

FINANCIAL AND NON-FINANCIAL FACTORS AFFECTING SUKUK IJARAH RATINGS

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Abstract

This study aims to analyse what affects the rating of sukuk ijarah as seen from financial and non-financial factors. This research is quantitative research using the SPSS application. The sample of this research is companies that issue sukuk ijarah in the 2014-2018 period and are rated by PEFINDO. Indicators of financial factor variables are measured by CR (Current Ratio), ROA (Return on Asset), TATO (Total Asset Turn Over) and DER (Debt to Equity Ratio). While the non-financial factors used are the age of sukuk. The results of this research are financial ratios that affect sukuk ratings are CR and ROA. Where seen from the partial test these two ratios are significant. Meanwhile, if examined simultaneously CR, ROA, TATO, DER and sukuk age on sukuk ratings, the results have a significant effect. This means that all financial ratios and sukuk age simultaneously affect the ijarah sukuk rating.

Keywords: Current Ratio, Return on Asset, Total Asset Turn Over, Debt to Equity Ratio, Sukuk Maturity, Sukuk Ijarah Ratings.

1. Introduction

The capital market is a place to provide alternative funding and to get wider investors in the target areas of corporations and governments. Various kinds of capital instruments contained in this capital market such as stocks and bonds. Not only conventional but there is also a Sharia based capital market which includes the debt market and the equity market. In the equity market, there are Islamic shares which are short-term capital market instruments and one of the instruments in the debt market is Islamic bonds or commonly referred to as sukuk. Sukuk, which are larger and longer term, can support businesses by being used as a source of funding for company expansion. Sukuk is a Sharia capital market instrument issued by a company or country, where the party who buys sukuk does not have the status of a debtor to the sukuk issuer because in the issuance of sukuk there must be an underlying (asset underlying the issuance of sukuk), so the sukuk buyer has the right to beneficial ownership of the assets underlying the sukuk issuance. The owners of this sukuk will get a return from the sukuk they bought based on the 'aqad contained in the sukuk, if using 'aqad ijarah then the return is in the form of rent but if using 'aqad mudharabah then the return is in profit sharing (Mohamad, 2011).

The increase in sukuk is a demand due to the increase in Muslims who have excess assets and want their assets to be managed or invested in sharia-compliant securities that are free from the elements of magrib (maysir, gharar, and riba) (Wilson, 2008). There are two sukuk issued in Indonesia based on the fatwa of the National Sharia Council, namely sukuk mudharabah and sukuk ijarah. This is because these two types of 'aqad are the most successful in providing a convenient method for Indonesian investors (fauzan, 2020). However, in reality, sukuk ijarah is more attractive than sukuk mudharabah. According to the issuing company of this type of sukuk, sukuk ijarah has good expectations for the acquisition of additional corporate funds because it can attract more sukuk investors, this is based on the fixed profits provided for sukuk holders (Indah, 2010).

The rapid growth of sukuk issuance in the Indonesian Sharia capital market (Ojk, 2019) The development of sukuk is not only based on the company's desire to expand sukuk market share to potential Muslim investors, but also supported by the interest of these investors. Where investor interest is one of them driven by the rating of the sukuk. Sukuk ratings play an important role for issuing companies and investors because they can provide an overview of whether or not the sukuk is feasible by measuring the issuer's ability to fulfil

its obligations. Investors also pay attention to this sukuk rating factor in helping to measure the cost of capital for investment in order to know the level of return obtained and the risk of return that will be borne from ownership of this sukuk (Purwaningsih, 2013). This sukuk rating can be based on several assessments both in terms of financial performance with indicators of liquidity, profitability, activity, and solvency ratios. Then it is also influenced by other non-financial factors such as the age of sukuk. One example of this sukuk rating is the sukuk ijarah issued by PT Berlian Laju Tanker, this company is engaged in transportation, and failed to fulfil its fee or margin payment obligations of IDR 17.5 billion to sukuk holders (Angga, 2020).

PEFINDO lowered the sukuk rating, such as Sukuk Ijarah II/2009 and Sukuk Ijarah I/2007, which were originally rated C down to D (dwitia, 2020). Based on this background exposure about the development of sukuk and the curiosity of researchers to find out the reasons for companies to issue sukuk seen from their financial performance, researchers are interested in conducting research on "Financial and Non-Financial Factors Affecting Sukuk Ijarah Ratings".

