ABSTRACT

This study aims to examine the liquidity risk and credit risk on yield spread in the Indonesian corporate bond in the onset of crisis and after crisis. This study is divided into three period, there are 2007-2010, pre-crisis (2007-2008), and post-crisis (2009-2010).

Liquidity risk is measured by maturity, turnover, cash over asset. Credit risk is measured by coupon, rating, and leverage. This study also has another purpose to see the impact of financial institution as the dummy variable on yield spread at each period. This study uses panel data regression with OLS (Ordinary Least Square) at each crisis period.

The result from the panel data regression on the 2007-2010 period there are two variables that have positive significant effect on yield spread that is coupon and rating, while the other variables being insignificant. The results from the panel data regression at the pre-crisis found that cash over asset and coupon have positive significant effect on yield spread and leverage has negative significant effect on yield spread. The results from the panel data regression at the post-crisis found that maturity, cash over asset, coupon, and rating have positive significant effect on yield spread.

Keywords: Liquidity risk, credit risk, yield spread, crisis.