FINANCIAL PERFORMANCE, CORPORATE GOVERNANCE AND SUKUK RATINGS: EVIDENCE FROM INDONESIA

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Abstract

Sukuk ratings are an important indicator for investors in assessing the risk and credibility of issuing companies. This study analyzes the influence of profitability, leverage, liquidity, and good corporate governance (GCG) on corporate sukuk ratings for companies listed on the Indonesia Stock Exchange (IDX) for the 2022–2024 period using a quantitative approach. The analysis method uses panel data regression.This study analyzed 39 company observations with 13 sukuk issuing companies selected through purposive sampling.Data processing was performed using EViews 13 with a random effects approach. Test results indicate that partially, profitability, leverage, and Good Corporate Governance (GCG) have a significant relationship with sukuk ratings, while liquidity does not show a significant effect. However, simultaneous testing results indicate that the combination of all independent variables in the model is unable to significantly explain variations in sukuk ratings. This condition is consistent with the relatively low Adjusted R^2 value, which reflects the limitations of the research model. This finding indicates that although some variables play a role individually, the sukuk rating process is in practice influenced by various factors other than the research model, including qualitative aspects, issuer characteristics, and macroeconomic conditions.

Key words: Sukuk rating; financial performance; corporate governance; signaling theory.

Abstrak

Peringkat sukuk merupakan indikator penting bagi investor dalam menilai risiko dan kredibilitas perusahaan penerbit. Penelitian ini menganalisis pengaruh profitabilitas, leverage, likuiditas, dan tata kelola perusahaan yang baik (GCG) terhadap peringkat sukuk korporasi bagi perusahaan yang tercatat di Bursa Efek Indonesia (BEI) periode 2022–2024 dengan menggunakan pendekatan kuantitatif. Metode analisis menggunakan regresi data panel. Penelitian ini menganalisis 39 pengamatan perusahaan dengan 13 perusahaan penerbit sukuk yang dipilih melalui purposive sampling. Pengolahan data dilakukan dengan menggunakan EViews 13 dengan pendekatan efek acak. Hasil pengujian menunjukkan bahwa secara parsial, profitabilitas, leverage, dan Good Corporate Governance (Good Corporate Governance/GCG) memiliki hubungan yang signifikan dengan peringkat sukuk, sedangkan likuiditas tidak menunjukkan efek yang signifikan. Namun, hasil pengujian simultan menunjukkan bahwa kombinasi semua variabel independen dalam model tidak dapat menjelaskan variasi peringkat sukuk secara signifikan. Kondisi ini konsisten dengan nilai R^2 yang Disesuaikan yang relatif rendah, yang mencerminkan keterbatasan model penelitian. Temuan ini menunjukkan bahwa meskipun beberapa variabel berperan secara individual, proses pemeringkatan sukuk dalam praktiknya dipengaruhi oleh berbagai faktor selain model penelitian, termasuk aspek kualitatif, karakteristik emiten, dan kondisi ekonomi makro.

Kata kunci: *Peringkat sukuk; kinerja keuangan; tata kelola perusahaan; teori sinyal.*

Introduction

The Islamic capital market in Indonesia has experienced significant growth, particularly in corporate sukuk issuances. Data from the Indonesia Stock Exchange (IDX) recorded 138 bond and sukuk issuances in 2024, issued by 67 companies with a total value of IDR 137.66 trillion (OJK, 2025). This growth reflects the increasing reliance of corporations on capital market financing and growing investor confidence in Sharia-compliant instruments. As sukuk issuance expands, the availability of credible information on issuer quality and default risk becomes increasingly important (Godlewski et al., 2013). Sukuk ratings play a central role in reducing information asymmetry between issuers and investors by assessing their credibility and default risk. However, existing empirical studies on corporate sukuk in Indonesia are limited and fragmented. Studies examining sukuk ratings generally rely on a static and partial approach, emphasizing company fundamentals while ignoring broader institutional and structural dimensions (Rachmawati & Susilawati, 2018).

This study differs from previous research in several important respects. First, it explicitly focuses on corporate sukuk ratings, rather than yields or issuance decisions. Second, it examines sukuk ratings during the recent high-growth period (2022–2024), when empirical evidence on rating determinants remains inconsistent. Third, it adopts a more comprehensive perspective by recognizing that sukuk ratings reflect not only financial performance but also the stability of the contract structure, the quality of the underlying assets, and governance considerations. Therefore, this study addresses an unresolved issue in the literature: why sukuk ratings in Indonesia often exhibit limited sensitivity to conventional financial ratios during periods of rapid issuance growth. Structurally, sukuk ratings differ from conventional bond ratings.

In Indonesia, rating agencies adopt a precautionary approach, where sukuk ratings are often the same as or only slightly lower than conventional bonds issued by the same company. This approach contributes to rating rigidity, as non-financial factors such as issuer reputation, regulatory support, and industry stability are also taken into account. Research Ni'mah et al., (2020) indicates that sukuk ratings are influenced by profitability, liquidity, and maturity. Profitability, which improves the quality of financial statements, serves as a signal of the issuer's credibility, thus assisting rating agencies in assessing default risk and determining sukuk ratings (Ristiyana & Erwindiawan, 2021).

