

The Effect of Financial Performance, Auditor Reputation and Audit Opinion on Bond Ratings

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Abstract—This study aims to determine the effect of financial performance (profitability, leverage and liquidity), auditor reputation and audit opinion on bond ratings in non-finance companies that issue bonds on the Indonesia Stock Exchange (IDX). This type of research was descriptive quantitative research. The data used are secondary data from 2011-2018. The total population are 913 data. The sampling method used is purposive sampling, so that the sample obtained are 265 data. The data analysis technique used is logistic regression. Based on the results of this study indicate that liquidity has an effect on bond ratings while profitability, leverage, auditor reputation, and audit opinion have no effect on bond ratings.

Keywords: *profitability, leverage, liquidity, auditor reputation, audit opinion, bond rating*

I. INTRODUCTION

The capital market is a market providing facilities for transferring funds from parties with excess funds to those who need funds in the form of debt (bonds) or stock [9]. The existence of the capital market makes those who have excess funds can invest the funds they have in hope of getting a return while those who need funds can use these funds for their operation without having to wait for funds from the results of the company's operations [14].

Investors want a return or profit from investment activities. However, there is always the possibility that the desires of investors do not match the desired expectations or there is always a risk. Investors must always be aware of the risks of companies that issue bonds, namely the risk of companies not being able to pay for coupons or return the principal (default risk). Therefore, for investors to have a picture of risks, there are known as bond ratings. According to Sejati [8], bond rating is a reflection of the company's feasibility in paying obligations related to certain bonds. In general, there are two types of bond ratings, namely investment grade (AAA, AA, A, and BBB) and non investment grade (BB, B, CCC, D). To get information about bond ratings, investors can use the services of bond rating agencies.

According to Sejati [8], rating agencies in granting and evaluating bond ratings use a variety of factors. These factors can be in the form of accounting factors and non-accounting factors. Accounting factors are obtained from quantitative information contained in financial statements. Meanwhile, non-accounting factors are factors other than quantitative factors in financial statements. According to Kamsta et. al (2001) in Hernando, Miranda, Aileen and Nurul [5], non-quantitative factors are used because

quantitative factors can only be used 78% to predict bond ratings.

Some financial performance factors are profitability, leverage, liquidity and others. According to Sufiyanti and Wardani [11], profitability is the company's ability to generate related profits in sales, total assets, and own capital. According to research conducted by Sufiyanti and Wardani [11], profitability as measured by the value of ROA (Return on Assets) does not affect the bond rating. Likewise, research conducted by Veronica [12], profitability as measured by the value of ROA has no significant effect on bond ratings. Unlike before, Hernando, Miranda, Aileen and Nurul [5] has the result that profitability as measured by ROA has a positive effect.

According to Mahfudhoh and Cahyonowati in Sufiyanti and Wardani [11], leverage is a financial ratio that shows the use of debt to finance investment. In the research of Sufiyanti and Wardani [11], leverage as measured by DER (Debt Equity Ratio) has a negative effect. This is different from research conducted by Sihombing and Rachmawati [9] and Veronica [12], leverage does not have a significant effect on bond ratings.

According to Harahap (2010) in Sufiyanti and Wardani [11], liquidity is a ratio that reflects a company's ability to meet its short-term obligations. According to research conducted by Sejati [8], liquidity measured by CR (Current Ratio) has no effect on bond ratings. This is same with research by Widowati, Nugrahanti and Kristanto [13], and Veronica [12]. In contrast to previous studies by Sufiyanti and Wardani [11] with Hernando, Miranda, Aileen and Nurul [5], liquidity has a negative effect on bond ratings.

Initially, known as "the big 8" professional accounting services company that provides auditing services. With the company merger, known to be "big 5". Then, this accounting service company is known to be "big 4" because of the collapse of Arthur Anderson's accounting firm in 2002. According to Allen (1994) in Sejati [8], the financial statements audited by big 8 auditors are deemed more guaranteed quality by users of financial statements. The higher the auditor's reputation is believed to provide better audit results so that the possibility of failure of the company is smaller. This will probably affect bond ratings.

