ABSTRACT

Energy is one of the sectors that affect the economy of a country. The ever-increasing level of energy consumption affects the production power of the energy sector. Multinational companies have cash flows that are sensitive to changes in exchange rates, interest rates, and commodity prices. Hedging is a way used to hedge assets that belong to the company from losses that occur due to risk.

This study aims to determine the extent of the relationship between profitability and solvency to hedging decision making. The object of this study is an oil, gas and coal sub-sector company listed on the IDX. The period in this study is 2019-2021. In this study, hedging decisions were proxied with dummy variables, where companies that do hedging will be given a score of 1 and companies that do not hedge will be given a score of 0. Meanwhile, profitability is proxied by the Return On Assets formula and solvency is proxied by the Debt-to-Equity Ratio formula.

The total population in this study was 59 companies. With the purposive sampling method, 44 samples were obtained during the 3-year observation year so that the total samples obtained were 132 samples. The analysis method used in this study is the logistic regression method.

The finding in the results of this study is that profitability using return on assets indicators does not affect the company's decision to do hedging. Solvency using the debt to equity ratio indicator does not affect the company's decision to hedge. The results of this study are expected to increase knowledge about hedging, and are expected to be considered by companies to make hedging decisions.

Keywords: *profitability, solvency, and hedging decision.*