Research findings Lim et al., (2024) show that profitability growth improves perceptions of company performance, but the impact is weaker in large-scale companies. Research conducted by Erwan et al., (2023) shows that financial performance indicators, such as profitability and leverage, are not always able to accurately reflect the level of company risk due to information asymmetry and opportunistic management behavior, so that risk assessment requires a more comprehensive approach.

Research Nurul Aini Muhamed et al., (2022) found thatThe attributes of the board of directors, CEO chairman dualism, board size, and board independence have a positive effect on sukuk ratings**.,** whereas leverage has a negative effect**,** And profitability and company size have a positive influence, thus emphasizing the importance of corporate governance in improving the quality of sukuk ratings. Changes in short-term profitability have been shown to predict future company returns and performance and create risk premiums influenced by market conditions and investor behavior (Liu et al., 2023). Research Nurhakim et al., (2020) found that debt, profitability, and company size significantly influence sukuk rating categories, and the Artificial Neural Network (ANN) model had better predictive accuracy than Multinomial Logistic Regression (MLR). In research Agustina et al., (2021), profitability, liquidity, and leverage did not show a significant effect.. Research conducted by Dwi Sulistiani (2022) states that the effective implementation of Good Corporate Governance, particularly in the supervisory function, plays a crucial role in reducing information asymmetry, improving financial performance, and ultimately strengthening sukuk ratings as an indicator of default risk. Sukuk ratings are determined not only by a company's financial performance but also by the quality of governance and sukuk structure, which influence the assessment of default risk by rating agencies (Radzi, 2020). Research findings N et al., (2024) indicate thatliquidity plays a positive role in the quality of governance which indicates thatcertain financial performance becomes a relevant GCG and risk management signal in assessing sukuk ratings.

Research conducted by Ismail & Arundina (2019) found that a prediction model using financial variables and sukuk structure was able to predict 90.1% of Pefindo's sukuk ratings, thereby helping to reduce information asymmetry between investors and issuers. Corporate sukuk growth is positively influenced by the money supply, industrial production, and inflation, and negatively by exchange rates, oil prices, and profit sharing from mudharabah deposits (Ardiansyah & Lubis, 2017). The quality of financial disclosure, accounting risk, and earnings management significantly influence sukuk ratings (Santoso et al., 2022). Research by Kartiwi et al., 2018 found thatThe ensemble model in predicting sukuk ratings has not been able to outperform the induction decision tree (IDT) model overall., However has the advantage of increasing classification accuracy, especially in predicting sukuk with the lowest ratings.

According to research Alam et al., (2018), VaR predictions align with rating agency ratings and indicate that sukuk default risk is determined by the company's fundamentals, not the type of instrument. Research by (Mseddi, 2023) indicates that changes in systematic risk due to sukuk issuance are an important consideration in assessing sukuk ratings, as shifts in capital structure and leverage affect the issuer's perceived default risk. Research Dwi Sulistiani, (2022) found that the purpose of sukuk issuance influences the type of debt covenant used, and sukuk ratings mediate this relationship, particularly for investment/acquisition sukuk. Research Melzatia et al., (2019) found that the audit committee has a significant positive effect on sukuk ratings, while other GCG mechanisms, income smoothing, and financial performance are insignificant.. Research conducted Qizam, (2021) showsSukuk ratings influence stock returns in Malaysia, while in Indonesia the influence is moderated by company characteristics, particularly leverage and intrinsic value.

Empirical evidence from Indonesia further demonstrates mixed results regarding the influence of financial ratios on sukuk ratings, while others report contradictory findings. This inconsistency raises important research questions regarding which factors are truly dominant in determining corporate sukuk ratings in Indonesia. Furthermore, the type of sukuk contract influences investor preferences and risk perceptions. Ijarah sukuk are generally considered less risky due to fixed, predetermined returns, while mudharabah sukuk involve a profit-sharing mechanism that depends on the issuer's performance, resulting in more volatile returns. Consequently, sukuk ratings serve as an important reference for investors in assessing default risk, liquidity, and tradability in the secondary market.

Research purposes

This study aims to analyze the determinants of corporate sukuk ratings in Indonesia by examining the role of profitability, leverage, liquidity, and good corporate governance, applying a signaling theory perspective. This study seeks to explain how financial and governance factors function as signals that reduce information asymmetry between issuers and investors.

Benefits of research

The benefits of this research include assisting sukuk issuing companies in formulating more effective financial strategies. Understanding how profitability, leverage, and liquidity risk affect sukuk ratings will help companies improve the quality of their financial management to attract investors and maintain the stability of their sukuk ratings. For investors, this research provides insights into assessing the risks and potential returns of investing in corporate sukuk. By understanding the impact of profitability, leverage, and liquidity risk on sukuk ratings, investors can make more informed investment decisions based on more in-depth analysis.