According to Widowati, Nugrahanti and Kristanto [13], the auditor's reputation has a positive effect on bond ratings. This is because the results of the Big 4 audit are more independent. Meanwhile, according to Sejati (2010) and Wijayanti and Priyadi [14], the auditor's reputation has no influence on bond ratings.

According to Rahayu (2007) in Firdaus [4], going concern can be interpreted into two things, as a concept and opinion. As a concept, going concern is defined as the company's ability to continue its business in the long run. As an audit opinion, the auditor has the responsibility to assess the company's ability to continue its business.

One of the objectives established company is to maintain the continuity of the company's operations [6]. The continuity of the company shows that the company is able to maintain its performance so that it can cover operational costs and generate profits.

According to Habib et.al (2013) in Nugroho, Nurrohmah, and Anasta [6], one of the factors that influence the uncertainty of business continuity is the inability of companies to pay debts that are past due and short-term debt continuously. This will certainly affect the company's bond rating.

Strickett and Hay [10] conducted an analysis between going concern opinion and credit rating. His research was conducted on American companies that went bankrupt between January 1, 2002 and December 31, 2013, which were recorded in the West Law International legal database and ranked by S&P and Moody's. The result of the research is that the S&P downgraded the credit rating by 68% when followed by going concern opinion but only 39% when no going concern opinion was issued. Meanwhile, Moody's downgraded 24% when it was followed by going concern opinion but only 21% when going concern opinion was not issued.

Based on the explanation above, the researcher is interested in researching the effect of financial performance, namely profitability, leverage and liquidity, and the auditor's reputation on bond ratings. The researcher also added the audit opinion variable to be studied in Indonesia companies.

II. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

A. Signal Theory

According to Ross (1977) in Burhanudin, Janiman and Yulianto [2], signal theory is a new sign for shareholders or creditors when a company issues new debt. According to Burhanudin, Janiman and Yulianto [2], signal theory is based on conditions between managers and stakeholders not having the same access to information. Usually, company directors have more information, managers have some information and shareholders or creditors do not have information about the company. In order to avoid unsynchronization in information, signal theory is a link between company managers and investors / creditors in the form of information about the state of the company at a certain time.

According to Maria Immaculatta (2007) in Firdaus [4] the quality of decisions made by investors is influenced by the quality of information disclosure made by companies in the financial statements. The quality of the information aims to reduce information asymmetry between managers or internal parties with the owner or external parties. According to Jama'an (2008) in Firdaus [4], Signaling Theory suggests about how companies should give signals to users of financial statements. This signal is in the form of information about what has been done by management to realize the owner's wishes.

One form of signal theory is the issuance of financial statements by companies. Information signals, such as numbers in financial statements, can be used by investors as an analytical tool to determine the state of the company and make decisions. These analytical tools can be in the form of ratios and can be compared to company years or to competing companies. The ratios used in this study include profitability, leverage and liquidity ratios. This ratio is expected to be used in predicting bond ratings. The bond rating is expected to be a reference for investors in making an investment decision or not.

Besides the ratio, another information signal that can be used by investor is information about the auditor in the company's financial statements. Auditors are needed to increase the quality of financial statement information. When a company is audited by a big-4 auditor, it is believed that they provide a more independent audit opinion than non-big-4 auditors, so it is expected to be more convincing to investors in making decisions. The audit opinion given by the auditor also can be used as signal to investors that is going-concern audit opinion. According to Firdaus [4], going-concern audit opinion is an assessment given by the auditor when there are indications that the company cannot maintain its business continuity. One of the indication is the inability to pay debts. This is believe can affect bond ratings.

B. Bond Rating

Bond ratings have important meaning for companies and investors. First, because the bond rating is an indicator of the risk of default, this rating has a direct effect that can be measured on the bond interest rate and the cost of corporate debt. Second, most bonds are bought by institutional investors rather than individuals, and many institutions are limited to investing only in securities that are worthy of investment (Brigham and Houston, 2009).

PT Pefindo is one of the rating agencies in Indonesia. The rating method at Pefindo consists of three main risk assessments, namely industrial risk, business risk and financial risk [13].

