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The Influence of Company Growth and Collateral on Bond Ratings

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ABSTRACT
Bond rating is a prerequisite that must be taken before investors conduct bond investigations. This is because bond ratings provide informative statements about the probability of a company's debt default. In the bond rating process, rating agencies evaluate companies based on many aspects, including financial and non-financial factors. The international rating agencies that provide bond ratings are S&P (Standard & Poor's) Corporation and Moody's Investors. Meanwhile, the bond rating agency in Indonesia is PT Pefindo, and PT KASNIC now better known as Moody's Indonesia. Researchers rely more on the ratings issued by PT Pefindo because many companies listed on the Indonesia Stock Exchange (IDX) use Pefindo's services. Good bond ratings are reflected in a company's financial reports, where if the company's performance improves, its rating will rise, attracting investors to invest their capital. The purpose of this research is to determine the influence of company growth and collateral on bond ratings in construction sub-sector companies listed on the Indonesia Stock Exchange in 2020-2022. The sampling method is done using purposive sampling. The data analysis technique in this study uses panel data regression analysis. The obtained sample consists of 48 data samples, resulting in the finding that both sales growth and collateral affect bond ratings.

Keywords: *Bond Rating, Company Growth, Collateral*

1. INTRODUCTION

The rapid growth of companies going public provides both opportunities and challenges for companies. Companies that have registered and traded their shares on the Stock Exchange to the public are required to publish financial reports that have been audited by independent auditors periodically as stipulated in the Regulation of the Financial Services Authority of the Republic of Indonesia Number /Pojk.04/2021 concerning Submission of Periodic Financial Reports of Issuers or Public Companies. This regulation stipulates that companies must submit financial reports no later than the end of the third month after the date of the annual financial report.

Companies in carrying out business development and network expansion certainly need a lot of funds. Sources of funding can come from creditor or bank loans and investments from capital owners or investors. Before making a decision to invest some of their funds, investors must of course choose which company can be trusted in terms of its financial condition (Putri & Junaidi, 2019).

The capital market plays an important role in a country's economic activities because the capital market is a means of allocating economic resources. Companies as parties that need funds can utilize the capital market as a medium to obtain funds more quickly, while parties that have excess funds can utilize the capital market as a medium to invest their funds in the hope of obtaining a return. With the existence of a capital market, it is hoped that it can improve the country's economy because the capital market is a means of funding for companies which can help companies to operate on a larger scale thereby increasing company and state income (Ningsih; et al., 2019).

Instruments in the capital market can be debt securities (bonds) and shares. When compared to bonds, shares are more widely known by the public because shares are reviewed more often

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by the media. Starting from news reports, and introductions by many content creators and public figures to films that often discuss the stock market. If you put aside the popularity of stock investment, bonds actually have a more attractive side than shares. From an investor's point of view, bonds are more attractive because they offer fixed profits and some bonds provide guarantees, whereas shares do not provide guarantees and the profits obtained are not fixed but are obtained from fluctuating share price movements. If the company is liquidated, bondholders will also have priority over shareholders. From the perspective of companies as fund seekers, issuing bonds is more attractive because apart from getting fresh funds quickly from the public, bond-holding investors will only have the right to bond interest (coupon), not he right to company ownership. This is different from shares which have ownership rights over the company. This will benefit the company as a bond issuer because the company's ownership composition will not be shared with the wider community. Thus, it can be said that bonds are a safer investment and provide more guarantees compared to stock investments (Ningsih et al, 2019).

Bonds are certificates or securities that contain a contract between the investor as the funder and the issuer as the fund borrower. Bond issuers have an obligation to their holders to pay interest regularly according to a predetermined schedule and repay the principal at maturity (Tendelilin, 2017). According to (Tendelilin, 2017) corporate bonds are a safe investment alternative because these debt securities provide fixed income in the form of coupons and principal at a predetermined maturity time. In addition, bond interest payments must come first before the issuer pays dividends to shareholders. Another advantage is that investors have the opportunity to gain potential capital gains by selling corporate bonds in the secondary market. However, bond investments carry the risk of failure by the company to pay its obligations. Therefore, before investing, investors must seek information about the company's financial condition. One of them, investors can find out about bond ratings (Hafidania & Hakiman, 2020).