Literature Review

Signaling Theory

This study is based on signaling theory, which explains how companies convey information to external parties under conditions of information asymmetry. Information asymmetry arises when company management has more complete and accurate information about the company's condition and future prospects than investors. As a result, investors rely on observable signals to assess the company's quality, risk, and value (Brigham & Houston, 2019). Signaling theory states that management can reduce information asymmetry by sending credible and verifiable signals through financial and non-financial disclosures, including financing decisions, financial performance indicators, governance practices, and credit ratings. These signals must contain sufficient information content to influence investor perceptions and decision-making.

In capital markets, annual reports, financing structures, and external credit ratings serve as primary signaling mechanisms. In the context of bonds and sukuk, credit ratings serve as quality signals that summarize the issuer's default risk, financial stability, and credibility. Rating agencies act as signal processors by evaluating financial and non-financial information before issuing ratings, which investors interpret as indicators of creditworthiness. Thus, sukuk ratings play a crucial role in reducing information asymmetry between issuers and investors.

Sukuk

Sukuk are Sharia-compliant securities issued by companies or governments to raise funds from investors, where returns are generated from underlying assets or investment activities, rather than from interest-based payments. Unlike conventional bonds, sukuk are structured based on Islamic contracts that emphasize asset collateral, risk sharing, and adherence to Sharia principles (Syakdiyah & Putra, 2021). In Indonesia, sukuk are regulated by Decree of the Chairman of the Capital Market and Financial Institutions Supervisory Agency No. KEP-130/BL/2006, which defines sukuk as certificates representing proportional ownership of tangible assets, usufruct rights, or investment projects. The Sharia basis for sukuk issuance was further strengthened by Fatwa No. 32/DSN-MUI/IX/2002 of the National Sharia Council (DSN-MUI).

Types of Sukuk

Based on the issuer, sukuk in Indonesia are classified into:

1. State Sukuk (SBSN), issued by the Indonesian Government based on Law No. 19 of 2008.
2. Corporate Sukuk, issued by state-owned companies and private companies in accordance with Financial Services Authority (OJK) regulations.

Based on their contractual structure, sukuk are categorized as follows:

1. Mudharabah Sukuk

   Sukuk are issued under a profit-sharing partnership contract between the capital provider (shahibul mal) and the fund manager (mudharib). Profits are dependent on project performance, making this structure relatively riskier for investors.
2. Sukuk Loans

   Sukuk are based on lease contracts that provide fixed and predictable cash flows. Due to their certainty of return, Ijarah sukuk are generally considered less risky and more attractive to conservative investors.
3. Sukuk Musyarakah

   Sukuk issued under a joint venture arrangement, where profits and losses are shared proportionally according to the capital contribution.
4. Istisna' Sukuk

   Sukuk are primarily used to finance manufacturing or construction projects, where assets are produced according to agreed specifications.
5. Greetings Sukuk

   Sukuk is an advance payment for future delivery of goods, which is commonly used in commodity-based financing.
6. Sukuk Murabahah

   Sukuk is structured based on a sales contract with a principal price plus profit, where the profit is derived from a predetermined margin.
7. Sukuk Deed

Sukuk are issued through an agency contract, where investors appoint the issuer as an agent to manage investment activities, with returns based on portfolio performance.

Sukuk Ranking

Sukuk ratings are an assessment of the issuer's ability to fulfill its financial obligations under Sharia-compliant contracts. In Indonesia, sukuk ratings are issued by agencies such as PT Pemeringkat Efek Indonesia (PEFINDO), based on an evaluation of business risk, industry conditions, financial performance, and governance quality (Rukmana & Laila, 2020). Sukuk ratings are classified into investment grade (AAA to BBB) and non-investment grade (BB to D). Investment grade sukuk indicate strong repayment capacity and low default risk, while non-investment grade sukuk reflect higher vulnerability to adverse economic conditions. These ratings serve as important signals for investors in assessing risk, liquidity, and portfolio suitability. The following are sukuk ratings according to the Indonesian Rating Agency (Pefindo).