- Industry risk assessment covers industry growth and stability, revenue structure and cost structure, level of competition in the industry, regulation and the financial profile of the industry
- Financial Risk Assessment covers financial policies company management, and four financial indicators including profitability (profitability), capital structure (capital structure), cash flow protection and financial flexibility.

- Business Risk Assessments are carried out based on the key success factors of the industry in which the company is classified. In addition, a comparative analysis of similar competitors in the same industry and the industry itself with other industries was carried out.

C. Previous Research

Sejati [8], Veronica [12] with Sari and Yasa [7] conducted a study to examine factors that could affect bond ratings of manufacturing companies listed on the Indonesian stock exchange (IDX). Sejati [8] examined the influence of accounting and non-accounting factors on bond ratings. These accounting factors include current ratio, size, growth, ROA and non-accounting factors namely the auditor's reputation. The results of Sejati's [8] research show that growth influences bond ratings while others do not. Veronica [12] examines the factors that affect bond ratings. The factors used include profitability ratios, liquidity ratios, company size, leverage ratios and bond age. The results of his research show that the size of the company and the age of the bonds have a significant effect while others do not have the effect. Sari and Yasa (2016) conducted a study of factors that influenced bond ratings. They use Good Corporate Governance (GCG), profitability and liquidity variables. The result is GCG and liquidity have an influence on bond ratings while profitability has no effect on bond ratings.

Widowati, Nugrahanti, and Kristanto [13], Wijayanti and Priyadi [14], Sufiyanti and Wardani [11] with Hernando, Miranda, Aileen and Nurul [5] have conducted research on factors that can affect bond ratings in listed non-financial companies in the Indonesia stock exchange (IDX). Widowati, Nugrahanti, and Kristanto [13] examined profitability, leverage, liquidity, solvency, market value ratios, productivity, bond age, guarantees, and auditor's reputation. The results obtained are profitability, leverage, liquidity, solvency, and the auditor's reputation influential and can be used in predicting bond ratings. Wijayanti and Priyadi [14] used the following factors to see their effect on bond ratings, namely company size, company growth, collateral, bond age, and auditor's reputation. The results of his research are only the growth of the company and the age of bonds that affect the bond rating. Sufiyanti and Wardani [11] examined the effect of liquidity, profitability, and leverage on bond ratings. The results show that liquidity and leverage affect the bond rating. Hernando, Miranda, Aileen and Nurul [5] examined the effect of profitability, liquidity, leverage, and solvency. The results of his research are profitability, liquidity, leverage affect the bond rating.

Sihombing and Rachmawati [9] have researched the factors that affect bond ratings in companies on the Indonesia Stock Exchange (IDX). Sihombing and Rachmawati [9] examined the effect of company size, growth, leverage, and profitability. The results show that only the size of the company affects bond ratings.

Strickett and Hay [10] and Cha, Hwang, and Yeo [3] have conducted research on the relationship between credit rating and going concern audit opinion. Strickett and

Hay [10] have conducted research on companies that went bankrupt in America. They use ratings published by S&P and Moody's. The results obtained are S&P downgraded the credit rating by 68% when followed by going concern opinion but only 39% when no going concern opinion was issued. This can be said on the S&P ranking, has a significant effect when the company gets a going concern audit opinion. Meanwhile, Moody's downgraded 24% when it was followed by going concern opinion but only 21% when going concern opinion was not issued. Moody's can be said to have little effect. Cha, Hwang and Yeo [3] have researched the relationship between credit rating and going concern audit opinion on companies that have experienced bankruptcy in Korea. The results obtained that the issuance of credit rating affects the issuance of going concern audit opinion.

D. Hypothesis Development

- Relationship of Profitability and Bond Rating

Profitability is the ratio of a company's ability to generate profits. Profit is important for creditors because profit is one source of paying obligations. The higher the level of profits generated by the company is expected to better fulfill interest obligations and principal payments and avoid default risk. The higher bond ratings give a signal that the opportunity for companies to meet their obligations is higher [13]

Based on the explanation above, the following hypotheses can be developed.

H1: Profitability affects the bond rating.

