Hedging Policy Determinants on the Company: A Comparative Analysis.

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- **Abstract:** Companies can minimize their financial risk by using hedging. This hedging is carried out by the company to avoid the impact of systematic risk fluctuations which tend to be detrimental by using hedging claims. Hedging can be done using derivative instruments. Several internal factors influence the decision making of hedges, are firm size, growth opportunity, financial distress, leverage, and liquidity. Most of studies suggest that the dominant factors that have a major influence in hedging decision making are firm size and growth opportunity. Company size and growth opportunities are believed to be the most dominant influence for companies to decide whether to hedge or not. This statement is based on four studies which state that firm size and growth opportunity are variables that are always considered and taken into consideration by companies to carry out hedging activities. Other factors, such as leverage, liquidity, financial distress, market depth risk, are not really important considerations for companies in hedging. However, several variables or factors that may not be the dominant factor will be important depending on the sector or line of business of the company. Further studies can be carried out by analyzing the company's external factors that can influence hedging decisions.
- **Keywords:** external factors, decision making, growth opportunity