Sukuk Rating Standards According to Pefindo

Ranking	Information
idAAA(s)	Sharia-compliant financing instruments rated idAAA (sy) have the highest rating awarded by PEFINDO. The issuer's capacity to meet its long-term financial commitments under the Sharia-compliant financing contract is superior to that of other Indonesian issuers.
idAA+(dan)	A Sharia-compliant financing instrument rated idAA (sy) differs only slightly from the highest-rated instrument. The issuer's capacity to meet its long-term financial commitments under the Sharia-compliant financing contract is very strong, relative to other Indonesian issuers. A plus sign (+) indicates a relatively strong rating within the relevant rating category.
IDAA(s)	Sharia-compliant financing instruments rated idAA(sy) differ only slightly from the highest-rated instruments. The issuer's capacity to meet its long-term financial commitments under the Sharia-compliant financing contract is very strong, relative to other Indonesian issuers.
idAA-(dan)	A Sharia-compliant financing instrument rated idAA (sy) differs only slightly from the highest-rated instrument. The issuer's capacity to meet its long-term financial commitments under the Sharia-compliant financing contract is very strong, relative to other Indonesian issuers. A minus sign (-) indicates a relatively weak rating within the relevant rating category.
idA+(and)	A Sharia-compliant financing instrument rated idA (sy) indicates that the issuer's ability to meet its long-term financial commitments under the Sharia-compliant financing contract is relatively strong, relative to other Indonesian issuers. However, these instruments are somewhat more vulnerable to adverse impacts from changes in circumstances and economic conditions than instruments rated higher. The plus sign (+) indicates that the rating is relatively strong within the relevant rating category.
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idA-(and)	A Sharia-compliant financing instrument rated idA (sy) indicates that the issuer's ability to meet its long-term financial commitments under the Sharia-compliant financing contract is relatively strong, relative to other Indonesian issuers. However, the instrument is somewhat more vulnerable to adverse impacts from changes in circumstances and economic conditions than instruments rated higher. A minus sign (-) indicates that the rating is relatively weak within the relevant rating category.
idBBB+(and)	Sharia-compliant financing instruments rated idBBB (sy) indicate adequate protection parameters from the issuer. However, adverse economic conditions or changes in circumstances are more likely to weaken the issuer's ability to meet its long-term financial commitments under the Sharia-compliant financing contract, compared to other Indonesian issuers. The plus sign (+) indicates a relatively strong rating within the relevant rating category.
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idBB+(and)	Sharia-compliant financing instruments rated idBB (sy) indicate relatively weak protection parameters. Their capacity to meet long-term financial commitments under Sharia-compliant financing contracts, compared to other Indonesian issuers, is vulnerable to significant uncertainty or exposure to adverse business, financial, or economic conditions. A plus sign (+) indicates a relatively strong rating within the relevant rating category.
idBB(s)	Sharia-compliant financing instruments rated idBB (sy) exhibit relatively weak protection parameters. Their capacity to meet long-term financial commitments under Sharia-compliant financing contracts, compared to other Indonesian issuers, is vulnerable to significant uncertainty or exposure to adverse business, financial, or economic conditions.
idBB-(and)	Sharia-compliant financing instruments rated idBB (sy) indicate relatively weak protection parameters. Their capacity to meet long-term financial commitments under Sharia-compliant financing contracts, compared to other Indonesian issuers, is vulnerable to significant uncertainty or exposure to adverse business, financial, or economic conditions. A minus sign (-) indicates a relatively weak rating within the relevant rating category.
idb+(and)	Sharia-compliant financing instruments rated idB (sy) indicate weak protection parameters. The capacity to meet long-term financial commitments under the Sharia-compliant financing contracts, compared to other Indonesian issuers, is likely to be impaired by unfavorable business, financial, or economic conditions. A plus sign (+) indicates a relatively strong rating within the relevant rating category.
idb(s)	Sharia-compliant financing instruments assessed by idB (sy) exhibit weak safeguards. Their capacity to meet long-term financial commitments under Sharia-compliant financing contracts, compared to other Indonesian issuers, is likely to be impaired by unfavorable business, financial, or economic conditions.
idb-(and)	Sharia-compliant financing instruments rated idB (sy) indicate weak protection parameters. The capacity to meet long-term financial commitments under the Sharia-compliant financing contract, compared to other Indonesian issuers, is likely to be impaired by unfavorable business, financial, or economic conditions. A minus sign (-) indicates a relatively weak rating within the relevant rating category.
idCCC(s)	Sharia-based financing instruments assessed by idCCC (sy) are vulnerable to default, and are dependent on favorable business and financial conditions for the issuer to meet its long-term financial commitments under the sharia financing contract.
idD/idSD(sy)	Sharia-based financing instruments are assigned an idD (sy) rating when a default occurs at the first time a failure to pay a financial obligation under a sharia financing contract occurs.
	Ratings from idAA(sy) to idB(sy) can be modified by adding a plus (+) or minus (-) sign to indicate relative strength within a rating category.

Profit

Profitability reflects a company's ability to generate income from its assets and operations and is commonly used as an indicator of managerial effectiveness (Wirman, 2021). Profitability ratios measure how efficiently a company utilizes its resources to generate profits, thus influencing investor confidence and credit ratings (Risiyanti & Widyarti, 2022). Return on Assets (ROA) is often used as a proxy for profitability because it indicates the extent to which total assets contribute to net profit. Companies with higher profitability are generally considered to have stronger cash flow capacity, which can reduce default risk and positively impact sukuk ratings.

Benefit

The debt-to-asset ratio (leverage) reflects the extent to which a company finances its assets through debt. The Debt-to-Asset Ratio (DAR) is used to measure leverage by comparing total debt to total assets. A high DAR indicates a greater debt burden, which can increase the risk of default and negatively impact sukuk ratings. Therefore, leverage is an important variable in evaluating an issuer's solvency and creditworthiness.

Liquidity

Liquidity refers to a company's ability to meet short-term obligations using current assets. Companies with low liquidity face a higher risk of default, which can negatively impact credit ratings (Kasmir, 2010). Liquidity is generally measured using the Current Ratio (CR), which compares current assets to current liabilities. A higher CR indicates better short-term financial health and a stronger ability to meet obligations, potentially contributing to a higher sukuk rating (Syamsudin & Anita, 2022).

