

UNIVERSITI TEKNOLOGI MARA

**DETERMINANTS OF HEDGING FOR
MALAYSIAN CORPORATIONS**

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of the requirements for the degree of
Master of Science

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AUTHOR'S DECLARATION

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and the result of my own work, unless otherwise indicated or acknowledged as reference work. This thesis has not been submitted to any other academic institution or non- academic institutions of any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Post Graduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

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ABSTRACT

This study attempts to investigate the hedging determinants of non-financial Malaysian corporations by testing several hypotheses on how corporations decided to utilize hedging instruments (derivatives). Selective macroeconomic variables are tested as part of the macro aspect variables for systematic risks assessment. It is found that liquidity, managerial risk aversion of option compensation, blockholder shares, market value of corporation, tax preference items and the foreign exposure of firm are the significant factors for Malaysian corporations to hedge, and the only macro aspect variable is interest rate, which contributes to hedging decision. Besides investigating the determinants of hedging issue, this study also examines the financial performance of corporation's hedging by using ROA and Tobin's Q performance indicator, on the hedge and non-hedge corporations sub-samples. It is found that hedger and non-hedger corporations have no significant difference in terms of financial performance, except at industry or sector level. It appears that Consumer Product's ROA, Industrial Product's ROA and Technology's ROA to be significantly and positively related to hedging as predicted relationship. Plantation's Tobin's Q and Property's Tobin's Q also show significant positive relationship to corporations' hedging activities.

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