A capital owner who is interested in buying bonds should pay attention to the bond rating because the rating provides information and gives a signal about the probability of failure of a company's debt. Bond rating is a risk scale of all traded bonds. To invest in bonds, apart from requiring sufficient funds, capital owners also need sufficient knowledge about bonds and good business sense to be able to analyze or estimate the factors that can influence investment in bonds ((Dewi& Mahardika, 2019).

Before being offered, bonds must be rated by a bond rating agency or agency. Bond rating agents are independent institutions that provide risk scale rating information, one of which is bond securities as an indication of the extent of security of a bond for investors. This security is demonstrated by a company's ability to pay interest and repay the principal. Investors can use the services of bond rating agents to obtain information regarding bond ratings. This ranking process is carried out to assess the company's performance, so that the rating agency can state whether the bonds are worth investing in or not (Dewi & Mahardika, 2019).

The international rating agencies that rate bonds are S & P (Standard & Poors) Corporation and Moody's Investors. Meanwhile, the institutions that provide bond ratings in Indonesia are PT Pefindo and PT KASNIC or what is now better known as Moody's Indonesia. Researchers refer more to the rankings published by PT Pefindo because many companies listed on the IDX use Pefindo's services. A good bond rating is reflected in the company's financial reports, where if the company's performance improves, the rating will rise so that investors are interested in investing their capital (Dewi & Mahardika, 2019).

Many things influence bond ratings. First, what influences bond ratings is company growth. "Company growth is the ability of a company to increase the size of the company based on the company's finances" as stated by (Subuat & Rahyuda, 2015) in Ismaya et al (2019). Investors will certainly choose to invest in companies that have good growth.

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Companies that have good company growth can influence their bond ratings. Good company growth describes how financially the company itself is, so that when the company grows well, the company's ability to pay bond debt will also be good and the bond rating it receives will be high.

Company growth is the company's ability to increase company size through increasing assets, sales and profits. The company's growth predicts the prospects for future cash flow performance and adds economic value, so the bond rating the company gets better (Permatasari, 2019). According to (Saputri & Purbawangsa, 2016), company growth has a positive influence on bond ratings. However, according to Widiastuti and Rahyuda (2016), (Vina, 2017), (Dewi & Mahardika, 2019), company growth has a negative effect on bond ratings in (Rianto et al., 2021)).

Second, the factor that influences bond ratings is collateral. A guarantee (secure) is a bond that is secured by an asset so that the risk taken by investors is smaller Investors certainly want to invest with guaranteed investment instruments. The guarantee provided by the company for bonds is by pledging certain wealth or assets to the bond holder. Bond holders will be guaranteed with an asset that has been determined by the company so that when the company cannot pay debts to bond holders, shareholders will receive assets or wealth according to what has been guaranteed. This guarantee is predicted to influence bond ratings because the company's ability to pay bonds becomes better with the guarantee (Ismayana et al., 2019).

Collateral also affects bond ratings. Based on collateral, bonds are divided into two types, namely guaranteed bonds and unsecured bonds. (Hasan & Dana, 2018) states that, one of the vital parts of bonds is collateral. This is because having collateral on bonds means that the company can minimize the initial risk to bond investors. If the company's assets are pledged as collateral, the bond rating will also increase as a result of which the bond will enter the safe category. The research results of Sari & Badjra (2016) and Aji, et al (2019) state that collateral has a significant positive effect on bond ratings.