Good Corporate Governance

Good Corporate Governance (GCG) refers to a system that regulates and controls a company's operations to ensure transparency, accountability, responsibility, and fairness. Effective GCG implementation enhances a company's credibility, reduces agency problems, and strengthens investor confidence (Khairiyah Ulfa & Atikah, n.d.). Institutional ownership is often used as a proxy for GCG, as institutional investors play a crucial oversight role that can limit managerial opportunism (Wendy & Harnida, 2020). Strong governance mechanisms are expected to positively influence sukuk ratings by signaling a company's reliability and long-term sustainability.

Research Gap

This research expands on a study conducted by Nurohman et al., (2020) entitled "Effects of Leverage, Liquidity, and Profitability on the Rating of Sukuk." While sharing a similar focus on factors influencing sukuk ratings, this study differs significantly from previous research. The primary difference lies in the addition of an independent variable, namely Good Corporate Governance (GCG), to the research model..The GCG variable is measured using institutional ownership indicators, which reflect the level of institutional supervision and control over company management.

The addition of this variable is based on the assumption that a strong institutional ownership structure can improve the quality of corporate governance, potentially influencing rating agencies' perceptions of the risk and credibility of sukuk issuing companies. Therefore, this study is expected to provide a more comprehensive empirical contribution to explaining the determinants of corporate sukuk ratings and address the limitations of previous research that has not included corporate governance as a determining factor.

Research methodology

This study uses an exploratory quantitative research design to examine the effect of financial performance and corporate governance on corporate sukuk ratings in Indonesia. The analysis uses panel data regression, combining cross-sectional and time-series data for the period 2022–2024. The study population consists of all corporate sukuk issuers still outstanding and listed on the Indonesia Stock Exchange (IDX) in 2024, totaling 21 companies. The study sample consists of 13 companies, resulting in 39 company-year observations over a three-year period. The sample was selected using purposive sampling, with the following criteria: (1). Companies that issued corporate sukuk and were listed on the IDX during 2022–2024. (2). Companies that disclosed institutional ownership data during the observation period. (3). Companies that published complete annual financial reports for 2022–2024.

Sample

No	Company Code	Company Name
1	PTPP	PT Pembangunan Perumahan
2	AGII	PT Samator Indo Gas
3	INKP	PT Indah Kiat Pulp & Paper Tbk
4	SMDR	PT Samudera Indonesia
5	MTEL	PT Dayamitra Telekomunikasi Tbk
6	DSSA	PT Dian Swastatika Sentosa Tbk
7	ISAT	PT Indosat Ooredoo Hutchison
8	LPPI	PT Lontar Papyrus Pulp & Paper Industry
9	MEDP	PT Medco Power
10	SMII	PT Sarana Multi Infrastruktur
11	BMTR	PT Global Mediacom
12	MORA	Moratelindo
13	KAII	PT Kereta Api Indonesia

Data were collected using a documentation method involving secondary data collection from published financial reports, sukuk rating reports, annual reports, and official publications of the Indonesia Stock Exchange and PT Pemeringkat Efek Indonesia (PEFINDO). This approach is consistent with documentation-based data collection in quantitative financial research (Sugiyono, 2020).

Operational Definition of Variables

Variables	Definition	Proxy
Sukuk Ranking	Credit assessment that reflects the issuer's ability to fulfill sukuk obligations.	PEFINDO sukuk rating
Profit	The ability of a company to generate profits from its assets.	Return on Assets (ROA)
Benefit	Proportion of company financing that comes from debt	Debt to Asset Ratio (DAR)
Liquidity	The ability of a company to meet short-term obligations	Current Ratio (CR)
Good Corporate Governance	Quality of the company's monitoring and control mechanisms	Institutional Ownership

Data Analysis Techniques

Widi, 2010 defines data analysis as a series of activities encompassing data collection, modeling, and conversion to extract essential information as a basis for decision-making and conclusion drawing. This study applies panel data regression analysis as the primary data processing technique. This technique was chosen based on its superiority in integrating time series data (*time series*) with cross-sectional data (*cross-section*), thus providing a more comprehensive picture. Through a panel data approach, researchers have the advantage of examining the dynamics of change in each observation unit over a specific period in a more comprehensive manner. This study uses this type of*unbalanced panel data* (unbalanced panel), where the number of observations for each unit of analysis or company is uneven. This condition occurs because some companies lack complete data for the entire observation period. The use of unbalanced panel data can still be valid through appropriate estimation methods, and the research data is processed and analyzed using Eviews 13.

