

**THE EFFECT OF FINANCIAL DISTRESS, GROWTH OPPORTUNITIES,  
AND LIQUIDITY ON HEDGING DECISIONS**

(Empirical Study on Mining Companies Listed on the Indonesia Stock Exchange  
for the Period 2018-2022)



Arranged by:

**ANDIEN FEMMY SALSYA BILLA**

**20200420164**

**INTERNATIONAL PROGRAM OF ACCOUNTING**

**FACULTY OF ECONOMICS AND BUSINESS**

**UNIVERSITAS MUHAMMADIYAH YOGYAKARTA**

**2024**

**THE EFFECT OF FINANCIAL DISTRESS, GROWTH OPPORTUNITIES,  
AND LIQUIDITY ON HEDGING DECISIONS**

(Empirical Study on Mining Companies Listed on the Indonesia Stock Exchange  
for the Period 2018-2022)

**UNDERGRADUATE THESIS**

This Undergraduate Thesis is Submitted to Obtain the Bachelor of Economics  
Degree at International Program of Accounting Department, Faculty of Economic  
and Business, Universitas Muhammadiyah Yogyakarta



Arranged by:

**ANDIEN FEMMY SALSYA BILLA**

**20200420164**

**INTERNATIONAL PROGRAM OF ACCOUNTING  
FACULTY OF ECONOMICS AND BUSINESS  
UNIVERSITAS MUHAMMADIYAH YOGYAKARTA**

**2024**

## DECLARATION PAGE

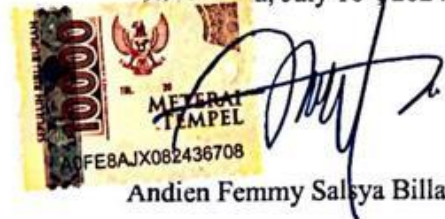
Written by:

Name : Andien Femmy Salsya Billa

Student Number : 20200420164

I hereby declare that this undergraduate thesis entitled **“THE EFFECT OF FINANCIAL DISTRESS, GROWTH OPPORTUNITIES, AND LIQUIDITY ON HEDGING DECISIONS (Empirical Study on Mining Companies Listed on the Indonesia Stock Exchange for the Period 2018-2022)”** is my own research to fulfill the requirements for bachelor degree in the International Program of Accounting, Faculty of Economics and Business, Universitas Muhammadiyah Yogyakarta and I did not plagiarize or apply any quotation in ways that are inconsistent with the prevailing ethic in the scientific community. No works or opinion have been written or published by others in this thesis, except those referred to in the manuscript and listed in the bibliography. Therefore, if any violation of intellectual right found in this research, I agree to accept any relevant academic consequences.

Yogyakarta, July 10<sup>st</sup>, 2024

  
Andien Femmy Salsya Billa

## **MOTTO**

*“Allah is the place to ask for everything. (Allah) has neither begotten nor was begotten. And there is nothing equal to Him.”*

### **Q.S Al Ikhlas/112:2-4**

*Allah says the following: “I always fulfill My servant's belief in Me. If he thinks well of Me, he will receive good. However, if he is prejudiced against Me, he will receive evil.”*

**H.R. Tabrani and Ibn Hibban**

## ACKNOWLEDGMENT

All praise to Allah SWT., who has given us his guidance and so that we can complete the thesis with the title **“THE EFFECT OF FINANCIAL DISTRESS, GROWTH OPPORTUNITIES, AND LIQUIDITY ON HEDGING DECISIONS (Empirical Study on Mining Companies Listed on the Indonesia Stock Exchange for the Period 2018-2022)”**. *Sholawat* and *salam* belong to the Prophet Muhammad SAW., who has brought us from the *jahiliyyah* time to an time full of knowledge nowadays. Without the support and prayers of my loved ones, the author would not be here and could not finish this thesis. Therefore, the author dedicated this thesis to:

1. Both of the author's parents, beloved father Rujiansyah and beloved mother Andin Salmah who have become extraordinary parents. The author dedicates this to you who have given all the support and are always grateful for all author's achievements to date and for the prayers and affection that always accompany the author's steps so that there is always motivation to work on and complete this thesis.
2. Mrs. Dra. Arum Indrasari, M. Buss., Ak., CA, as the supervisor of the author's thesis. Thank you very much for the sacrifice of time, knowledge, and patience in guiding the author in completing this thesis.
3. Mr. Pradana Akbar T, S.Pd., M. Pd., as the LTC supervisor. Thank you very much for guiding and providing direction patiently about writing and using words and sentences that are sound in English.

4. The author's only brother Gusti Faqih Adzima who always provides encouragement, prayers, and all his support during the thesis preparation process.
5. To my best friends during college: Qanitah Amalia, Sarwah Sahsiah, Farradiptya Fathansyah, Amelia Putri, Putri Serly, Khadiva Salwa, Zaimatunnisa Syamsul, Nabila Safitri, and A. Difa Nadiah thank you for supporting the spirit of college and being a friend who is always there in times of trouble and joy.
6. The author's dear friends: Fauziah Amalia, Puteri Amalia, Azmi Nabilah, Aurelia Rizki, Hasrawati Nur, Andi Rizki who accidentally met in high school and are good friends until now. Thank you for always spreading positive energy and bringing the benefits of happiness.
7. IPAcc staff and all the author's classmates, IPAcc Class of 2020. Thank you for helping, directing, and filling the author's days with memories that will never be forgotten.
8. For Andien Femmy Salsya Billa who has survived to enjoy the long process of this thesis. Hopefully this thesis can be the best work and can be a motivation for the author to never stop studying.
9. For Alfathur Luthfi Berno who has accompanied the writer's process, worked together, discussed, things, and became the best partner during the preparation of this thesis.
10. All parties that the author cannot be mentioned one by one. Thank you for your prayers, motivation, and support.