Bonds have many benefits for companies that buy them from other companies. Companies who want to buy bonds certainly need a benchmark before deciding to buy bonds in a particular company. This is done to avoid all possible bad things that might happen. Like the phenomenon that occurred at Tiga Pilar Sejahtera Food (AISA) on July 19, 2018, they had to make the 7th ijarah fee payment for the TPS Food II/2016 Sukuk Ijarah worth IDR 63.3 billion. Published on July 11, 2016, the TPS Food II/2016 Sukuk Ijarah worth IDR 1.2 trillion offers an ijarah fee of 10.55%. This is the third time Tiga Pilar has failed to pay debt interest on time throughout July 2018. On July 5, Tiga Pilar failed to pay interest on two debt securities. The first is interest on TPS Food I/2013 bonds worth IDR 30.75 billion. Second, the ijarah fee for the TPS Food I/2013 Sukuk Ijarah is worth IDR 15.37 billion. It is almost certain that the debt rating for the TPS Food II/2016 Sukuk Ijarah will drop to D, or default, due to Tiga Pilar's failure to pay debt interest on time. On July 5 2018, the Indonesian Securities Rating Agency (Pefindo) lowered the debt ratings for TPS Food Bonds I/2013 and Sukuk Ijarah I/2013 to D due to failure to pay interest on the debt. At that time, Pefindo also downgraded AISA's rating from CCC to SD, which stands for selective default (Dewi & Mahardika, 2019).

Based on existing data, the phenomenon that occurs in Indonesia is related to bond ratings and there is a research gap between previous research on the background of the problems above, so the research takes the title "The Influence of Company Growth and Collateral on Bond Ratings".

2. LITERATURE REVIEW

Signaling Theory or signal theory according to (Brigham & Houston, 2019) is a signal made by company management in providing information related to the company's financial reports to determine the company's prospects in the future. Signaling Theory is based on

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managers having more information than investors so that information asymmetry occurs. Therefore, management is obliged to provide information or signals to investors regarding the company's condition and prospects which can be seen through the annual financial report.

Signal theory explains the reasons why companies have an incentive to provide financial report information to external parties. There is encouragement for companies to provide information because there is information asymmetry between the company and outside parties because companies know more about the company and its future prospects from outside parties. The lack of information for outside parties about the company causes them to protect themselves by giving a low assessment of the company (Dewi & Abundanti, 2019).

A signal is an action taken by a company and conveyed to investors about how management views the company's prospects (Kusumawati & Rosady, 2018). Signal theory explains how companies should provide signals to users of financial reports. This signal is in the form of important information issued by the company because the company knows more about the company and its future prospects than outside parties (investors and creditors). (Septiani & Indrasti, 2021).

Signal theory expects management to provide signals in the form of information regarding the company's financial condition. One of these signals is shown by bond ratings. The published bond rating information is expected to be a signal of the company's financial condition which describes the future situation regarding the debt held. Apart from that, the signaling theory in this research also explains how companies provide signals in the form of financial report information to rating agencies, after which the company's financial reports are used by rating agencies to produce information regarding the Bond Rating of the bond issuing company and the Bond Rating information can be used by investors. as a signal to determine the feasibility of investment and as one of the financial investment considerations (Septiani & Indrasti, 2021).

Bond ratings are opinions from rating agencies as well as informative sources for investors regarding the risks of traded bonds (based on Bapepam-LK Decree Number 151/BL/2009). Bond ratings are one of the references for investors when deciding to buy a bond. A good bond rating not only shows the company's ability to pay off its obligations but also shows that the company's performance is effective and efficient because it is able to manage debt for the progress of the business it runs. The information released by rating agents really helps investors to choose the right bond securities. Bond rating agents are independent institutions that provide information on debt risk scale ratings, one of which is bond securities as an indication of how safe a bond is for investors. This security is demonstrated by its ability to pay interest and repay the principal.

According to the Indonesian Stock Exchange, bonds can be described as long-term transferable debt securities, which contain a promise from the issuing party to pay compensation in the form of interest over a certain period and repay the principal at a predetermined time to the bond buyer. Bonds can be issued by companies or governments with a certain period of time. Bonds are one of the investment tools that investors can choose in the capital market. (Ningsih et al., 2019)

One of the companies that uses debt as a source of funding is by issuing bonds. Funding through bonds can be used for companies in the financial and non-financial sectors. Investors who are risk averse tend to choose bond investments because they offer fixed income (fixed income securities) for their holders obtained from the yield or interest received at the maturity date. Bonds are relatively safe because their volatility is relatively low compared to shares and investors have first rights to company assets when the company experiences liquidation (fixed claims).

