ABSTRACT

Economic development in Indonesia is currently increasing rapidly and has made many multinational companies or manufacturing companies conduct international trade. Transaction activities in international trade using foreign currencies, expose manufacturing companies to risks, one of which is foreign exchange risk. Therefore, the use of hedging with derivative instruments is one solution. It is also predicted that this will affect the firm value, which by increasing the firm value will become a consideration for investors to invest their shares.

This study uses multiple linear regression cross section analysis to analyze the effect of the independent variable, namely the use of hedging on the dependent variable, namely firm value, which then uses the control variable, namely Size, Leverage, Liquidity, Investment Opportunity Set (IOS), and Profitability. The research sample data that has gone through the selection of criteria using purposive sampling, as many as 485 data of manufacturing companies listed on the IDX for the period 2013-2017.

The results of the study prove that the use of hedging with derivative instruments has an effect on firm value. The results of the analysis of 5 control variables show that size, liquidity and profitability have a positive effect on firm value, while leverage and investment opportunity sets have a negative effect on firm value.

***Keywords**: International trade, hedging, derivatives, company value*