2. Method

This research is related to hypothesis testing and numerical data, so it uses quantitative methods, namely scientific methods by conducting systematic tests regarding the analysis of influence, relationships and comparisons on the data or phenomena obtained. The population of this study are all companies that issue sukuk ijarah and are listed in Sharia securities or included in the Indonesia Stock Exchange report, namely there are 11 companies. the determination of the sample in this study was carried out by purposive sampling technique, from 11 Population companies that issue sukuk ijarah, there are 7 companies that meet these criteria, all of these quantitative tests will be processed using the SPSS.21 application. The framework is depicted in figure 1.

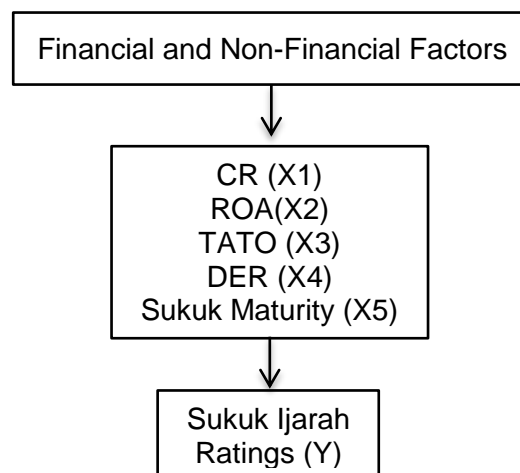


Figure 1. Framework

3. Results and Discussion

Results

1. Descriptive Analysis

Based on table 1, it can be seen that the majority of sukuk ijarah ratings from sample companies are in the AAA category, namely 13 sukuk out of 27 existing sukuk with a percentage of 48.1%.

Table 1. Descriptive Analysis Case Processing Summary

		N	Marginal Percentage
Ratings	D	1	3.7%
	BBB	1	3.7%
	A-	2	7.4%
	A	2	7.4%
	A+	8	29.6%
	AAA	13	48.1%
Sukuk Maturity	Under 5 Years and 5 Years	12	44.4%
	5 Years and Above 5 Years	15	55.6%
Valid		27	100.0%
Missing		0	
Total		27	

Source : Data Processing

2. Parallel Lines Test

This test is used to fulfil the assumptions required for the cumulative logit model in order to fulfil proportional odds or assess whether or not the parameters are equal across all categories used (Agus, 2018). The results of this test will show the values needed as assumptions in the ordinal logistic regression model, namely cumulative logit. The following are the SPSS output results of the parallel lines test:

Table 2. Parallel Lines Test
Test of Parallel Lines^a

Model	-2 Log Likelihood	Chi-Square	df	Sig.
Null Hypothesis	5.550			
General	.000 ^b	5.550	20	.999

Source : Data Processing

From the results of the test of parallel lines output above, it shows that the Sig value. $0.999 > 0.05$, then the decision set is at the 95% confidence level the slope coefficient is the same for all dependent variables.

3. Simultan Test

The following are the results for hypothesis testing which says that the variables CR, ROA, TATO, DER and Sukuk Maturity have an effect on sukuk ratings. Then the hypothesis is:

H0 : CR, ROA, TATO, DER and Sukuk Maturity simultaneously have no significant effect on the Sukuk Ijarah rating.

H6 : CR, ROA, TATO, DER and Sukuk Maturity simultaneously have a significant effect on the Sukuk Ijarah rating.

Table 3. Simultan Test

Model	-2 Log Likelihood	Log Chi-Square	df	Sig.
Intercept Only	72.470			
Final	5.550	66.921	5	.000

Source : Data Processing

The results of this SPSS output show a Sig. value of 0.000 which means it is smaller than 0.05, from the results of this output can be interpreted to reject H0 and accept H6. So what this means is that the CR, ROA, TATO, DER and Sukuk Maturity variables together affect the ranking of sukuk ijarah.

