

CHAPTER V

CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

This research aims at exploring the relationship among the SBI Rate, Time to Maturity, Coupon Rate and Corporate Bond Yield Spreads in Indonesia. The principal conclusions of the empirical result are:

1. SBIRATE is not stationary in first difference stage because the probability value is lower than 0.05. TTM, CORATE and YS are stationary in level stage because the probability value is lower than 0.05.
2. The value of adjusted r-squared of Sbi rate and yield spreads, time to maturity and yield spreads, coupon rate and yield spreads shows all the input variable is significantly affect output variable. The result of residual test by using ADF also shows the models are cointegrated and have long-run equilibrium relationship.
3. Despite of the models have been cointegrated, the Error Correction Model test can be conducted. In this step, the speed of adjustment and the short-run equilibrium relationship will be tested by looking at the value of adjusted r-squared. When the value of adjusted r-squared in ECM is compared with the value of adjusted r-squared in Engle-Granger cointegration test.
4. Sbi rate, time to maturity and coupon rate are cointegrated to yield spreads both in short-run and long-run equilibrium relationship. The result of adjusted r-squared in Engle-Granger cointegration test is higher than the value of adjusted r-squared in Error Correction Model.

5.2 Recommendations

1. For the further research, it will be better to use longer time series data (more than 5 years) and more variables as the indicator in order to fulfill the needs of information especially about bonds in the future and represent the actual condition.
2. Categorized sample based on the sectors will be helpful to get the specific information based on the sectors listed in IDX.
3. For the further research, the researcher may use corporate bonds rating which is issued by PT. Kasnic Credit Rating Indonesia (Moody's Indonesia).

5.3 Research Limitations

In this research writing, there are some writings limitations following behind:

1. This research has limitation on the number of corporate bonds data which still active in research period of time, larger sample will be better to get a better result.
2. The forecast accuracy might be needed to be improved with longer-term forecasts.
3. Using the exact order of integration is important and it is better to be calculated by using a complete statistical tools.
4. There are many indicators outside that may affect the yield spreads. This research only used SBI Rate, Time to Maturity, and Coupon rate as the indicator. The independent variables used in this research show

lower value of adjusted r-squared which means there are many variables may affect the yield spreads of corporate bonds.



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