- Relationship of Leverage and Bond Rating

Leverage is a ratio that shows how much debt the company uses. Increasingly high corporate debt shows that the company has used its opportunities to develop the company and expand so that it has an effect on improving the company's performance. Meanwhile, the lower level of debt can be said that companies still have a debt capacity can be used. [5]. So, it can be said the higher the level of debt ratio, the lower the bond rating obtained.

Based on the explanation above, the following hypotheses can be developed.

H2: Leverage affects the bond rating.

- Relationship Liquidity and Bond Rating

Liquidity is the ratio of a company's ability to meet short-term obligations. The higher company liquidity is expected to improve the company's ability to meet its short-term obligations. Liquidity is shown by the size of the current assets that can meet the company's short-term obligations. Borrowers use the most liquid assets as a source of payment of principal and interest on bonds [13]. So, the more liquid a company is, the easier it is for companies to meet the security rating, the higher the bond rating.

Based on the explanation above, the following hypotheses can be developed.

H3: Liquidity affects bond ratings.

- Relationship of Auditor Reputation and Bond Rating

Widowati, Nugrahanti and Kristanto [13] revealed that the big 4 auditor's report is considered to be more independent and illustrates the actual state of the company so that users of financial statements have a higher level of trust with the company's financial statements. According to Sunarjanto and Tulasi (2013) in Widowati, Nugrahanti and Kristanto [13], independent opinions generated by big 4 are assessed as reducing agency risk and default risk which ultimately increases bond ratings. Based on the explanation above, the following hypotheses can be developed.

H4: The auditor's reputation affects the bond rating.

- Relationship between Audit Opinion and Bond Rating

The signal given to external user in the form of information disclosed in financial statements is one way to reduce information asymmetry. Auditor opinion is one of the important information for users of financial statements because it is a form of evaluation of the company's financial statements [14]. Audit opinion consists of Unqualified opinion, Unqualified opinion with explanatory paragraph, Qualified opinion, Adverse opinion and Disclaimer opinion. Among the five audit opinions is also known by the existence of audit opinion with going concern explanation. Companies that get going concern opinion are considered unable to pay their long-term obligations so that it can affect bond ratings.

Based on the explanation above, the following hypotheses can be developed.

H5: Going concern audit opinion affects the bond rating.

III. RESEARCH METHODS

A. Population and Sample

This study uses secondary data from companies listed on the Indonesia Stock Exchange from 2011 to 2018, data taken from the company's annual report from the Indonesia Stock Exchange website (www.idx.co.id) or company website, and bond rating data by PT. PEFINDO (www.pefindo.com) and other supporting literature.

TABLE I. SAMPLE SELECTION CRITERIA

Description	Number
All registered finance and nonfinance companies issue bonds on the Indonesia Stock Exchange (IDX) in 2011-2018 (population research data)	913
Registered finance companies issued bonds on the IDX in 2011-2018	(434)
Nonfinance companies are not rated by Pefindo in 2011-2018	(159)
Non-finance companies that do not have complete financial statement data that have been audited in 2011-2018	(55)
Nonfinance companies listed issue bonds on the IDX, rated by Pefindo and have complete financial statement data that have been audited in 2011-2018 (research sample)	265

^a. Source : data processed (2019)

B. Operationalization of Variables

1) Bond Rating

Testing uses logistic regression because the dependent variable is the dummy variable (Kamsta et. All (2001) in True (2010)). Bond ratings are divided into two, namely investment grade rating (AAA, AA, A, BBB) and non-investment grade rating (other than investment grade rating). Bond ratings will be given a value of 1 when ranked investment grade and given a value of 0 when non-investment grade.

2) Profitability

Profitability is a ratio used to measure a company's ability to generate profits [9]. Profitability can be measured by using a proxy [13]:

$$\text{Return on Asset (ROA)} = \frac{\text{Earning after tax}}{\text{Total Asset}}$$

3) Leverage

Leverage is a ratio used to measure the degree to which a company's assets have been financed with company debt. (Sihombing and Rachmawati, 2015). Leverage can be measured using a proxy (Widowati, Nugrahanti and Kristanto, 2013):

$$\text{Debt Equity Ratio (DER)} = \frac{\text{Total Liabilities}}{\text{Equity}}$$

4) Liquidity

Liquidity is a ratio used to measure a company's ability to meet its short-term obligations. Liquidity can be measured using a proxy [13]:

$$\text{Current Ratio (CR)} = \frac{\text{Current asset}}{\text{Current Liabilities}}$$

5) Auditor's reputation

Auditor's reputation is a dummy variable measured using a nominal scale. The auditor's reputation is given a value of 1 if audited by a big 4 KAP and a value of 0 if audited by a non-big 4 KAP [8].

