

# The Effect Of Profitability, Company Growth, Liquidity, Maturity, And Collateral On Bond Ratings In The Financial Sector Rated On PEFINDO

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## ABSTRACT

Bond ratings are key benchmarks for assessing credit risk, guiding investment decisions, and shaping financing strategies. This study analyzes the effect of five -specific variables—profitability, company growth, liquidity, bond maturity, and collateral—on bond ratings of financial sector rated on PEFINDO. This Research also explores which indicators most influence bond ratings and whether the results are consistent with signaling theory or agency theory. The data was obtained using documentation techniques, specifically financial reports of financial sector firms assessed by PEFINDO from 2019 to 2023. The population of this study consists of 41 firms, with 14 shortlisted firms through purposive sampling. Panel data regression analysis was conducted, and the random effects model was selected as the most appropriate based on model specification tests. To ensure the validity of the model, classical assumption and all statistical analyses were carried out using EViews 12. This study shows that profitability and maturity significantly affect bond ratings. However, factors such as company growth, liquidity, and collateral have no significant impact. This study supports signaling theory rather than agency theory. This indicates that bond investors in Indonesia focus on detailed financial information when making investment decisions. This study finds that profitability and maturity are significant determinants of bond ratings, whereas company growth, liquidity, and collateral show no significant impact. This supports signaling theory rather than agency theory. Future research should consider variables such as credit risk measures, corporate governance metrics, and macroeconomic conditions



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## 1. INTRODUCTION

The global economy is facing uncertainty due to climate change and geopolitical turmoil (Saptiati, 2024). Nevertheless, Indonesia capital market performance in 2023 showed positive achievements (IDX, 2023), both in terms of supply-demand and trading activity. In addition, the increasing public interest in investing also reflects optimism about the capital markets in Indonesia. The capital markets are the effective means to mobilize public funds into productive activities (Tokan & Pandin, 2023). Funds that are not used for daily needs can be allocated to investment, either in the form of stocks or bonds. In Indonesia, invest in bonds still relatively small by comparison to stocks. However, according to Bloomberg data until March 17, 2023, the total return of bonds (IBPA) is higher than stocks (JCI). CAGR data shows that bonds recorded an annual return of 6.72%, higher than stocks which amounted to 6.46% in the last 10 years, so bonds remain an attractive instrument (Bibit, 2023).

Bonds are medium-to-long-term debt instruments that provide compensation in the form of interest and return of principle to investors at a predetermined time. According to Ismatuddini *et al.* (2023) bonds are considered a safe investment, but still have risks, such as the failure of the company to pay its obligations. This risk can be measured through various indicators, one of which is the bond rating. Therefore, investors need to consider bond ratings before investing.

A bond rating represents the level of risk of a traded bond, including information about the firm's financial condition and capacity to fulfill its debt obligations. This rating provides a signal regarding the profitability and potential default of an issuing entity (Purba & Mahendra, 2023). Through bond ratings, investors can assess how well the issuer meets its financial commitments at maturity. In Indonesia, PEFINDO is one of the rating organizations that help to evaluate bonds (Ningsih *et al.* 2021). PEFINDO assigns rating categories ranging from AAA, AA, A, BBB, BB, B, CCC, to D (PEFINDO, 2024). In general, these ratings are classified into two main categories, namely investment grade (AAA, AA, A, and BBB), which indicates financial capabilities that are considered quite good and non-investment grade (BB, B, CCC, and D), which indicates a high level of risk and is considered less feasible as an investment instrument (Safitri *et al.* 2020).

Companies need to increase bonds that are worth investing into investors by looking at the company's ability to get a good bond rating and paying attention to the factors that influence it. According to Hasan & Dana (2018), it states that there are many factors that affect bond ratings, namely

profitability, liquidity, maturity, and collateral. According to Sani *et al.* (2021), bond ratings are influenced by company growth, leverage, maturity, company size and collateral. According to (Ni'mah *et al.* 2024), explaining the factors that affect bond ratings are profitability, company size, liquidity, and maturity.

