ABSTRACT

This research examines the effect of hedge decision on firm value. Also the relation between company hedge decisions in different level of exposure on firm value. Exposure defined as foreign exchange rate fluctuations which measured by export ratio. The control variable consists of firm size, quick ratio, and debt-to-equity ratio. This research focuses on manufacture companies listed in Indonesia Stock Exchange year 2013 to 2015.

This research uses quantitative approach with secondary data taken from sample audited financial report. There are 279 firm-year observations as sample from 93 companies. The model conducted using multiple regression analysis with interaction of hedge decision and exposure. Calculation and hypothesis testing is analyzed using SPSS (Statistical Package for the Social Science). Research result founds 39 hedge decisions of company to conduct hedge activity, or 12 to 15 percent of samples.

The result shows that hedging decision has positive and significant effect to firm value. However, there is negative and weak influence of hedge decision in different level of exposure on firm value. Although it is weak, data found that sample companies with high exposure mostly have not conduct any hedge yet. In addition, this research also finds significance effect from control variable. Firm size and quick ratio has negative effect on firm value, while debt to equity ratio has positive effect to firm value. This research suggests that firm should conduct hedge which parallel and suitable with its condition so it can lead to increase firm value.

Keyword: Hedging, Foreign Exchange Exposure, Firm Value, Manufacture Company