ABSTRACT

Hedging is an alternative of risk management that aims to protect the assets of company from losses caused by the risk. This study's purpose is to analyze the influence of independent variables which include leverage, liquidity, the growth opportunity, financial distress, cash flow volatility and dummy variable for the different effect of mining companies to manufacturing companies on hedging decision using derivative instruments at manufactures and mining companies listed on the Indonesia Stock Exchange in 2010-2014.

This study uses secondary data derived from the annual financial statements of 72 mining and manufacturing companies listed on Indonesian Stock Exchange the period 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 this study found that liquidity, growth opportunity, financial distress, and cash flow volatility have significant effect on Hedging Decision using derivative instruments, whereas for the other variables did not influence hedging decision using derivative instruments. From the results of logistic regression found that the variable leverage, liquidity, the growth opportunity, financial distress, cash flow volatility and dummy variable for the different effect of mining companies to manufacturing companies can explain Hedging Decision using derivative instruments by 25,8%, and the rest is explained by other variables outside the model.

Keyword: Hedging Decision using derivative instruments, Logistic Regression, Leverage, Liquidity, Growth Opportunity, Financial Distress, and Cash Flow Volatility