One of the things that affects bond ratings is profitability (Hasan & Dana, 2018). According to Tokan & Pandin (2023), profitability is the statistic that assesses a firm's capacity to generate earnings in comparison to sales, total assets, and profit for own capital. So, the higher the profitability ratio of a company, the higher the bond rating is obtained.

The next factor that affects bond ratings is company growth (Sani *et al.* 2021). Company growth is one of the main indicators of health and potential for long-term business expansion as reflected in the increase in assets, sales and profits, these show the company's ability to expand its operations and strengthen its financial stability (Marshella *et al.* 2024). Company growth can affect bond ratings. If the company's growth rate continues to increase and its default risk is reduced, the company will have a high bond rating.

The next factor that affects bond ratings is liquidity (Hasan & Dana, 2018). Liquidity is a ratio used to assess a company's ability to fulfill its financial obligations promptly and smoothly (Darmawan *et al.* 2020). The liquidity ratio is the ratio of the relationship between cash and other current assets of the company and other current liabilities. If the liquidity of a company is good, it will give the company the view that it will be able to fulfill its short-term obligations. So, the higher the company's liquidity ratio will have an impact on the increase in bond ratings.

Another factor that affects the bond rating is maturity (Hasan & Dana, 2018). Maturity is the time when bondholders will get repayment of the principal or nominal value of the bonds, they own (Darmawan *et al.* 2020). The shorter the bond life reflects that the issuer has good financial capabilities and does not require long-term tied funds, so the bonds tend to get a higher rating.

The last factor that affects bond ratings is collateral (Hasan & Dana, 2018). According to Suwarmelina (2020), collateral is a promise given by the borrower to the lender if the borrower cannot fulfill his obligations. With the guarantee on the bonds, the company can minimize the initial risk to bond investors and the bond rating will also increase because the bonds are in the safe category.

Bond rating is an indicator to assess the company's ability to fulfill financial obligations and measure the risk of default in terms of creditworthiness (Wijaya & Suhendah, 2021). This information provides

confidence for investors regarding the potential return that is proportional to the level of risk of the bond. The rating is assigned by a rating agency that assesses the creditworthiness of the bond and its issuer. In Indonesia, one of the main agencies that conduct ratings is PEFINDO (Wijaya & Suhendah, 2021). According to Darmawan *et al.* (2020), PEFINDO is the institution that is most often used as a reference because it regularly publishes its rating results every month through various media, including its official website. Many financial sector companies in Indonesia have received ratings from PEFINDO, whose credibility is also recognized by Bank Indonesia.

In the capital market, bonds are seen as a relatively safe investment instrument compared to stocks, because they offer fixed income in the form of periodic coupons and have a higher priority over company assets in liquidation conditions (Bibit, 2023). Bonds have maturity, so companies must provide sufficient funds to fulfill their obligations. If it fails to pay, the risk of default increases and can lower the bond rating. The financial sector is the main issuer of bonds and is considered more stable, but it is not free from risk. One of the cases occurred at PT Mayapada Internasional, where PEFINDO has downgraded the rating of subordinated bonds V/2018, sustainable subordinated bonds I/2017 and subordinated bonds IV/2014 from idBBB to idBBB- due to the deterioration of the company's asset quality (PEFINDO, 2020). However, the financial statements show that the company still has a high credit portfolio. The significant downgrade in May 2020, from more than 50% in March 2020 and December 2019 to 23.4%, indicates a potential default risk and reduced investor confidence.

Based on the explanation above, the researcher is interested in conducting research with the title “The Effect of Profitability, Company Growth, Liquidity, Maturity and Collateral on Bond Ratings in the Financial Sector ranked on PEFINDO” with an observation range of 2019-2023. To find out whether profitability, company growth, liquidity, maturity and collateral have a positive and significant effect on bond ratings in the financial sector ranked on PEFINDO.

