
**THE EFFECT OF PROFITABILITY, LIQUIDITY, LEVERAGE, COMPANY SIZE,
AND BOND AGE TOWARDS BOND RATINGS**

**(Empirical Study on The Financial Companies Rated by PT PEFINDO period 2012-2014
and Listed at the Indonesia Stock Exchange Period 2011-2013)**

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Abstract

The objective of this research is to examine the effect of profitability ratio, liquidity ratio, leverage ratio, company size, and bonds age both partially and simultaneously towards bond rating. The profitability ratio is proxy by Return On Assets; the liquidity ratio is proxy by Current Ratio; the leverage ratio is proxy by Debt to Equity Ratio; the company size is proxy by Total Assets.

The objects of this study are financial companies which were entire go public financial companies that issuing bonds and rated by PT PEFINDO for period 2012-2014, and listed on the Indonesia Stock Exchange period 2011-2013. The samples are 13 companies determined based on purposive sampling and analyzed by using multiple regression method. The data used in this study are secondary data such as financial statements and list of bond that rated by PT PEFINDO.

The results of this study showed that profitability ratio, liquidity ratio, leverage ratio, company size, and bonds age simultaneously have a significant effect towards bond rating. Company size proxy by Total Assets partially has significant positive effect towards bond rating, while profitability ratio proxy by Return On Assets, liquidity ratio proxy by Current Ratio, leverage ratio proxy by Debt to Equity Ratio, bonds age partially has no negative effect towards bond rating.

Keywords: *Bond Rating, Company size, Current Ratio, Debt to Equity Ratio, Leverage Ratio, Liquidity Ratio, Obligation Age, Profitability Ratio, Return On Assets, and Total Assets*

INTRODUCTION

When the company wants to dominate in the market, it must be able to compete and be able to continue for expand their business which requires some funding. One of the type funding that can be obtained by the company is through the issuance of bonds. www.idx.co.id said that, bonds are long-term debt securities that are transferable which contains a promise from the issuer to pay interest in exchange for a certain period and repayment of the principal debt at a predetermined time with the buyer of the bonds.

An investor who wants to buy the investment in the form of bonds, it is necessary to pay attention with the bond ratings. According to Subramanyam (2014), rank (rating) is a risk scale of assessment of the credit worthiness