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The influence of profitability and liquidity to bond rating and the impact on the bond yield

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ABSTRACT

The capital market has an important role in the economy of a country, as it serves as a source of funds for the company as well as a source of investment for the community. Bonds are financial instruments or securities that show that bond issuers have the obligation to pay the coupons and pay off the underlying debt at the appointed time. This research focuses on financial risk that is a financial ratio consisting of profitability and liquidity. This research aims to determine the impact of profitability and liquidity on bond rating and the impact on the bond yield on non-financial companies listed on the Indonesia Stock Exchange (IDX) period 2014-2018. The methods used are descriptive and verificative. The sampling technique used in this study was Purposive Sampling. The number of companies being sampled in this study was 33 companies. This study uses the path analysis method to determine which variables have an influence on bond ratings and their impact on bond yield. The results showed that the variable profitability had a significant effect on bond ratings, liquidity had no significant effect on bond ratings, and bond ratings were significantly influential on bond yield

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