6) Going Concern Audit Opinion

Going concern audit opinion is also a dummy variable in this study. Audit opinions are given a value of 1 when getting an explanation of going concern and given a value of 0 when not given an explanation of going concern [10].

C. Structure Research Model

$$RATING \frac{P}{1-P} = \alpha + \beta_1 ROA + \beta_2 DER + \beta_3 CR + \beta_4 ReputasiAuditor + \beta_5 OpiniAudit + e$$

- RATING : bond rating
- α : constanta
- β_1-5 : regression coefficient
- ROA : profitability
- CR : liquidity
- DER : leverage
- Reputasi Auditor : auditor's reputation
- Opini Audit : going concern audit opinion
- e : standard error

$$RATING \frac{P}{1-P} = -3,232 + 49,324 ROA + 0,645 DER + 5,428 CR + 8,941 Reputasi Auditor + 0,1830 Opini Audit + e$$

D. Data Analysis Technique

1) Multicollinearity Test

Multicollinearity test is a test to find out whether there is a correlation between the independent variables in the research model. This test is needed to determine the absence of similarity between independent variables in the research model. This test is seen by the value of the variance inflation factor (VIF) and the tolerance value. If the VIF value is less than 10 and the tolerance value is more than 0.10, it can be concluded that there is no multicollinearity.

2) Logistic regression

This research uses logistic regression because the dependent variable uses dummy variables (Kamsta et. All (2001) in Sejati [8]. In analyzing logit models, the first step taken is the goodness fit test. Goodness fit test is carried out to test whether the logit model is compatible with the data. Goodness fit test can be done with "Hosmer and Lemeshow Test" [8].

After the fit test, the next step is to do the Wald test. The Wald test is a test of each independent variable. This is done because it is possible that the independent variable does not affect the dependent variable or is not statistically significant [8].

After the estimated logit model was obtained from the Wald test. The next step is to test whether the logit model is indeed good to use to explain the data or not. This test can be seen with the R-square value [8].

IV. RESULTS AND DISCUSSION

A. Multicollinearity Test Results

Collinierity test results seen from the value of the variance inflation factor (VIF) and tolerance value. If the VIF value < 10 and tolerance value > 0.1, then the model is free from multicollinearity symptoms. Testing needs to be used to determine whether there is a correlation between the independent variables in the research model. Based on the table II, all variables have a VIF value < 10 and a tolerance value > 0.1. Thus, it can be concluded that all independent variables in the study did not occur in multicollinearity symptoms.

TABLE II. MULTICOLLINEARITY TEST RESULTS

Variable	Value		Explanation
	VIF	Tolerance	
ROA	1,387	0,721	There is no multicollinearity
DER	1,019	0,981	There is no multicollinearity
Liquidity	1,077	0,929	There is no multicollinearity
Auditor reputation	1,020	0,980	There is no multicollinearity
Audit opinion	1,347	0,742	There is no multicollinearity

^b Source : SPSS (2019)

B. Hosmer and Lemeshow Test

The Hosmer and Lemeshow Test is used to assess the feasibility of the regression model. This test is seen if the significant value in the Hosmer and Lemeshow Test table is less than 0.05 then it can be said that the model does not fit the data so that the model cannot predict its observer value. If the significant value in the Hosmer and Lemeshow Test table is greater than 0.05 then the model is fit with the data and is able to predict obsevarial values.

TABLE III. HOSMER AND LEMESHOW TEST

Step	Chi-square	df	Sig
1	0,070	8	1,000

^c Source : SPSS (2019)

Based on the table above, it appears that the significant value is greater than 0.05 so that the model in the study is fit with the data and the model can be used.

