ABSTRACT

International trade does not only provide various benefits for a country or any companies, but it can also create risks that may occur and threaten the sustainability of a company. One of them is the risk of foreign exchange exposure. Hedging is a way that can be used to manage exchange rate risk. This study was conducted to examine the effect of leverage, financial distress, firm size, liquidity, and managerial ownership on hedging decisions using derivative instruments of property and real estate companies listed on the Indonesia Stock Exchange during the period 2013-2017.

The population used in this study are property and real estate companies listed on the Indonesia Stock Exchange in 2013-2017. The samples used in this study were 23 companies using purposive sampling method. The data used is obtained from Bloomberg and the Annual Report. The analytical method used for data analysis in this study model is logistic regression analysis because the data used are dichotomous. Logistic regression analysis includes the Overall Fit Model so that it does not require a normality test. By logistic regression analysis can be seen how the independent variables influence the company's decision to do hedging using derivative instruments.

The results of this study found that leverage, firm size, and liquidity have significant effect on hedging decisions using derivative instruments. While financial distress and managerial ownership variables did not influence hedging decisions using derivative instruments. From the results of logistic regression found that the leverage, financial distress, firm size, liquidity, and managerial ownership can explain the hedging decisions of property and real estate companies using derivative instruments by 47.8% and the rest explained by other variables outside the model.

Keyword : Hedging, Derivative, Risk Management, Leverage, Financial Distress, Firm Size, Liquidity, Managerial Ownership