The problem limitation in this study is the effect of profitability, company growth, liquidity, maturity and collateral on bond ratings in the financial sector that are ranked on PEFINDO in 2019-2023. Profitability is proxied by return on assets, company growth is proxied by asset growth ratio, and liquidity is proxied by current ratio. Maturity is measured using a dummy variable by assigning a value based on the period between the issuance date and the maturity date. Collateral is measured by a dummy variable by assigning a value based on bonds that have collateral with specific assets or only in the form of debt securities issued by the bond issuing company.

While the purpose of this study is to determine and analyze the level of significance of the effect of profitability, company growth, liquidity, maturity and collateral on bond ratings in the financial sector rated on PEFINDO. Furthermore, the results of this study are expected to provide information to investors as a material consideration in overcoming problems related to bond ratings and can be used as an addition to knowledge, information material, reference and as a reference in the development of further research.

## 2. LITERATURE REVIEW

### Profitability

Profitability is the ability of a company to generate profit or profit from its operations during a certain period. The higher the level of profitability of a company, the lower the risk of inability to pay or default, so the higher the bond rating obtained by the company, this is in line with signal theory. A high bond rating can increase investor confidence and interest because it is considered to have good issuer credibility and guaranteed investment security. Research by Tokan & Pandin (2023) ; Pradnyawati & Widhiastuti (2022) ; Ni'mah *et al.* (2024) state that profitability has a positive and significant effect on bond ratings.

H<sub>1</sub>: Profitability has a positive and significant effect on Bond Rating

### Company Growth

Company growth is an increase in the capacity or performance of a company in various aspects, which can include an increase in revenue, profit, market share, assets, or number of employees. The relationship between company growth and bond rating is because with good company growth, it will be able to increase the company's ability to fulfill debt obligations so that it will affect the bond rating given by rating agencies, this is in line with agency theory. Research by Ningsih *et al.* (2021) ; Sahara (2024) that company growth has a positive and significant effect on bond ratings.

H<sub>2</sub>: Company Growth has a positive and significant effect on Bond Rating

### Liquidity

Liquidity is the company's ability to meet its short-term obligations without facing significant financial constraints. The higher the liquidity of the company, the greater the current assets owned by the company than

its current debt, so that if at a certain time there is a change in financial condition, the current assets can be used to fulfill the obligations of companies that are unable to fulfill their current obligations properly at maturity, this is in line with signal theory. This can indicate that the potential for repayment of long-term obligations is getting better, so that the bond rating will also be good. Research by Darmawan *et al.* (2020) ; Livia *et al.* (2024) ; Azizah *et al.* (2022) which found liquidity has a positive and significant effect on bond ratings.

H<sub>3</sub>: Liquidity has a positive and significant effect on Bond Rating

### **Maturity**

Maturity is the period from the issuance of the bond until the maturity date. Maturity is the age of bonds in which bondholders will get back the principal amount of the loan at the nominal value of the bond. Companies that issue bonds with a certain period will signal to investors about the company's financial condition, risks and business prospects, this is in line with signal theory. The shorter the life of the bond indicates that the issuer does not need funds tied up in the long term, which indicates that the obligor's financial capacity is good. Therefore, bonds with shorter lives tend to get higher ratings because they reflect the issuer's confidence in fulfilling its obligations as an obligor. Research by Ismatuddini *et al.* (2023) ; Agustinus & Yoewono (2022) ; Fachri (2021) prove that bond age has a positive and significant effect on bond ratings.

H<sub>4</sub>: Bond Age has a positive and significant effect on Bond Rating

### **Collateral**

Collateral is an additional layer of protection for investors by ensuring there is a claim against certain assets if the bond issuer fails to fulfill its obligations. If the bond is collateralized by the issuer, it can affect the bond rating, because the collateral provides an extra level of protection for investors, which can affect the perception of risk and the financial condition of the bond issuer, this is in line with agency theory. Secured bonds tend to have higher ratings because they provide extra protection to investors and reduce the risk of default. Conversely, unsecured bonds will tend to get lower ratings due to the higher risk associated with the uncertainty of repayment without collateralized assets. Research by Suwarmelina (2020) ; Hasan & Dana (2018) ; Subekti *et al.* (2022) state that collateral has a positive and significant effect on bond ratings.

