FOREIGN-DEBT BASED HEDGING TO SHAREHOLDER VALUE : A NEW PERSPECTIVE

by Ekayana Sangkasari

---

5. FOREIGN-DEBT BASED HEDGING TO SHAREHOLDER VALUE : A NEW PERSPECTIVE

Ekayana Sangkasari Paranita* and Sugeng Wahyudi**

*Widya Manggala School of Economics

**Faculty of Economic and Business, Diponegoro University

Corresponding email : esp.gdw@gmail.com

Abstract

The purpose of this study is develop models to analyze the influence of foreign exchange risk towards shareholder value with foreign-debt based hedging as a mediation variable. This study had applied a new concept that was derived from synthesis of the balancing theory and the contracting theory.

This study use the population of companies listed on the Indonesia Stock Exchange (BEI) in 2010-2013. Hypotheses were analyzed with Pooled Ordinary Least Square Model, Fixed Effects Model and Random Effects Model, then tested with the Hausman Test.

The research findings proved that the foreign exchange risk had positive effect on shareholder value with the foreign-debt based hedging as mediation. So companies that have had foreign exchange risk should apply foreign-debt based hedging to maximize the shareholder value. The findings of this study have theoretical implication that supported contracting and balancing theory. While practical implications for the government is support the discourse of the Ministry of Finance to implement a hedging policy.

Keywords : Foreign-Debt Based Hedging, Foreign Exchange Risk, Shareholder Value

FOREIGN-DEBT BASED HEDGING TO SHAREHOLDER VALUE : A NEW PERSPECTIVE

FOREIGN-DEBT BASED HEDGING TO SHAREHOLDER VALUE : A NEW PERSPECTIVE

FINAL GRADE

/0

GENERAL COMMENTS

Instructor