ABSTRACT

Hedging is one of the alternatives of risk management that aims to protect assets of company from losses caused by the risk. The purpose of this research is to analyze the influence of independent variables which include DER, Financial Distress, Firm Size, Growth Opportunity, Institutional Ownership, Liquidity and "dummy" variable for the different effect of ESDM companies to manufacturing companies on hedging decision using derivative instruments at manufactures and ESDM companies listed on the Indonesia Stock Exchange in 2010-2014.

This research uses secondary data derived from the annual financial statements of 84 Manufacturing and ESDM Companies listed on Indonesia Stock Exchange the period of 2010 to 2014. Sampling using purposive sampling method with the provision of the company that publishes full financial statements. Data analysis using logistic regression test because the data used are metric and non-metric. By logistic regression analysis can be seen how the variables affect the probability of the company to hedge using derivative instruments.

The results of logistic regression analysis found that debt to equity ratio (DER), firm size and institutional ownership have significant effect on hedging decision using derivative instruments whereas the other variables which include financial distress, growth opportunity and liquidity does not affect the decision of hedging using derivative instruments. From the test results of logistic regression found that variables debt to equity ratio, financial distress, firm size, growth opportunity, institutional ownership, liquidity and dummy variables can explain hedging decision using instruments derivative by 33.6%, and the rest is explained by other variables outside the model.

Keywords: Hedging, Derivatives, Debt to Equity Ratio, Financial Distress, Firm Size, Growth Opportunity, Institutional Ownership and Liquidity