H<sub>5</sub>: Collateral has a positive and significant effect on Bond Rating



### 3. METHODS

This study uses a population that includes all financial sector companies that issue bonds whose ratings are issued on PEFINDO in the 2019-2023 period as many as 41 companies. In selecting the sample, this research applies purposive sampling method with certain criteria to ensure data quality and consistency of observation. Based on the purposive sampling method, a sample of 14 companies was obtained. Information regarding the sampling process can be seen in table 1.

**Table 1.**  
**Sampling Process**

No.	Criteria	Total
1.	Financial companies that consistently received bond ratings on PEFINDO in 2019-2023	16
2.	Financial companies that include the age of the bonds in each bond in the financial statements	14
Number of samples		14
Number of observation periods		5
Total observations (14x5)		70

Source: Secondary data processed, 2025

The type of data in this study is panel data. The data used in this study is secondary data, which is obtained from the company's annual report through the IDX official website ([www.idx.co.id](http://www.idx.co.id)) and bond rating data accessed from the official PEFINDO website ([www.pefindo.com](http://www.pefindo.com)). The data used in this study are in the form of annual reports of financial sector companies ranked in PEFINDO for the 2019-2023 period. Data analysis was carried out with the help of Eviews-12 software.

#### A. Bond Rating

Bond rating is an assessment of the company's ability to pay bond debt which is used to assess the risk and feasibility of investment (Ni'mah *et al.* 2024). The value to be given starting from the highest can be seen in table 2.

**Table 2. Bond Rating Categories**

No.	Rating value	Rating
1	8	AAA
2	7	AA
3	6	A
4	5	BBB
5	4	BB
6	3	B
7	2	CCC
8	1	D

Source: Ni'mah, 2024

## **B. Profitability**

Profitability is a financial ratio that measures the company's ability to generate profits and efficiency in using assets and resources which can be measured using return on assets (ROA) by comparing net income with total assets (Sari & Dwilita, 2019).

## **C. Company Growth**

Company growth is the company's ability to maintain its economic position in the overall economic system or economic system for the same industry which can be measured using the asset growth ratio (AGR) by comparing the difference between the total assets of the current period and the previous period and then compared to the total assets of the period (Pradana *et al.* 2013).

## **D. Liquidity**

Liquidity is the company's ability to fulfill its short-term debt obligations as measured by the Current ratio (CR) by comparing current assets with current debt (Sari & Dwilita, 2019).

## **E. Bond Age**

Bond age or maturity date is the time when bondholders will get repayment of the principal or nominal value of their bonds, which is measured using a dummy variable by giving a value based on the period between the issuance date and the maturity date. The criteria for measuring maturity are, Bond age 1-5 years, a dummy variable of 1 will be given and Bond age > 5 years, a dummy variable of 0 will be given (Agustinus & Yoewono, 2022).

## **F. Collateral**

Collateral is a promise given by the bond issuer to secure the repayment of principal and interest on bonds to investors which is measured using a dummy variable by giving a value based on whether there is security or no security issued by the bond issuing company. The criteria for measuring collateral, namely, Measurement is carried out by giving a value of 1 if the bond is secured by a special asset and 0 if the bond is only a debt letter (Dewi & Mahardika, 2019).



## 4. RESULTS AND DISCUSSION

### A. RESULTS

#### Panel Data Regression Model Selection

Based on the above results, it states that the  $LM_{count}$  of 3,7421 is greater than the Chi-Square of Breusch-Pagan of 0.0000 ( $3,7421 > 0.0000$ ), then  $H_0$  is rejected, and  $H_a$  is accepted, meaning that in the Breusch-Pagan lagrange multiplier test the correct model is the random effect model. The results of the lagrange multiplier test from the Eviews-12 program can be seen in table 3.