4. Model Fit Test

Table 4. Model Fit Test
Goodness-of-Fit

	<i>Chi-Square</i>	<i>df</i>	<i>Sig.</i>
<i>Pearson</i>	33.849	125	1.000
<i>Deviance</i>	27.234	125	1.000

Source : Data Processing

This display shows that the values in the Pearson and Deviance sections are statistically insignificant because the value of Sig. (1.000) > 0.05. So it can be said that the model used in this study is suitable and in accordance with empirical data.

5. Model Determination Coefficient Test

Table 5. Model Determination Coefficient Test Pseudo R-Square

<i>Cox and Snell</i>	.916
<i>Nagelkerke</i>	.983
<i>McFadden</i>	.923

Source : Data Processing

In this table display contains information on measuring data variation which is listed on the Cox and Snell, Nagelkerke and McFadden values. However, this research is focused on the Nagelkerke value of 0.983, therefore in this ordinal logit model the variables CR, ROA, TATO, DER and Sukuk Maturity are able to explain the Ijarah sukuk rating by 98.3%.

6. Partial Significance Test

The results of this SPSS output show the results of the significance of the influence of each independent variable (CR, ROA, TATO, DER and Sukuk Maturity) on the dependent variable (Sukuk rating).

Table 6. Partial Significance Test Parameter Estimates

	<i>Estimate</i>	<i>Std. Error</i>	<i>Wald</i>	<i>df</i>	<i>Sig.</i>	<i>95% Confidence Interval</i>		
						<i>Lower Bound</i>	<i>Upper Bound</i>	
[Rating = 1.00]	-19.491	.000	.	1	.	-19.491	-19.491	
[Rating = 2.00]	-12.908	520.707	.001	1	.980	-	1007.660	
<i>Threshold</i>	[Rating = 3.00]	-11.353	520.706	.000	1	.983	-	1009.212
	[Rating = 4.00]	-10.632	520.705	.000	1	.984	-	1009.932
	[Rating = 5.00]	-2.569	1.294	3.939	1	.047	-5.106	-.032
	CR	-1.909	.917	4.330	1	.037	-3.706	-.111
<i>Location</i>	ROA	24.545	10.546	5.417	1	.020	3.875	45.214
	TATO	-2.152	1.779	1.463	1	.226	-5.638	1.335
	DER	.520	.534	.948	1	.330	-.527	1.566
	[Sukuk Maturity =.00]	-7.868	520.702	.000	1	.988	-	1012.689
	[Sukuk Maturity =1.00]	0 ^a	.	.	0	.	.	.

Source : Data Processing

The category of focus is AAA (category 6) because in this SPSS output the Last Category automatically becomes the comparison category. SPSS output table in the

Parameter Estimates test in the Location section, the variables whose values are significant are CR and ROA because the Sig. value is less than 0.05. Sig value. CR is 0.037 <0.05, which means that the CR variable has a significant effect on the Sukuk Ijarah rating These results answer the first hypothesis, which is to reject H0: Current Ratio (CR) has no significant effect on sukuk Ijarah ratings, and accepts H1: Current Ratio (CR) has a significant effect on sukuk Ijarah ratings.

Sig value. ROA of 0.020 <0.05, which means that the ROA variable has a significant effect on the Ijarah sukuk rating. These results answer the second hypothesis, which is to reject H0: Return on Assets (ROA) has no significant effect on sukuk Ijarah ratings, and accepts H2: Return on Assets (ROA) has a significant effect on the sukuk Ijarah rating. Furthermore, the TATO, DER and age of sukuk Ijarah variables show insignificant values because the Sig. value is more than 0.05. It can be seen that the Sig value. TATO of 0.226 > 0.05, which means that the TATO variable has no significant effect on the Ijarah sukuk rating. These results answer the third hypothesis, which is to accept H0: Total Asset Turn Over (TATO) has no significant effect on the sukuk Ijarah rating, and rejects H3: Total Asset Turn Over (TATO) has a significant effect on the sukuk Ijarah rating. Sig value. DER value of 0.330 <0.05, which means that the DER variable has no significant effect on the Ijarah sukuk rating. These results answer the fourth hypothesis, which is to accept H0: Debt to Equity Ratio (DER) has no significant effect on sukuk Ijarah ratings, and rejects H4: Debt to Equity Ratio (DER) has a significant effect on the sukuk Ijarah rating.

