from which issuers come for investment, drawing attention to the fundamental differences in the approach to the three industries. First, in 2024, 80.3% of the respondents declared their willingness to invest in debt collection company bonds, whereas in 2018, only 44.4% did so. This was probably the result of the fear of investing in this industry caused by the bankruptcy of the debt collection company GetBack in 2018. However, later the leader of this industry, Kruk, carried out many public bond issues. Hence, it can be assumed that six years later, investors looked

favourably at this industry. A similar phenomenon could be seen in the declaration regarding investing in bonds of loan companies, where in 2018 40.8% of the respondents wanted to purchase bonds of such issuers, and in 2024 this was already 58.8%. The third industry reflecting a significant change to investment in bonds of issuers was real estate developers. In 2018, 52.2% of the respondents wanted to invest in such bonds, and six years later this percentage increased to 72.6%, which can probably be explained by a significant improvement in the financial situation of housing developers over the years studied.

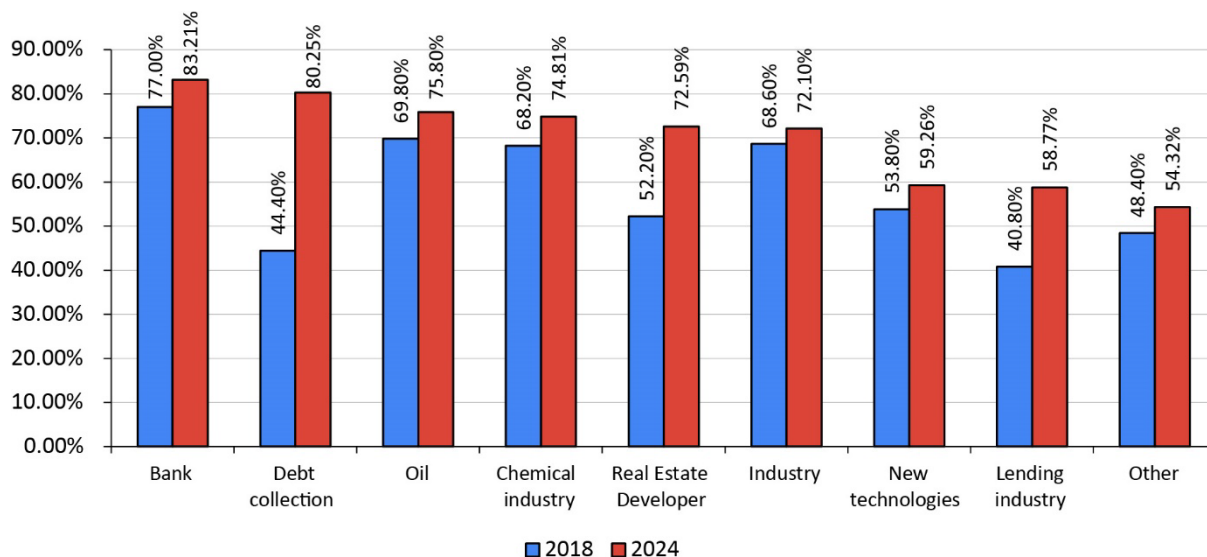


Fig. 7. Data regarding the answer to the question “Determine to what extent you would be willing to invest in corporate bonds of an issuer from a given industry”

Source: own research.

Finally, the respondents were asked whether they thought corporate bonds were worth investing in. The percentage of those who said no increased from 27.8% in 2018 to 35% in 2024, see Figure 8.