**Table 3.**  
**Lagrange Multiplier Test**

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	118.8178 (0.0000)	2.270845 (0.1318)	121.0886 (0.0000)

Source: Data processed, 2025

#### Panel Data Regression Analysis

Based on panel data regression analysis using the Eviews-12 program, the chosen model is the random effect model, so the following results are obtained:

$$Y = 6,560517 + 0,052601X1_{it} + 0,098020X2_{it} + 0,030432X3_{it} + 0,180146X4_{it} - 0,125740X5_{it} + e$$

#### Determination Coefficient Testing ( $R^2$ )

Based on the results of the calculation of panel data regression analysis, the coefficient of determination ( $R^2$ ) is 0,312567 or 31,26%. This shows that the bond rating can be explained by the independent variables, namely profitability, company growth, liquidity, maturity and collateral of 31,26% while the remaining 68,74% is explained by other variables outside the study such as company size, leverage, solvency, board size, and board independence. The coefficient test results can be seen in table 4.

**Table 4.**  
**Determination Coefficient Test Results**

<i>R Square</i>	<i>Adjusted R Square</i>	<i>Std. Error Of regression</i>	<i>Sum squared resid</i>
0.312567	0.258861	0.199538	2.548183

Source: Data processed, 2025

### Goodness of Fit Testing (F Test)

The F statistical test resulted in an  $F_{\text{count}}$  of 3,472381. The  $F_{\text{table}}$  value with degrees of freedom:  $df1 = k-1$  and  $df2 = n-k$  ( $n = 70$ ,  $k = 5$ ) or  $df1 = 4$  and  $df2 = 65$  with a 95% confidence level shows the number 2.51. So, it can be seen that  $F_{\text{count}}$  is greater than  $F_{\text{table}}$  ( $5,819986 > 2,51$ ). Thus, the regression model of the effect of profitability, company growth, liquidity, maturity, and collateral on bond ratings is feasible to use. The results of the F test can be seen in table 5.

**Table 5.**  
**Summary of F Test**

<i>Weighted Statistic</i>	
<i>F-statistic</i>	<i>Prob(F-statistic)</i>
5.819986	0.000172

Source: Data processed, 2025

### Hypothesis Testing (t Test)

The t test is used to test the significance of the effect of profitability, company growth, liquidity, maturity and collateral variables on bond ratings. Based on the results of panel data regression analysis, the model used in this study is random effect model. The results of testing the significance of the independent variables on the dependent variable are presented in table 6.

**Table 6.**  
**Summary of Hypothesis Test Results**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	6.560517	0.357142	18.36950	0.0000
X1	0.052601	0.014983	3.510788	0.0008
X2	0.098020	0.185575	0.528193	0.5992
X3	0.030432	0.090947	0.334610	0.7390
X4	0.180146	0.069457	2.593628	0.0118
X5	-0.125741	0.270267	-0.465245	0.6433

Source: Data processed, 2025

Based on the table of hypothesis test results, it can be concluded that,

- a. The significant value of the profitability variable is smaller than 0,05 ( $0,008 < 0,05$ ), so  $H_1$  is accepted, which means that profitability affects the bond rating.
- b. The significant value of the company growth variable is greater than 0,05 ( $0,5992 > 0,05$ ), so  $H_2$  is rejected, which means that company growth has no effect on bond ratings.
- c. The significant value of the liquidity variable is greater than 0,05 ( $0,7390 > 0,05$ ), so  $H_3$  is rejected, which means that liquidity has no effect on bond ratings.
- d. The significant value of the maturity variable is less than 0,05 ( $0,0118 < 0,05$ ), so  $H_4$  is accepted, which means that maturity affects the bond rating.
- e. The significant value of the collateral variable is greater than 0,05 ( $0,6433 > 0,05$ ), so  $H_5$  is rejected, which means that collateral has no effect on bond ratings.