Multiple Linear Regression Analysis

The following is the basic model for multiple linear regression research:

Y = a + b1X1 + b2X2 + b3X3 + b4X4 + e

Information:

Y	= Corporate Sukuk Rating
a	= Constant
b1, b2, b3, b4	= Regression Coefficient
X1	= Profitability
X2	= *Leverage*
X3	= Liquidity
X4	= *Good Coporate Governance*
e	= Standard Error

Panel Data Regression Test

In panel data regression, it has been determined using a model*random effect*, then the formula in the model*random effect* as follows:

$$Yit=\beta0+\beta1X1it+\beta2X2it+\beta3X3it+\beta4X4it+ui+\varepsilon it$$

Panel Data Regression Results*Random Effect*

Dependent Variable: Y
Method: Panel EGLS (Cross-section random effects)
Date: 01/10/26 Time: 02:13
Sample: 2022 2024
Periods included: 3
Cross-sections included: 13
Total panel (balanced) observations: 39
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.5687	0.2507	10.2452	0.0000
X1	0.0237	0.0113	2.0970	0.0435
X2	0.1625	0.0623	2.6073	0.0135
X3	-0.0155	0.0089	-1.7375	0.0913
X4	-0.1215	0.0548	-2.2193	0.0332

Effects Specification

			S.D.	Rho
Cross-section random			0.055681	0.6212
Idiosyncratic random			0.043477	0.3788
		Weighted Statistics		
R-squared	0.199767	Mean dependent var		1.110068
Adjusted R-squared	0.105622	S.D. dependent var		0.063044
S.E. of regression	0.059622	Sum squared resid		0.120863
F-statistic	2.121905	Durbin-Watson stat		0.918307
Prob(F-statistic)	0.099482			
		Unweighted Statistics		
R-squared	0.310008	Mean dependent var		2.701058
Sum squared resid	0.459547	Durbin-Watson stat		0.241519

Source: Processed Data Eviews 13

Y_{it}=2.5687 + 0.0237X1it + 0.1625 X2it -0.0155X3it -0.1215X4it + ui + εit

Based on the results of panel data regression*random effect* The above multiple linear regression equation can be explained as follows:

1. The sukuk rating as a dependent variable is influenced by profitability, leverage, liquidity, and Good Corporate Governance (GCG) at company i in period t, taking into account individual company effects. A constant value of 2.5687 indicates that if profitability, leverage, liquidity, and GCG are zero, the sukuk rating is estimated at 2.5687, assuming other factors remain constant.
2. The profitability coefficient of 0.0237 indicates that profitability has a positive effect on sukuk ratings. This means that increased profitability reflects the company's ability to generate better profits, thereby increasing investor and rating agency confidence in the company's ability to meet its sukuk yield and principal payment obligations.
3. The leverage coefficient of 0.1625 indicates that leverage has a positive effect on sukuk ratings. This indicates that well-managed debt can provide a positive signal regarding a company's ability to effectively utilize external funding sources. However, this positive effect requires further examination through its significance level.
4. Furthermore, the liquidity coefficient of –0.0155 indicates that liquidity negatively impacts sukuk ratings. This finding indicates that high liquidity levels do not always translate into improved sukuk ratings, possibly due to idle funds or suboptimal current asset management efficiency.
5. The Good Corporate Governance (GCG) coefficient of –0.1215 indicates that GCG negatively impacts sukuk ratings. This result indicates that the GCG implementation measured in this study is not yet a primary consideration for rating agencies in determining sukuk ratings, or may be influenced by the limitations of the GCG indicators used.

Hypothesis Testing

Partial Test

To assess the partial influence of an independent variable on a dependent variable, a t-test is used. This is done by examining its probability value according to the following requirements:

a. Marked as influential if the probability value is less than 0.05.

b. Not significant if the probability value is greater than 0.05.

Model t-Test Results*Random Effect*

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X3	-0.0155	0.0089	-1.7375	0.0913
X4	-0.1215	0.0548	-2.2193	0.0332

Effects Specification

Source: Processed Data Eviews 13

Profitability Influences Sukuk Ratings

The first hypothesis tests how profitability (X1) influences sukuk ratings (Y). From the test output above, the probability value of profitability is 0.0435, which is smaller than α 0.05, with a t-statistic value of 2.0970. This means that sukuk ratings (Y) are influenced by profitability (X1). It can be concluded that H1 is accepted, meaning profitability has a significant influence in determining a company's sukuk rating. This indicates that companies with higher levels of profitability tend to obtain better sukuk ratings. These results are inconsistent with research by (Nurohman et al., 2020), which found that profitability does not affect sukuk ratings. These findings also align with research by Syamsudin and Anita (2022), which found that profitability does affect sukuk ratings. These results indicate that profitability has a significant partial effect on sukuk ratings. High profitability reflects a company's ability to generate profits and maintain financial stability, thereby increasing rating agencies' confidence in the company's ability to meet its yield payment obligations and repay sukuk principal on time.

Leverage Influences Sukuk Ratings

The second hypothesis examines how leverage (X2) influences sukuk ratings (Y). The probability value of leverage (X2) is 0.0135, below α 0.05, and the t-statistic is 2.0970, indicating that leverage (X2) influences sukuk ratings (Y). Therefore, the second hypothesis (H2) in this study is accepted, meaning that changes in a company's leverage level also influence sukuk ratings assigned by rating agencies. This result aligns with research (Wirman 2021) which found that leverage influences sukuk ratings. Another study (Nuriman & Nurdiansyah, 2021) states that leverage does not influence sukuk ratings, contradicting the findings of this study.

