FINANCIAL RATIO ANALYSIS TO PREDICT AND SINKING FUND BOND RATINGS

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ABSTRACT

This study aims to investigate how the effects of financial ratios and sinking fund to the bond rating. Financial ratios are used in this study is a financial ratio used in this study include liquidity ratio is proxied by Quick Ratio (QR), which is proxied by profitability ratios Return on Assets (ROA), the solvency ratio is proxied by the Long Term Debt to Equity (LTDE) and the ratio of the activity is proxied by Total Asset Turnover (TATO).

The study sample consists of bonds issued by companies listed on the Stock Exchange during the period 2009-2011 and rated by PT Pefindo. Data collection methods using purposive sampling technique. The total sample is used as many as 81 companies. This study used multiple linear regression models to examine the effect of financial ratios and sinking fund to the bond rating.

The results of this study indicate the ratio of activity has significantly positive effect on bond ratings. While the liquidity ratio is positive but not significant effect. Profitability ratios had no significant negative effect on bond ratings. While the solvency ratio is significantly negative effect on bond ratings. Variable sinking fund has no significant negative effect on bond ratings.

Keyword: bond rating, liquidity, profitability, solvency, activity, sinking fund.