### Classical Assumption Test

Classical assumption tests performed on panel data include multicollinearity test and heteroscedasticity test (Basuki & Prawoto, 2015). However, the best model in this study uses a random effect model, so according to Basuki & Prawoto (2015) it is only necessary to do a multicollinearity test because the random effect model has eliminated heteroscedasticity.

#### Multicollinearity test

Based on the results of the analysis with the help of Eviews-12, it can be concluded that all X variable coefficients are less than 0,8 which means that there are no multicollinearity symptoms in the analysis. A summary of the multicollinearity results can be seen in table 8.

**Table 8. Result of Multicollinearity Test**

	X1	X2	X3	X4	X5
X1	1.000000	0.143718	0.019244	0.247935	0.009632
X2	0.143718	1.000000	0.050908	-0.023294	0.090752
X3	0.019244	0.050908	1.000000	0.245029	0.421100
X4	0.247935	-0.023294	0.245029	1.000000	0.240772
X5	0.009632	0.090752	0.421100	0.240772	1.000000

Source: Data processed, 2025

## B. Discussion

### The Effect of Profitability on Bond Rating

Based on the results of hypothesis testing, the profitability variable has a coefficient value of 0,052601 and the  $t_{\text{count}}$  value of 3,510788 is greater than the  $t_{\text{table}}$  value of 1,66864 and the significance level of 0,0008 is smaller than  $\alpha = 0,05$ . The results of this study state that profitability as measured by the ratio of net income to total assets has a positive and significant effect on bond ratings in the financial sector ranked on PEFINDO, so the first hypothesis is accepted. The results of this study state that the level of profitability on bond ratings. Profitability is a ratio used to measure the company's ability to earn profits both in relation to sellers, total assets and profit for own capital (Tokan & Pandin, 2023). So, the higher the profitability ratio of a company, the higher the bond rating is obtained. Companies with high profitability need a large enough profit to fulfill bond debt to avoid the risk of defaulting on bond debt. Companies can increase profits with sales or investment income. Bond issuing companies are expected to maintain the level of profitability so that it always increases, so that the company can avoid risk. Thus, the company can get a good rating, so this research is in accordance with the signal theory put forward by Spence (1973), which states that companies can send signals to the market through their financial information. In this case the company can signal that high profitability has little risk, so the company is safe to invest in.

### The Effect of Company Growth on Bond Rating

Based on the results of hypothesis testing, the company growth variable has a coefficient value of 0,098020 and a  $t_{\text{count}}$  value of 0,528193 smaller than the  $t_{\text{table}}$  value of 1.66864 and a significance level of 0,5992 greater than  $\alpha = 0,05$ . The results of this study indicate that company growth is measured by the asset growth ratio by comparing the difference between the total assets of the current period and the previous period and then compared to the total assets of the previous period is positive and insignificant to the bond rating in the financial sector ranked on PEFINDO so that the second hypothesis is rejected. The results of this study reveal that company growth has a positive and insignificant effect on bond ratings. This shows that the higher the level of company growth, the tendency to get a better bond rating also increases. However, the effect is not statistically strong enough to prove a significant relationship. The results of this study are in accordance

with the agency theory proposed by (Jensen & Meckling, 1976), which states that there are potential differences in interests between management and investors. Under some conditions, management as an agent can take advantage of company growth opportunities for personal interests such as increasing the size of the company to increase compensation or reputation that is not aligned with the interests of bondholders (Brigham & Houston, 2019). Even though the company is experiencing growth, rating agencies do not make company growth a dominant factor in determining bond ratings, resulting in an insignificant effect.