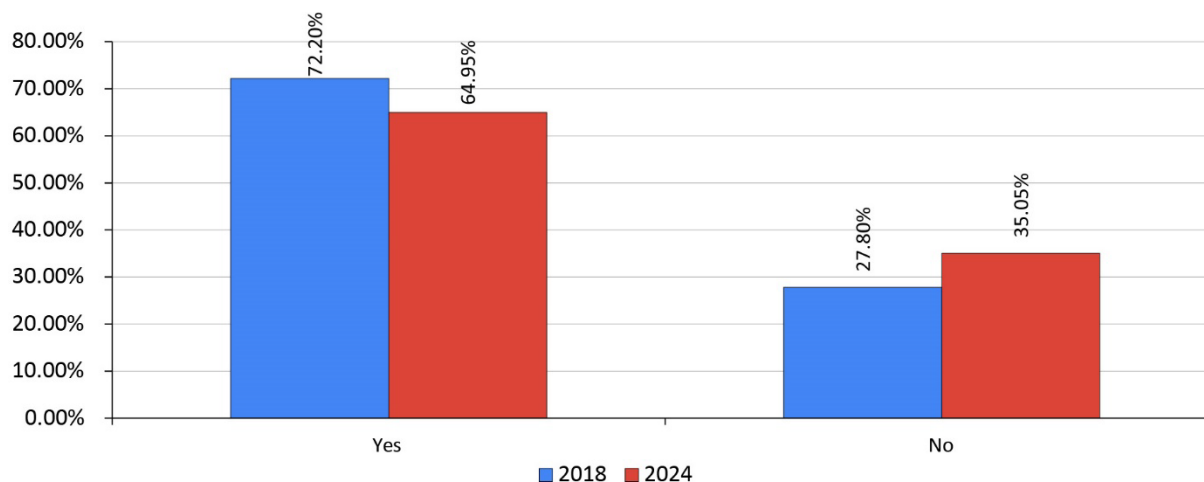


Fig. 8. Data regarding the answer to the question “Is it worth investing in corporate bonds?”

Source: own research.

## 5. Discussion and Conclusion

The presented study concerned the users of the website [www.strefainwestorow.pl](http://www.strefainwestorow.pl). It is therefore a targeted sample and it is not possible to draw statistical conclusions from it, and in particular to generalise the results to the entire population of investors. Nevertheless, the authors suggest that the presented results are valuable, as evidenced by the declared investment experience and the value of the investment portfolio. It would probably be worth expanding this study to include other sources of investors.

Based on this study, several regularities can be observed. In the authors' opinion, interest in investing in corporate bonds is falling, as evidenced by the increased difficulty in finding people willing to take part in the survey, which is why the number of respondents in 2024 decreased compared to the study from 2018. As society becomes richer, the value of the investment portfolio is clearly growing. In addition, the percentage of people declaring investing for over ten years has increased, hence the presented survey results concerned investors with relatively extensive experience. After changes in the law, resulting from the bankruptcy of GetBack, investors prefer to invest in bond issues based on the issue prospectus, i.e. *de facto* in the issues of the largest companies. The main expected security is still a mortgage on real estate. Moreover, the factors that are most important in the decision-making process by investors have not changed over the six years, i.e. the rate of return, the history of the issuer and the credibility of its management. Interestingly, the approach to industries has changed over the years studied. The biggest surprise here is the different image of the debt collection industry, as if investors had already forgotten the events related to GetBack. Worryingly, the percentage of the respondents claiming that it is not worth investing in corporate bonds has increased.

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## Polscy inwestorzy indywidualni na rynku obligacji korporacyjnych

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### Streszczenie

**Cel:** Zidentyfikowanie preferencji inwestorów indywidualnych w kontekście inwestowania w obligacje korporacyjne.

**Metodyka:** Pracę oparto o dwa badania kwestionariuszowe z pytaniami zamkniętymi, które przeprowadzono w 2018 i 2024 roku.

**Wyniki:** Po pierwsze, spada zainteresowanie inwestowaniem w obligacje korporacyjne ze strony badanych inwestorów indywidualnych. Jednocześnie wzrósł ich portfel inwestycyjny. Po drugie, inwestorzy zarówno w 2018, jak i w 2024 roku podają takie same główne czynniki, które pomagają im podjąć decyzje inwestycyjne. Po trzecie, zmieniło się nastawienie do branż emitentów.

**Implikacje:** Badanie ma dużą wartość implikacyjną dla emitentów obligacji korporacyjnych, wskazując im obszary, które są ważne dla inwestorów indywidualnych.

**Oryginalność/wartość:** Artykuł uzupełnia literaturę o wyniki badania ankietowego dotyczącego obszaru obligacji korporacyjnych w Polsce.

**Słowa kluczowe:** obligacje, obligacje korporacyjne, rynek kapitałowy

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