Rational investors need to pay attention to bond ratings before deciding to hold bonds from a company. Bond ratings are a reference for investors in choosing bonds that provide information and signals about the extent of the company's ability to fulfill its obligations in the future. Bond ratings provide accurate information about company performance in the

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form of ratings. This information is able to influence investor behavior as reflected in bond prices. For issuers, bond ratings can encourage companies to improve company performance and can attract investor trust. Issuers will be encouraged to increase the company's rating to investment grade level so that it remains attractive to investors. The better the bond rating of a company, the more desirable the bonds from that company (Maharani, 2019).

Rating is one of the references for investors when deciding to buy a bond. The bond rating process takes about one to two months. If the government is the bond issuer, then usually the bond rating is investment grade (level A), because the government will have the ability to pay off the coupon and principal when the bond matures. However, when a company is the issuer of a bond, the bond usually has default profitability, depending on the financial health of the company. The risk of default can be influenced by changing business cycles that reduce profits, macroeconomic conditions and political situations that occur, and so on (Hakim & Putra, 2019).

An important factor for investors before investing in bonds is to know the issuer and the ins and outs of the bonds they issue. This needs to be done to assess the magnitude of risk, especially the risk of default, which investors may experience in the future. To make things easier, investors should pay attention to the rating of each bond issued by a bond rating institution. In Indonesia, there are 6 bond rating organizations recognized by Bank Indonesia, consisting of 3 domestic rating agencies and 3 international rating agencies. The three domestic rating agencies are PT Rank Efek Indonesia (Pefindo), Fitch Indonesia, ICRA Indonesia, while the 3 international rating agencies are Standard and Poor's, Moody's Investor Service, and Fitch Ratings, (Tendelilin, 2017) in (Rianto et al., 2021).

Corporate bonds issued through a public offering must be rated by a rating agency registered with Bapepam such as PT Pefindo or PT Kasnic Credit Rating Indonesia. There are at least three main components used by rating agencies to determine bond ratings. First, the finances are under what was agreed. Second, is the structure and various provisions regulated in debt securities. Third is the protection provided and the claim position of the debt securities holder in the event of dissolution/liquidation and other laws that affect creditor rights (Rianto et al., 2021).

Bond rating levels vary from one rating agency to another. Table 2.1 shows the ratings of bonds issued by Pefindo. The rating of a bond varies from idAAA (very special/superior) to idD (default). Based on their regular evaluations, rating agencies can raise or lower the rating of a bond. Along with this, Pefindo also applies an outlook rating to a rated bond to determine the potential direction of the credit rating in the future (Rianto et al., 2021).

Table 2.1 Bond ratings based on PT. PEFINDO

Rating	Description
AAA	Debt securities with the highest rating and lowest risk are supported by the obligor's superior ability relative to other Indonesian entities to fulfill long-term obligations in accordance with the agreement
AA	Debt securities that have credit quality slightly below the highest rating, are supported by the obligor's very strong ability to fulfill its long-term financial obligations in accordance with the agreement, relative to other Indonesian entities. And not easily influenced by change of circumstances.
A	Debt securities that have low investment risk and have strong obligor support capabilities compared to other Indonesian entities to fulfill their financial obligations in accordance with the agreement but are quite sensitive to detrimental changes.
BBB	Debt securities with relatively low investment risk are supported by the obligor's adequate ability, relative to other Indonesian entities, to fulfill its financial obligations in accordance with the agreement, however this ability can be weakened by adverse changes in business and economic conditions.
BB	Debt securities that demonstrate the support of the obligor's relatively weak ability compared to other Indonesian entities to fulfill their long-term financial obligations in accordance with the agreement and are sensitive to uncertain and adverse business and economic conditions.

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Rating	Description
B	Debt securities that exhibit very weak protection parameters. Even though the obligor still has the ability to fulfill its long-term financial obligations, adverse changes in business and economic conditions will worsen its ability to fulfill its financial obligations.
CCC	Debt securities that are no longer able to meet obligations financial situation and only depends on improving external conditions.
D	Debt securities that are bad or the issuer has stopped operating.