### **The Effect of Liquidity on Bond Rating**

Based on the results of hypothesis testing, the liquidity variable has a coefficient value of 0,030432 and the  $t_{\text{count}}$  value of 0,334610 is smaller than the  $t_{\text{table}}$  value of 1,66864 and the significance level of 0,7390 is greater than  $\alpha = 0,05$ . The results of this study indicate that liquidity as measured by the current ratio is positive and insignificant to the bond rating in the financial sector ranked on PEFINDO so that the third hypothesis is rejected. According to Rivandi & Wulandari (2021), liquidity can show the company's ability to meet its short-term debt. However, companies with a high level of liquidity may not be able to fulfill their obligations at maturity because total current assets contain a higher value of liquid assets which is not matched by the availability of sufficient cash to make bond interest payments. Based on the signaling theory proposed by Spence (1973), companies with high liquidity levels should be able to provide positive signals to investors and institutions regarding the company's ability to fulfill its short-term obligations, thus affecting the increase in bond ratings. However, the results of this study indicate that the signal theory conveyed by the company is not strong enough to significantly influence the decision of rating agencies. This shows that not all signals conveyed by the company will be fully accepted or considered important by external parties (Brigham & Houston, 2019). This indicates that the company's liquidity level is not a major factor in bond rating assessment.

### **The Effect of Maturity on Bond Rating**

Based on the results of hypothesis testing, the maturity variable has a coefficient value of 0,180146 and the  $t_{\text{count}}$  value of 2,593628 is greater than the  $t_{\text{table}}$  value of 1,66864 and the significance level of 0,0118 is smaller than  $\alpha = 0,05$ . The results of this study indicate that the maturity as measured by the long-term and short-term categories has a

positive and significant effect on bond ratings in the financial sector ranked on PEFINDO so that the fourth hypothesis is accepted. The results of this study state that maturity has a positive and significant effect on bond ratings. This indicates that the shorter the age of the bonds issued by the issuer, the better the financial capacity (Agustinus & Yoewono, 2022). The results of this study also mean that companies that have shorter bond ages tend to get high ratings by rating agencies and the longer the bond age, the lower the bond rating given, so this research is in line with signal theory. A significant relationship which means that the age of the bond is one of the important indicators for investors in investing.

### **The Effect of Collateral on Bond Rating**

Based on the results of hypothesis testing, the collateral variable has a coefficient value of -0,125741 and a  $t_{\text{count}}$  value of -0,465245 smaller than the  $t_{\text{table}}$  value of 1.66864 and a significance level of 0.6433 greater than  $\alpha = 0,05$ . The results of this study indicate that collateral as measured by the category of bonds secured by special assets and bonds only in the form of debt securities has a negative and insignificant effect on bond ratings in the financial sector ranked on PEFINDO so that the third hypothesis is rejected. The results of this study state that collateral has a negative and insignificant effect on bond ratings. Agency theory (Jensen & Meckling, 1976), states that collateral serves as a control mechanism to reduce conflicts of interest between managers and investors. However, the results of this study show that the existence of collateral is not always seen as a positive signal. Providing guarantees can be interpreted as an indication of higher financial risk so as not to increase the confidence of rating agencies and investors. In some cases, companies that have established a good reputation tend to issue unsecured bonds. This is because investors have high confidence in the company's ability to fulfill its obligations, so the existence of collateral is not necessary. Thus, collateral is not effective as a factor in improving bond ratings.

## **5. CONCLUSION**

Based on the results of the analysis and discussion, the following conclusions can be made, the results state that profitability and maturity have a positive and significant effect on bond ratings in the financial sector ranked on PEFINDO. The results state that company growth and liquidity have a positive and insignificant effect on bond ratings in the financial sector ranked on PEFINDO. The results state that collateral has a negative



and insignificant effect on bond ratings in the financial sector ranked on PEFINDO. The results align more closely with signaling theory, indicating that Indonesian bond investors prioritize credible financial indicators over internal agency considerations. In this study, there are three hypotheses that cannot be proven significant, namely the variable of company growth, liquidity and collateral. The research has limitations, the coefficient of determination in this study is 31,26%, the remaining 68,74% is influenced by other variables studied, so that further researchers can add or replace independent variables such as credit risk measures, corporate governance metrics, and macroeconomic conditions.

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