Liquidity Influences On Sukuk Rating

The third hypothesis tests how Liquidity influences (X3) on Sukuk Rating (Y). The Liquidity probability value obtained is0.0913 is greater than α 0.05 with a t-statistic value of-1,7375. This means that Liquidity (X3) does not affect the Sukuk Rating (Y), so the third hypothesis (H3) is not valid is rejected. These results reject research by (Budi gautama Siregar, 2021) and (Syamsudin & Anita, 2022), which found that liquidity influences sukuk ratings. These findings indicate that liquidity does not statistically significantly influence sukuk ratings. Therefore, the third hypothesis (H3) in this study cannot be accepted, and it can be concluded that a company's high or low liquidity level does not directly determine the sukuk rating obtained. Conceptually, this condition indicates that rating agencies tend to place more emphasis on a company's ability to meet medium- and long-term obligations, rather than its ability to pay short-term obligations, as reflected in the liquidity ratio. This means that liquidity has not been a dominant factor in assessing sukuk ratings for the companies in this study's sample.

Good Corporate Governance Influences Sukuk Ratings

The fourth hypothesis tests how Good Corporate Governance **(**GCG) (X4) influences sukuk ratings (Y), obtained a GCG probability value of 0.0332 below α 0.05 and a t-statistic value of -2.2193, indicating that GCG (X4) influences sukuk ratings (Y). This result is in line with research conducted by (Rukmana & Laila, 2020) which stated that GCG influences Sukuk Ratings. Based on these results, it can be concluded that GCG has a significant effect on sukuk ratings, so the fourth hypothesis (H4) is declared accepted. However, the negative direction of the coefficient indicates that an increase in the GCG score, as measured in this study, is actually followed by a decrease in sukuk ratings. This finding indicates that the implementation of GCG has not fully become a positive signal for rating agencies in determining sukuk ratings.

Simultaneous Test

The results of the simultaneous test, known as the F-Test, show whether all the independent variables discussed in this study affect the dependent variable simultaneously or simultaneously.

Simultaneous Model Test Results *Random Effect*

Weighted Statistics

R-squared	0.199767	Mean dependent var	1.110068
Adjusted R-squared	0.105622	S.D. dependent var	0.063044
S.E. of regression	0.059622	Sum squared resid	0.120863
F-statistic	2.121905	Durbin-Watson stat	0.918307
Prob(F-statistic)	0.099482		

Source: Processed Data Eviews 13

The test results show that the calculated F value is 0.099482 with a probability value greater than α 0.05 Meaning Profitability,*Leverage*, Liquidity, and GCG do not have a simultaneous effect on Sukuk Ratings.This means that the combination of these four variables has not shown a significant effect on sukuk ratings. Therefore, the simultaneous hypothesis (H5) is not supported by empirical data, indicating that the sukuk rating assessment mechanism is complex and does not rely solely on financial indicators or corporate governance.

Coefficient of Determination (*Adjusted* R^2)

The dependent variable can be explained using the coefficient of determination (R^2). The value of the coefficient of determination (R^2) theoretically spans between zero and one. If R^2 value of one, this indicates that all the information needed to predict the variation of the dependent variable is available in the independent variable. In contrast, the R value^2 which is equal to zero indicates that the independent variable has absolutely no ability to explain the diversity of the dependent variable.

Results of the Model Determination Coefficient*Random Effect*

Weighted Statistics			
R-squared	0.199767	Mean dependent var	1.110068
Adjusted R-squared	0.105622	S.D. dependent var	0.063044
S.E. of regression	0.059622	Sum squared resid	0.120863
F-statistic	2.121905	Durbin-Watson stat	0.918307
Prob(F-statistic)	0.099482		

Source: Processed Data Eviews 13

The Adjusted R-squared value of 0.105622 indicates that approximately 10.56% of the variation in sukuk ratings can be explained by the independent variables. Meanwhile, 89.44% of the variation in sukuk ratings is influenced by factors outside the research model. These results demonstrate that sukuk ratings are not solely determined by financial indicators or corporate governance, but also by other considerations. Therefore, the Adjusted R-squared value obtained is understandable within the context of the complexity of sukuk rating determination.

Results and Discussion

Profitability Affects Sukuk Ratings

Based on statistical test results, profitability, represented by ROA, was shown to have a significant influence on sukuk ratings. This finding indicates that the higher a company's profitability, the better the sukuk rating it receives, as the company is perceived to have a stronger ability to meet its yield and principal payment obligations. This finding suggests that rating agencies consider profitability as a key factor in assessing the credit risk of sukuk issuers, thereby increasing investor confidence in the company's business sustainability. Stable profitability also provides a positive signal regarding the company's ability to maintain cash flow and address potential future risks.