The sukuk maturity is 0.988 <0.05, which means that the age variable of sukuk Ijarah has no significant effect on the sukuk Ijarah rating. These results answer the H5, namely accepting H0: the sukuk maturity has no significant effect on the sukuk Ijarah rating, and rejecting H5: the sukuk maturity has a significant effect on the sukuk Ijarah rating.

Discussion

The Effect of Financial Ratios on Sukuk Ijarah Rating

There are 4 financial ratios selected to test their significant level, namely CR, ROA, TATO and DER which are important as a basis for predicting sukuk ratings. Influence testing in this study shows that there are 2 variables that affect the sukuk Ijarah rating, namely, current ratio and return on assets. The CR value in this study shows a significant influence on sukuk ratings, this is in line with research conducted by Lestari (2017) and supported by Afiani (2013), The CR value in this study shows a significant effect on the sukuk rating, but this ratio shows a decrease which is marked with a negative sign on the estimate value and this affects the possibility of sukuk in getting a high rating, namely the AAA rating. Where the value of this ordinal regression test shows the estimate value of -1.909 or the Odds Ratio (X1) value: $e^{(-1.909)} = 0.15$.

A decrease in the liquidity ratio that further affects the chances of sukuk Ijarah getting a AAA rating, the chances of these sample companies getting a AAA rating decrease 0.15 times if the current ratio value of the company decreases. This is because the liquidity ratio calculated by the Current Ratio is a ratio that shows the company's ability to meet its current obligations or the existence of excess current assets compared to what is currently needed. The higher the value of this ratio, the better and smoother the company is in meeting its short-term financial obligations. Then this will also affect the prediction of sukuk ratings, as we know that securities rating companies in determining sukuk ratings, also consider aspects of the financial performance of the sukuk Ijarah issuing company. This liquidity ratio has a positive relationship with the sukuk rating, where if the current ratio value increases, the chances of getting a good rating are greater. Meanwhile, if the current ratio value decreases, the chance of getting a good rating also decreases.

The results of the profitability ratio of this study show that this variable has an effect on the sukuk rating, this is in line with research conducted by and supported by Risiyati (2022) research conducted by Widyawati (2021) this ratio shows an increase which is marked by a positive sign on the estimate value and this affects the possibility of sukuk in getting a high

rating, namely the AAA rating. Where the value of this ordinal regression test shows the estimate value of 24.545 or the Odds Ratio (X1) value: $e^{24,545}=45,000$ times.

An increase in the profitability ratio has more influence on the chances of sukuk Ijarah getting a AAA rating, the chances of these sample companies getting a AAA rating increase 45,000 times if the return on Asset value of these companies increases. This is because the profitability ratio calculated by return on assets is a ratio that shows the company's ability to manage all its assets in obtaining net income (Ringan, 2024). A positive return on assets indicates that from the total assets used to operate, the company is able to provide profits for the company, and the greater the company's profit obtained, it will also affect the margin / fee obtained by sukuk holders. So this will also affect the prediction of sukuk ratings, securities rating companies in determining sukuk ratings also consider aspects of the financial performance of the sukuk Ijarah issuing company. This profitability ratio has a positive relationship with the sukuk rating, where if the return on assets value increases, the chances of getting a good rating are greater. Meanwhile, if the return on assets value decreases, the chance of getting a good rating also decreases.

The majority of sample companies in this study received AAA ratings in each year during 2014-2018, this indicates that the management or operations of sample companies in managing their assets work very effectively so that they can generate profits making the risk of default low so that the better the rating given to the company. From the ability of these companies, it increases their chances of getting and maintaining a AAA rating. The results of the activity ratio calculated by the total asset turnover ratio in this study indicate that this variable has no significant effect on the sukuk rating, although this ratio shows a decrease which is marked with a negative sign on the estimated value and this does not affect the possibility of sukuk in getting a high rating, namely the AAA rating. Likewise, the solvency ratio as measured by the debt to equity ratio in this study shows this variable has no significant effect on the sukuk rating, although this ratio shows an increase which is marked by a positive sign on the estimated value and this also does not affect the possibility of sukuk in getting a high rating, namely the AAA rating.