Source: PEFINDO, 2014

Growth ratio, which is a ratio that describes a company's ability to maintain its economic position amidst economic growth and its business sector. The growth of a company can be seen from the growth of sales, net profit, earnings per share and dividends per share (Kasmir, 2018). Company growth describes and is an indicator of the success of an entity. Company growth can be seen from an increase in the sales value of a company. The higher the increase in sales indicates the higher the increase in company growth. High company growth shows the company's sales success in the past and encourages the company to reinvest in the future (Rianto et al., 2021).

According to Rianto et al, 2021, company growth is the company's ability to increase its size. Growth is how far a company places itself in the overall economic system or the economic system for the same industry.

A Collateral is a promise given by a borrower to a lender if the borrower cannot fulfill his obligations. Collateral bonds can be classified into secured bonds and unsecured bonds. Collateral trust bonds are bonds that are guaranteed by certain assets. If liquidation occurs, holders of this type of bond will receive payment from the sale of assets used as collateral. Holders of these bonds have a small level of risk. On the other hand, unsecured bonds are bonds that are not collateralized by assets owned by the issuer. Unsecured bonds can be low risk if the company is owned by the government or a very strong company with a very good reputation (goodwill) (Suwarmelina, 2020).

Several studies that examine factors that are thought to influence bond ratings show different results. Research conducted by (Dewi & Mahardika, 2019). The research results show that company size, company growth, and collateral simultaneously influence bond ratings. Bond ratings are somewhat impacted by the size of the company, significantly impacted negatively by collateral, and not impacted by company growth.

Meanwhile, research conducted by Ismayana et al (2019) used techniques for hypothesis testing with ordinal logistic regression. The results of this research show that guarantees and large negative differentiated taxes have a positive and significant effect on bond ratings, while company growth and large positive differentiated taxes have no effect on bond ratings.

Research (Rianto et al., 2021) uses a purposive sampling technique. The data analysis technique used is a logistic regression analysis test with the help of the SPSS 17 for Windows application. The results of the analysis show that partially company size has a significant effect on bond ratings, company growth has no significant effect on bond ratings, bond age has no significant effect on bond ratings.

Furthermore, research (Hakim & Putra, 2019) uses Logistic Regression equation analysis with the help of SPSS (statistical Product and Service Solution) software. Based on research results using a partial Logistic Regression Test, there is a significant influence between Operating Cash Flow on Bond Ratings in Real Estate Companies. Based on the results of data processing, the coefficient of determination (R2) value was 0.508. This shows that the company's growth, Retained Earnings and Operating Cash Flow simultaneously have an influence of 50.8% on the Company's Establishment.

Meanwhile (Ningsih; et al., 2019) revealed research that used the logistic regression analysis method. The results show that partially, profitability does not have a

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significant influence on bond ratings. While a company growth has a significant influence on bond ratings. Company growth and profitability simultaneously have a significant influence on bond ratings.

A Research done by Hasan & Dana, 2018) uses analytical techniques, namely logistic regression analysis tests and data processing using SPSS 13 for Windows. The research results show that profitability, maturity and collateral have a positive and significant effect on bond ratings, while liquidity has a negative and significant effect on bond ratings. Companies are advised to be able to obtain investment grade bond ratings by increasing the company's liquidity value. because all investors will invest in investment grade bonds.

1. The company growth and collateral influence bond ratings
2. The company growth has an influence on bond ratings
3. The collateral growth has an effect on bond ratings

3. RESEARCH METHOD

3.1. Research Methodology

The nature of this research is quantitative descriptive, namely research that provides an overview or description of data that is carried out in order to determine the existence of a relationship between the independent variable and the dependent variable. The data source taken utilizing secondary data, using secondary data as main data, in accordance with the data used in this research is documentation techniques, namely data collection techniques by reading, studying and analyzing archives or notes related to research.

3.2. Population and Sample

This research uses empirical studies to look at the influence of company growth and collateral on bond ratings. This research data was conducted on registered companies in the Building Construction sub-sector for the 2020-2022 period.