Leverage Affects Sukuk Ratings

Leverage is measured using the Debt-to-Asset Ratio (DAR), reflecting the extent to which a company's assets are financed by liabilities. In the context of sukuk ratings, leverage is an important indicator because it reflects the level of financial risk and the company's ability to meet long-term obligations. Statistical tests show that leverage significantly influences sukuk ratings. This finding suggests that changes in a company's leverage level have direct implications for risk assessments by rating agencies. A high DAR reflects a company's dependence on debt, thereby increasing financial risk and potential pressure on cash flow. This condition can reduce the company's ability to meet its sukuk yield and principal payment obligations, potentially leading to a downgrade of the sukuk rating. Conversely, a healthier capital structure with manageable leverage signals a positive outlook for the company's financial stability and reduces the risk of default.

Liquidity Does Not Affect Sukuk Ratings

Liquidity can be calculated using the Current Ratio (CR). In this study, this also did not have a significant impact. Liquidity only reflects a company's short-term ability to meet short-term obligations. However, sukuk ratings are more influenced by the company's ability to meet long-term obligations related to yield payments and principal repayments. Therefore, variations in liquidity between companies are not sufficient to influence changes in sukuk ratings. This situation suggests that rating agencies' assessments focus more on the company's overall fundamental strength than its immediate cash flows.

GCG Affects Sukuk Ratings

GCG has been shown to have a significant impact on sukuk ratings. This finding strengthens the argument that corporate governance quality plays a crucial role in determining the risk assessment of Sharia-compliant financial instruments. Companies with good governance are better able to maintain transparency, accountability, and effective management oversight, which in turn increases rating agencies' confidence in the company's ability to manage investor funds. Institutional investors have a strong incentive to ensure companies are managed efficiently and prudently, so their presence is a positive signal for rating agencies in assessing sukuk default risk. Therefore, sukuk ratings are highly sensitive to governance aspects, making GCG a powerful determinant.

Profitability, Leverage, Liquidity, and GCG do not have an effect simultaneously.

The simultaneous test results indicate that profitability, leverage (DAR), liquidity, and good corporate governance (GCG) collectively have no significant effect on sukuk ratings. This means that changes in profitability, leverage, liquidity, and GCG are not collectively strong enough to statistically influence sukuk rating assessments. These results indicate that rating agencies do not base sukuk ratings solely on financial indicators and corporate governance, but are more influenced by factors outside the model, such as long-term cash flow stability, parent company or government support, issuer characteristics, industry conditions, and macroeconomic factors.

Contextual Factors of the Indonesian Sukuk Market that Influence the Insignificance of Research Variables

Differences in sukuk ratings cannot be fully explained by the combination of profitability, leverage, liquidity, and good corporate governance ratios analyzed in this study. Sukuk risk assessment in Indonesia relies not solely on the short-term financial performance of the issuing company, so the contribution of financial variables in explaining sukuk ratings is relatively limited. PEFINDO and ICRA Indonesia tend to prioritize the instrument's structural factors as the primary focus of assessments. Sukuk contract structure, underlying asset quality, collateral mechanisms, and cash flow arrangements separate from the parent company are often key considerations. When the transaction structure is deemed robust and risks are well managed, the influence of the company's financial ratios on sukuk ratings becomes less significant. Macroeconomic conditions also influence the orientation of risk assessments, particularly global interest rate dynamics and financial market volatility, which encourage assessments to focus on market and systemic risks.

Conclusion

The conclution of this research, first: Profitability (ROA) has a significant effect on corporate sukuk ratings. This shows that the company's ability to generate profits from its assets is an important consideration in assessing sukuk ratings. Second: Leverage (DAR) significantly influences sukuk ratings, indicating that a company's funding structure, particularly the debt-to-assets ratio, also influences risk assessments by rating agencies. Liquidity, represented by the Current Ratio (CR), does not significantly influence sukuk ratings. This means that a company's ability to meet short-term obligations is not a major factor in ranking long-term instruments such as sukuk. Third: Good Corporate Governance (GCG), represented by institutional ownership, has a significant influence on sukuk ratings. High institutional ownership increases rating agencies' confidence in the quality of a company's governance and risk management. Fourth: Simultaneously, profitability, leverage, liquidity, and Good Corporate Governance do not have a significant effect on sukuk ratings. The combination of financial and governance variables used in this study is not sufficient to explain variations in sukuk ratings. This could be influenced by the characteristics of the Indonesian sukuk market in the 2022–2024 period. Sukuk ratings are largely determined by factors outside the research model, including structural factors and instrument-specific risks.

Base on the result of reseach, the suggestion were First: For Sukuk Issuing Companies, they should strengthen the implementation of Good Corporate Governance (GCG), improve the quality of the sukuk structure and underlying assets, maintain transparency and compliance with sharia principles, and manage the funding structure and financial risks sustainably. Second: Investors should pay particular attention to the level of institutional ownership, monitoring mechanisms, and company transparency. Companies with solid corporate governance tend to have a lower risk of default. Third: For future researchers, add variables such as*underlying asset, covenant strength,* sponsor/BUMN support, and the existence of SPVs. The research was expanded by adding years or comparing the periods before and after changes in government policy.

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