C. Coefficient of Determination (R-Square)

The R-Square test is conducted to find out how much the logit model can explain the data, that is, how much the independent variable (ROA, DER, Liquidity, Auditor Reputation, and Audit Opinion) can explain the dependent variable (Bond Rating). This test can be seen from the Summary Model results table in logistic regression.

TABLE IV. MODEL SUMMARY RESULTS

Step	-2 Likelihood	Log	Cox and Snell R-Square	Nagelkerke R-Square	R-Square
1	11,624		0,242	0,882	

^d. Source : SPSS (2019)

From the table above we can see the Nagelkerke R-Square value of 0.882 (88.2%). This value indicates that the independent variable is able to explain the dependent variable of 88.2% while the rest, 11.8% is explained by other factors outside this study.

D. Estimated Logit Model and Hypothesis Test

TABLE V. VARIABLES IN THE EQUATION

		B	S.E.	Wal d	D f	Sig.	Exp(B)
Step 1	ROA	49,324	33,234	2,203	1	0,139	2,638E+21
	DER	0,645	1,455	0,196	1	0,658	1,906
	CR	5,428	2,534	4,589	1	0,032	227,732
	Reputasi Auditor	8,941	14,813	0,364	1	0,546	7636,843
	Opini Audit	-0,183	3,018	0,004	1	0,952	0,833
	Constant	-3,232	3,415	0,877	1	0,349	0,39

^e. Source : SPSS (2019)

Estimation of the regression model can be obtained by looking at the value of B in the Variable in the Equation Table V. Based on the table above the estimated regression models obtained are as follows:

This study uses logistic regression to determine the effect of independent variables on the dependent variable partially. To find out the estimated logit model and whether an independent variable influences the dependent variable, it is necessary to do the Wald test by looking at the Variables in the Equation table in step 1. If the significant value in the Variables in the Equation table is smaller than 0.05 (Sig < 0, 05) then the independent variable can be said to have an influence on the dependent variable, so the hypothesis is accepted and rejects the null hypothesis. If if the significant value in the Variables in the Equation table is greater than 0.05 (Sig > 0.05), then the independent variable can be said to have no effect on the dependent variable, so the null hypothesis is accepted and rejects the hypothesis. In this study the independent variables that influence the dependent variable are

liquidity (CR). This is seen from the significant value of liquidity (CR) of less than 0.05 which is 0.032 so that it can be said to accept the hypothesis and reject the null hypothesis.

E. Discussion of Research Results

This study aims to examine whether profitability, leverage, liquidity, auditor reputation and audit opinion can affect bond ratings on non-finance companies listed on the Indonesia Stock Exchange in 2011-2018.

- Effect of profitability on bond ratings

The results of this study indicate that profitability as measured by the value of Return of Assets (ROA) has no effect on the bond rating of non-finance companies listed on the IDX and ranked by Pefindo in 2011-2018. This can be seen from the significant value of the profitability variable which is more than 0.05, which is 0.139.

The results of this study are in line with the study of Sejati [8] where profitability as measured by ROA has no effect on bond ratings. This result is not as expected, where profitability is expected to have a relationship to bond ratings because profitability is an information signal that the company is effective in using its assets. Companies that generate profits and continue to increase will be more trusted by investors because the company is more sustainable than companies that do not generate profits [5].

The results of this study contradict the results of research Widowati, Nugrahanti, and Kristanto [13] and Hernando, Miranda, Aileen and Nurul [5] who found that profitability affected the bond rating. This is possible because in their research profitability was not only measured by one measurement tool namely ROA but also measured by other measuring instruments such as NPM (Earning after Tax / sales) and ROE (Return on Equity).

- Effect of leverage on bond ratings

The results of this study indicate that leverage as measured by the value of Debt Equity Ratio (DER) has no effect on the bond rating of non-finance companies listed on the IDX and ranked by Pefindo in 2011-2018. This can be seen from the significant value of the leverage variable which is more than 0.05 which is 0.658 so it can be said to reject H2 and accept H0.

The results are different from the results of research conducted by Widowati, Nugrahanti and Kristanto [13], Sufiyanti and Wardani [11] with Hernando, Miranda, Aileen and Nurul [5] who found that leverage affects bond ratings. The results are in line with research conducted by Sihombing and Rachmawati [9] and Veronica [12] who find that leverage has no effect on bond ratings. The amount of debt in a company's financing might not affect the bond rating as long as the company is not in financial difficulty or will go bankrupt.