Hopefully this thesis can be useful for readers and can inspire readers to find some new and innovative research.

## FOREWARD

### *Assalamualaikum Warohmatullahi Wabarokatuh*

Praise be to Allah SWT., the Lord of the universe, who has given us his guidance, opportunities, and the pleasure of faith, Insha Allah. *Sholawat* and *salam* belong to the Prophet Muhammad SAW., who has brought us from the *jahiliyyah* time to an time full of knowledge nowadays. The title of this undergraduate thesis is **“THE EFFECT OF FINANCIAL DISTRESS, GROWTH OPPORTUNITIES, AND LIQUIDITY ON HEDGING DECISIONS (Empirical Study on Mining Companies Listed on the Indonesia Stock Exchange for the Period 2018-2022)”** as a requirement to complete the Bachelor Program in International Program of Accounting (IPAcc), Faculty of Economics and Business, Universitas Muhammadiyah Yogyakarta. This thesis’s completion was contingent upon the guidance and support of numerous individuals. Consequently, the author would like to extend the gratitude to the following individuals to the greatest extent possible:

1. Prof. Rizal Yaya, M.Sc., Ph.D., Ak., CA, as the Dean of the Faculty of Economics and Business at Universitas Muhammadiyah Yogyakarta.
2. Dr. Dyah Ekaari Sekar J, S.E., M.Si., QIA., Ak., CA., as the Head of Accounting Department at Universitas Muhammadiyah Yogyakarta.
3. Fitri Wahyuni, SE, M.Sc., as the Head of International Program of Accounting Department at Universitas Muhammadiyah Yogyakarta.
4. For all parties, who contributed to the success of this undergraduate thesis and apologize for not mentioning everyone individually.

### *Wassalamualaikum Warohmatullahi Wabarokatuh*

Yogyakarta, July 10<sup>st</sup>, 2024



Andien Femmy Salsya Billa



## TABLE OF CONTENTS

<b>TITTLE</b> .....	i
<b>TABLE OF CONTENTS</b> .....	ix
<b>LIST OF TABLES</b> .....	xi
<b>INTISARI</b> .....	xii
<b>ABSTRACT</b> .....	xiii
<b>CHAPTER I INTRODUCTION</b> .....	1
<b>A. Background</b> .....	1
<b>B. Research Questions</b> .....	9
<b>C. Research Objectives</b> .....	9
<b>D. Research Benefits</b> .....	10
<b>CHAPTER II LITERATURE REVIEW</b> .....	11
<b>A. Theoretical Review</b> .....	11
<b>1. Signaling Theory</b> .....	11
<b>2. Financial Distress</b> .....	12
<b>3. Growth opportunity</b> .....	13
<b>4. Liquidity</b> .....	15
<b>B. Previous Research</b> .....	15
<b>C. Research Framework</b> .....	21
<b>D. Hypothesis Developments</b> .....	22
<b>1. Financial Distress on Hedging Decision</b> .....	22
<b>2. Growth Opportunities on Hedging Decision</b> .....	23
<b>3. Liquidity on Hedging Decision</b> .....	24
<b>4. Research Model</b> .....	26
<b>CHAPTER III RESEARCH METHODS</b> .....	27

<b>A. Research design</b> .....	27
<b>B. Data Collection Methods</b> .....	28
<b>C. Population and Sample</b> .....	28
<b>D. Operational Definition and Variable Indicators</b> .....	29
<b>E. Data Analysis Technique</b> .....	31
<b>F. Hypothesis Acceptable Criteria</b> .....	33
<b>CHAPTER IV RESEARCH RESULTS AND DISCUSSION</b> .....	36
<b>A. Object of Research</b> .....	36
<b>B. Instrument and Data Quality Test</b> .....	37
<b>C. Research results</b> .....	44
<b>D. Interpretation</b> .....	48
<b>CHAPTER V CONCLUSIONS, LIMITATIONS, IMPLICATIONS, AND SUGGESTIONS</b> .....	50
<b>A. Conclusions</b> .....	50
<b>B. Limitations</b> .....	51
<b>C. Implications</b> .....	51
<b>D. Suggestions</b> .....	52
<b>REFERENCES</b> .....	53
<b>APPENDIX</b> .....	60

## LIST OF TABLES

<b>Table 2. 1 Previous Research</b> .....	18
<b>Table 4. 1 Research Sample Criteria</b> .....	36
<b>Table 4. 2 Descriptive Statistics of the Independent Variable</b> .....	37
<b>Table 4. 3 Frequency of z-score classification</b> .....	39
<b>Table 4. 4 Frequency of the Dependent Variable</b> .....	39
<b>Table 4. 5 Hosmer and Lemeshow Test</b> .....	40
<b>Table 4. 6 Iteration History<sup>a,b,c</sup> Block Number=0</b> .....	40
<b>Table 4. 7 Iteration History<sup>a,b,c,d</sup> Block Number=1</b> .....	41
<b>Table 4. 8 Correlation Matrix</b> .....	42
<b>Table 4. 9 Classification Table<sup>a</sup></b> .....	42
<b>Table 4. 10 Model Summary</b> .....	43
<b>Table 4. 11 Variables in the Equation</b> .....	43