The sampling technique is purposive sampling. Data collection in research uses documentation. The data used is secondary data taken from the official website of the Indonesian Stock Exchange and the official websites of the companies in the sample. (Ghozali. 2011:19)

3.2 Operational Definitions of Variables

Table 2: Variable Measurement

Variable	Indicator
Bond Rating (Y)	1. AAA = 7 2. AA = 6 3. A = 5 4. BBB = 4 5. BB = 3 6. B = 2 7. CCC = 1 8. D = 0
Company Growth (X_1)	Growth= (Total Asset - Total Asset t-1) / Total Asset t-1

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Variable	Indicator
Collateral (X_2)	According to Dewi, W.P dkk, (2019), the level of risk contained in a bond is influenced by the collateral. Based on the collateral, bonds are divided into guaranteed and unsecured bonds. The measurement scale uses a nominal scale because it is a dummy variable. The measurement is carried out by giving a value of 1 if the bond is guaranteed by a special asset and 0 if the bond is only a debt instrument which is not guaranteed by a special asset.

3.3. Data Analysis Techniques

This research uses Structural Equation Analysis. The structural equation in this research uses a path diagram. Hypothesis testing analysis uses Structural Equation Modeling (SEM). The path diagram is translated in the form of a function or equation, namely:

$$Y1 = \beta 1 X1 + \beta 2 X2$$
$$Y2 = \beta 3 X1 + \beta 4 X2 + \beta 5 Y1$$

4. RESULTS AND DISCUSSIONS

4.3. Results

Bond ratings can serve as an alternative measure for investors in allocating their funds because wise investors will look at bond ratings first before investing their money. A good bond rating is reflected in a company's financial statements. Good performance will increase the rating and vice versa. This research aims to determine the influence of company growth and collateral ownership on a bond's rating, with 48 sample data available for further examination. The research uses Eviews 12 for data processing, and the results of regression selection tests and panel data lead to the conclusion that the Random Effect Model (REM) is the appropriate model.

Table 3: Descriptive Statistic

Variable	N	Means	median	elementary school	Minimal	Max
Variable dependent: Bond Ratings (Y)	48	5,645833	6,000000	1,375927	3,000000	7,000000
Variable Independent: Company Growth (X_1)	48	0,062325	0,041876	0,224013	-0,707548	0,922030
Collateral (X_2)	48	0,052363	0,021508	0,134633	-0,138677	0.796299

Source: Continued By E-views 10, 2024

In Table 3, it is noted that there are 48 observations of data from the year 2020 to 2022. The bond rating (NP) has an average value of 5.645833, where the maximum value is obtained from XL Axiata Tbk, Nusa Raya Cipta Tbk, Telkom Indonesia (Persero) Tbk, and Sarana Menara Nusantara Tbk, while the minimum value is obtained from Wijaya Karya (Persero) Tbk. The company growth has an average of 0.062325, with the maximum value known from Sarana Menara Nusantara and the minimum value from Acset Indonusa Tbk indicating a decline in growth during the research period. The collateral with Green Accounting has an average value of 0.052363.

Table 4; Results of Normality Test

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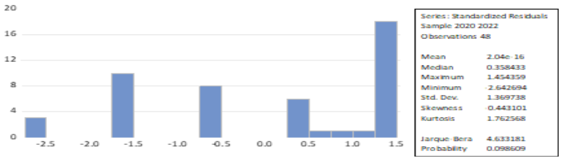

Source: Proceed by E-views 10, 2024

Based on Table 4, the result of the normality test shows a Jarque-Bera value of 4.633181 and a probability of 0.098609.

Table 5; Results of Multicollinearity Test

Variable	Company Growth	Collateral
Company Growth	1,000000	-0,774659
Collateral	-0,774659	1,000000

Source: Continued by E-views 10, 2024

Based on Table 5, the results of the multicollinearity test indicate that the correlation coefficient between independent variables is -0.774659. It can be observed that the correlation coefficient values for all independent variables are less than 0.090, indicating that the research data is free from multicollinearity issues.

Table 6; Results of Heteroskedasticity Test

Variable	Coefficient	Probability
Board of Commissioners Independent	-0,006460	0,8744
Structure Ownership Institutional	-0,007854	0,8995

Source: Continued By E-views 10, 2024

Based on Table 6, the results of the heteroskedasticity test indicate that all independent variables show probability values greater than 5%. Therefore, it can be concluded that the regression model is free from heteroskedasticity.

