ABSTRACT

Hedging are companies' activities to manage the risk of changes in the price of an asset or liability by using derivative instruments. Hedging is done to reduce or prevent the risk of price changes. Generally, companies that use foreign currency will carry out hedging as a tool to prevent losses arising from changes in the fair value of underlying assets, such as stock price indexes, stocks, bonds, bond price indexes, foreign currencies, interest rates, and commodities.

The phenomenon that emerged in connection with the hedging is many of the palm oil companies that are the object of this research do not do the hedge, while Crude Palm Oil (CPO) commodities have fluctuating prices. The palm oil companies has a major contribution to the country's economy and is one of the suppliers of the main everyday needs of raw materials whose industry performance is constantly improving. The growth of the palm industry shows its growing influence on supplying the needs of many parties.

The aim of this study is to explain the impact of liquidity, solvency, and profitability on hedging decisions on palm oil companies listed on the Indonesian Stock Exchange in 2017-2021. The population was taken on the basis of purposive sampling including 13 palm oil companies meeting the criteria. This study is a descriptive research that uses logistic regression analysis. Based on the research, it is concluded that liquidity, solvency, and profitability have no effect on the hedge decision either simultaneously or partially.

Keywords: Liquidity, Solvability, Profitability, and Hedging