The increase in the total asset turnover value in the SPSS output of this study is indicated by a positive sign on the estimated value, but this variable does not have a significant effect on the Ijarah sukuk rating because the Sig. value is more than the specified significant level. The positive total asset turnover value in this company indicates that the more efficient the company is in generating income from its assets, because this ratio is an indicator of the efficiency used by the company in using assets to generate income. The reason for the absence of the influence of total asset turn over on the Ijarah sukuk rating is because the companies sampled in this study have several TATO values that continue to increase but the rating still gets AAA.

This debt to equity ratio is used to measure how much the company's assets are financed by its debt. The higher this ratio, it indicates that the greater the liability and risk of the company's debt, this will lead to a smaller chance of the company getting a high rating. The decrease in the value of the debt to equity ratio in the SPSS output of this study is indicated by a negative sign on the estimated value, but this variable has no significant effect on the Ijarah sukuk rating because the Sig. value is more than the specified significant level. This is because there are several companies sampled in this study whose DER values continue to decline but their ratings remain AAA. This means that it is likely that securities rating companies do not focus on the DER ratio in the rating of sukuk Ijarah.

The Effect of Sukuk Maturity on Sukuk Ijarah Rating

Sukuk Maturity indicates that if the longer the age of the sukuk, the higher the risk of sukuk default (Firmayeska, 2023). So this will affect investor interest in the sukuk and also a decrease in the sukuk rating due to the high risk of the sukuk. The results of this study regarding the effect of the age of sukuk Ijarah on the sukuk Ijarah rating get insignificant results where the Sig. result is more than the specified significant level, which indicates that there is no significant effect of the age of sukuk Ijarah on the sukuk Ijarah rating. This is in

line with research conducted by Nuridah (2022). The results of this study are inversely proportional to the research conducted by Maulina (2018) and Sueno (2020) which states that the age of sukuk affects the sukuk rating.

Some companies that issue sukuk Ijarah that are less than 5 years old also get low ratings. So it cannot be concluded that securities rating companies in rating sukuk Ijarah also pay attention to the age of the sukuk. This is what causes the age of sukuk to have an insignificant effect on sukuk ratings.

The Effect of Financial and Non-Financial Factors on Sukuk Ijarah Rating

The financial factors in this study consist of financial ratios as measured by current ratio, return on assets, total asset turnover and debt to equity ratio then the non-financial factor taken in this study is the age of sukuk. Together (simultaneously) these independent variables affect the dependent variable (Sukuk rating). This opinion is corroborated by the results of Sig. on the output of the Fitting Information Model which is smaller than the predetermined significant level. Therefore, it means that the model with the independent variables (CR, ROA, TATO, DER and Sukuk Maturity) is better in predicting the dependent variable rating (Sukuk Ijarah rating).

The existence of a significant influence of financial and non-financial factors simultaneously on sukuk ratings is in line with the opinion that securities rating companies in determining sukuk ratings will first study the company's financial performance and other supporting factors (Haraqi, 2017). In measuring and assessing the company's financial performance, it cannot be done only by measuring one financial ratio. But it needs to be done on all financial ratios so that the results are more accurate so that they can be used as a basis for rating the company's sukuk.

4. Conclusion .

This research tries to find out what basis or factors can be used in rating sukuk, especially sukuk Ijarah. Securities rating companies in Indonesia, especially PEFINDO, in rating sukuk pay attention to financial factors and other factors. Therefore, in this study, several financial factors were taken, namely by using the liquidity ratio (current ratio), profitability ratio (return on assets), activity ratio (total asset turnover) and solvency ratio (debt to equity ratio). Then for other factors, the sukuk maturity is taken as a non-financial factor that affects the sukuk Ijarah rating.

The results of this study conducted by testing with the ordinal logistic regression method show that there are two financial ratios that greatly affect the sukuk Ijarah rating, namely the current ratio and return on assets. Both of these ratios have a positive influence on the sukuk Ijarah rating. Where if these two ratios increase, the chances of sukuk Ijarah using financial factors (current ratio, return on assets, total asset turnover and debt to equity ratio) and non-financial factors, namely Sukuk Maturity Ijarah together in knowing the prediction of sukuk rating results are very significant. This means that in predicting sukuk ratings, it is better to pay attention to all financial and non-financial ratios.

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