## **ABSTRACT**

The condition of the Indonesian economy has entered an era of globalization so many companies began to expand their business activities through export-import, foreign funding, and business expansion. These international transactions pose various risks, one of which is the risk of currency exchange rate fluctuations. This risk creates uncertainty about how much the company's revenue and expenses in the future. To minimize the impact of the exchange rate fluctuations, the company can apply the hedging policy using derivative instruments, namely option contracts, futures, forward contracts and swap contracts.

This study aims to investigate the conditions and influence of firm size, growth opportunities, leverage ratio, and financial distress either simultaneously or partially to the hedge policy of state-owned companies listed in the period of 2013-2016. The data used in this study is secondary data obtained from the financial statements and annual reports of state-owned companies listed on the IDX period 2013-2016. The population in this study is a state-owned company listed on the BEI in the period 2013-2016. The sample in this study was chosen based on purposive sampling method so that obtained 16 companies in 2013-2016 with 64 samples observed. Data analysis technique used in this research is descriptive statistical analysis and logistic regression analysis.

The results of this study indicate that firm size, growth opportunities, leverage, and financial distress simultaneously have a significant effect on hedging policy. Partially, firm size and financial distress variables have a significant positive effect on hedging policy, leverage variable has a significant negative effect on hedging policy, while growth opportunity variable has a positive effect not significant to hedging policy.

Based on the results of research, it is advisable for further researchers to develop research using other variables that do not exist in this study. For state-owned enterprises, it is advisable to apply hedging policies to protect assets owned, especially for large size companies, have high leverage ratios, and experience financial difficulties.

Keywords: Hedging, firm size, growth opportunity, leverage, financial distress