- Effect of liquidity on bond ratings

The results of this study indicate that liquidity measured by the value of Current Ratio (CR) has an influence on the bond rating of non-finance companies listed on the IDX and ranked by Pefindo in 2011-2018. This can be seen from the significant value of the liquidity variable which is small than 0.05, which is 0.032.

The results of this study are in line with research by Widowati, Nugrahanti and Kristanto [13], Sari and Yasa [7] and Sufiyanti and Wardani [11] who find that liquidity affects the bond rating. Widowati, Nugrahanti and Kristanto [13] stated that the company liquidity is higher the company's ability to meet its short-term obligations is getting better. Liquidity signals are used by investors because the lenders use the most liquid assets in the payment of interest and principal bonds. This increase in liquidity will affect the probability of a rise in corporate bonds.

- Effect of auditor reputation on bond ratings

The results of this study indicate that the auditor's reputation as measured by dummy variables (Big-4 = 1 and Nonbig-4 = 0) has no effect on the bond rating of non-finance companies listed on the IDX and ranked by Pefindo in 2011-2018. This can be seen from the significant value of the auditor reputation variable which is more than 0.05, 0.546.

The results of this study differ from the results of Widowati, Nugrahanti and Kristanto's [13] research which found that the auditor's reputation influences the bond rating. The results of this study are in line with research by Sejati [8] and Wijayanti and Priyadi [14] who found no influence between auditor reputation and bond ratings. According to Wijayanti and Priyadi [14], big-4 KAP may not always provide high audit quality because the litigation risk faced by Indonesia's big-4 KAP is relatively small. Unlike the big-4 KAP in America which has a great litigation risk so they pay more attention to the quality of the audit.

- Effect of audit opinion on bond ratings

The results of this study indicate that audit opinion as measured by dummy variables (going concern emphasis = 1 and not getting going concern suppressor = 0) has no effect on bond ratings on non-finance companies listed on the IDX and ranked by Pefindo in 2011 -2018. This can be seen from the significant value of the auditor's reputation variable which is more than 0.05 namely 0.952.

The results of this study are different from the results of a study conducted by Strickett and Hay [10] who found that audit opinions that are emphasized going concern affect bond ratings. This happens maybe because the research researchers have not been able to include data on companies experiencing debt problems due to the absence of the company's financial statements so that they were excluded from the sample. Researchers only found six companies that received going concern emphasis and ten companies that received non-investment grade ratings from 265 sample companies from 2011-2018. Meanwhile, in the study of Strickett and Hay [10] whose population is a company that is experiencing bankruptcy or debt

problems and almost the majority of the sample gets a going concern emphasis opinion.

V. CONCLUSIONS AND RECOMMENDATIONS

A. Conclusion

Based on the results of research conducted on non-finance companies that issue bonds on the Indonesian stock exchange and rated by Pefindo during the 2011-2018 period, it can be concluded that liquidity has effect on bond ratings.

Based on the results of research conducted on non-finance companies that issue bonds on the Indonesian stock exchange and rated by Pefindo during the period 2011-2018, it can be concluded that profitability, leverage, auditor's reputation and audit opinion have no effect on bond ratings.

B. Research Limitations

This study has several limitations that might affect the results. Limitations in this study include the following:

- 1) This research sample only includes non-finance companies listed on the IDX and rated Pefindo in 2011-2018. While finance companies have not been included in this research sample.

This research has not been able to cover all companies that experience debt or bankruptcy problems listed on the IDX and were rated by Pefindo in 2011-2018 because they cannot access the company's financial statements so that they are excluded in the study sample.

C. Suggestion

Based on the results and conclusions of this research, suggestions are as follows:

- 1) Future research in order to expand the research object used. Future studies can include finance companies in the object of research and can use other rating agencies besides Pefindo.
- 2) In this study only liquidity affects the bond rating, while others do not affect the bond rating. Next research in order to be able to use different measuring devices so that it might be able to find the influence of these variables on bond ratings.

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