Table 7. Regression Test

Variable	Coefficient	Significance
Variable independent:		
Company Growth (X_1)	1,847375	0.0358
Collateral (X_2)	-11,05084	0.0463
Adjusted R-squared	0.933362	
Problem (F- statistic)	0.003256	
Durbin - Watson stat	1,909210	
Observation	48	

Source: Continued By E-views 10, 2024

Based on Table 7, the autocorrelation test results above show that the D-W value is 1.90921. If 0 < d < dl, where the value of dl is 1.4500, then 0 < 2.1311 > 1.4500, indicating no positive autocorrelation. If (4-dl) < d < 4, where (4-dl) is 2.5500, then 4-dl < d < 4, so 2.5500 < 2.90921 < 4, indicating no negative autocorrelation. If the value of du < d < 4-du, then 1.6231 < 1.909210 < 2.3769, indicating no autocorrelation. Thus, it can be concluded that there is no autocorrelation in the regression model.

4.4. Discussion

The probability results of the F-statistic calculation, with a significance level of 0.003256 less than 0.05, indicate that Company Growth (X1) and Collateral (X2) simultaneously influence Bond Ratings (Y). Therefore, it is concluded that H1 is accepted. Company growth and bond collateral together influence bond ratings. Company growth, with increasing profits, improves liquidity, allowing the company to meet its short-term obligations. Additionally, bond collateral provides extra protection for investors, reducing credit risk.

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The t-test results from Table 4.5 show the effect of company growth on bond ratings with a calculated t-value of 3.11339 and a significance level of 0.0358. This indicates that company growth affects bond ratings, so H2 is accepted. This means that the higher the company's growth, the higher the bond rating, and vice versa. This can be attributed to the fact that company growth is attractive because an increase in the company reduces its risk of defaulting on its long-term debt. As there are fewer defaults, investors will receive a smaller amount than the previously promised return. Company growth reflects the company's performance in generating profits, which will continue to be sustained, coupled with the ease for the company to obtain funding to further improve its operations. The results of this study are consistent with the findings of Wijayanti, I (2014) with different time periods, which show that company growth significantly influences bond ratings, with all non-financial companies as sample data.

Collateral against bond ratings with a calculated t-value of -2.85137 and a significance level of 0.0463 less than 5%, indicates that collateral affects bond ratings. Therefore, H3 is accepted. Collateral negatively affects bond ratings, which may be due to investors' concerns about the increasing amount of collateral offered. Offering too much collateral may indicate the company's inability to perform, thus failing to convince investors about the company's performance. Excessive collateral means that the assets used as collateral can reduce the company's productivity in daily operations. Additionally, collateral that exceeds the value of the bonds might indicate that the company is offering such a high level of security merely to attract investor interest, which actually reflects investor distrust in the company's ability to repay its debt. Another factor could be due that to investors having a special and long-standing relationship, thus having full trust in the bond issuer and not requiring specific collateral for those investors (Pramita, 2021). The results of this study are consistent with Dewi dkk, (2019) and Margareta & Poppy (2009).

5. CONCLUSIONS

Investors' attention to bond ratings aims to avoid default risks, so it is important for issuers to consider company growth and understand the influence of collateral on bond ratings. Increased cash flow revenue enhance profitability, thereby improving the company’s liquidity, as the turnover of working capital becomes more efficient.

It is clear from the research results that there is a positive influence on bond ratings, allowing issuers to maximize company growth in order to obtain larger funding from external parties. Bond guarantees which have a negative influence show the results for bond issuers that by providing guarantees that are too high it can actually indicate that the company is in a worrying situation, whereas companies without guarantees actually show the confidence of the bond issuer by showing enough company performance. The research period occurred during the pandemic, it is possible that the results of the research could be influenced by other factors, so it is important for companies to conduct research outside the research period with different sectors.

For further research, it is recommended to increase the research period, replace independent variables such as interest rates, use data from bond rating agencies other than PT PEFINDO such as PT Fitch Ratings Indonesia, and replace the measurement of book tax differences using absolute numbers.

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