ABSTRACT

DETERMINANTS OF HEDGING DECISION WITH DERIVATIVE INSTRUMENTS IN MANUFACTURING COMPANIES LISTED ON INDONESIA STOCK EXCHANGE PERIOD 2013-2016

By

ZAKIA AGUSTRI ATIKAH

The purpose of this study was to determine the effect of Growth Opportunity (GRWTH), Leverage (LEV), Liquidity (LIQ), Firm Size (SIZE), and Financial Distress (FND) on hedging decision in manufacturing companies in Indonesia Period 2013-2016. The greatest risk of international trade transactions is risk of fluctuations in foreign exchange rates. Changes in the value of foreign currency that can unexpectedly significant impact of the company, therefore the company needs to do a risk management one of which is the hedging decision with derivative instruments. The population in this study is a companies listed on Indonesia Stock Exchange Period 2013-2016. The sample in this study amounted to 98 companies by using purposive sampling. The variables in this study include Growth Opportunity (GRWTH), Leverage (LEV), Liquidity (LIQ), Firm Size (SIZE), and Financial Distress (FND). The analytical tool used is the logistic regression analysis. The result of this study found that the variable Growth Opportunity (GRWTH), Leverage (LEV), and Firm Size (SIZE) positively affect hedging decision, whereas for the other variable Liquidity (LIQ) and Financial Distress (FND) does not affect hedging decision. From the results of logistic regression found that the variable Growth Opportunity (GRWTH), Leverage (LEV), and Firm Size (SIZE) can explain hedging decision by 48.9% while the remaining 51.1% explained by variables outside the study.

Keywords: Hedging Decision, Derivative Instrument, Growth Opportunity, Leverage, Liquidity, Firm Size, Financial Distress