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Analysis of Hedging and Profit of Indonesian Manufacturing Companies

Rahmat Hidayat[1], Hasrul Azwar Hasibuan[2], Samrin[3]

Email: rahmathidayat@dosen.pancabudi.ac.id
Universitas Pembangunan Panca Budi

ABSTRACT
This research aim to test and know clearly" Analyze hedging to increase profit manufacture company in Bursa Efect Indonesia 2013-2016. This research used quantitative methods that involved 12 company. The data was collected by financial statement from Bursa Efect Indonesia. Data were analyzed using a statistical formula, namely by using pane and ardll regression analysis of the processing performed by eviews versy 7..Resultsofregression analysisis :Y =378,46 + 165.86X1+9.74X2+1.85X3 + e. The result of quantitative analysis showed that as simultant DER, ROA, dan CR have influent to Profit. As partial DER and ROA have no significant influence to profit but CR have significant influence to Profit.

Keywords : Hedging, Profit, Current Ratio (CR)

INTRODUCTION
One way that can be taken to deal with this risk is by hedging. According to Hanafi (2012), hedging is basically transferring risk to other parties who are more able to manage risk better through financial instruments. Hedging activities can be carried out using derivative instruments. According to Hanafi (2012), derivative instruments are instruments whose value is derived from the value of the underlying asset. Types of derivative instruments include: forwards, futures, options and swaps. According to Brigham (2013), investors often feel suspicious when managers apply hedging to a company's business risks. The reason behind implementing hedging is to prevent bankruptcy so that the manager does not lose his job. However, there are several valid reasons why companies should hedge, namely: better debt and cost decisions, smoother budget funding, reduced extreme cases of poor financial performance, better comparative advantage in hedging, and allowing companies to be in lower tax range.

Hedging or in English is called a hedge in the financial world can be interpreted as an investment made specifically to reduce or eliminate risk in another investment. Hedging or hedging is any technique designed to reduce or eliminate the risk of setbacks in a financial context (Nguyen, 2012). Hedging is one way of risk management which is classified as a risk transfer. Hedging is a contract that aims to protect the company from market risk (Subramanyam 2012:356). Hedging activities can be carried out using derivative instruments, namely options, forward contracts, fixed contracts, and swaps (Sunaryo, 2009:25). A company that has an indication of bankruptcy from a financial distress calculation will encourage management to protect the company from various risks including market risk by carrying out hedging activities. The main purpose of hedging is to provide a hedge so that investors minimize losses if the price of an asset in the market changes in an undesirable direction. This can also have an impact on disrupting the company's profits which were originally good, but due to changing exchange rates it could become a loss that the company does not want. One of the ways to make the company's financial statements look good is by means of management to manage earnings (earnings management). Earnings management is a deviation in preparing

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financial reports by affecting profits in financial statements (Herawaty, 2008).

Table 1 Companies Doing or Not Doing Hedging

No	Kode	Nama Perusahaan	Melakukan Hedging dan Tidak
1	ICBP	Indofood CBP Sukses Makmur Tbk	Tidak *Hedging*
2	AISA	Tiga Pilar Sejahtera Food Tbk	Melakukan *Hedging*
3	MYOR	Mayora Indah Tbk	Tidak *Hedging*
4	ROTI	Nippon Indosari Corporindo Tbk	Melakukan *Hedging*
5	SKBM	Sekar Bumis Tbk	Melakukan *Hedging*
6	ALTO	Tri Banyan Tirta Tbk,PT	Melakukan *Hedging*
7	CEKA	Wilmar Cahaya Indonesia Tbk,PT	Melakukan *Hedging*
8	INDF	Indofood Sukses Makmur Tbk, PT	*Tidak Hedging*
9	MLBI	Multi Bintang Indonesia Tbk, PT	Melakukan *Hedging*
10	PSDN	Prashida Aneka Niaga Tbk, PT	Tidak *Hedging*
11	SKLT	Sekar Laut Tbk, PT	Melakukan *Hedging*
12	ULTJ	Ultrajaya Milk Industry and Trading Company Tbk, PT	Melakukan Hedging
13	DLTA	Delta Djakarta Tbk, PT	Tidak Hedging.

The Profit/Profit value in several Manufacturing Companies has experienced a very significant increase. The average value of profit each year in Manufacturing Companies is quite increasing. In the first year, 2010, it experienced a stable average with an average value of 10.72. In the second year, 2011, it experienced a stable average with an average value of 11.82. In the third year, 2012, it experienced a stable average with an average value of 10.72. In the fourth year, 2013, it experienced a stable average with an average value of 706,710.5. In 2014 the average profit increased by 846,441,083. In 2015 it decreased by 823,470,583. However, in 2016 the average profit increased again by 873,663,083. The rise and fall of profits is due to the lower selling price compared to the buying price. Companies can go bankrupt if they experience decreased profits, conversely companies experience high profits if the selling price is higher than the purchase price.

LITERATURE REVIEW

Profits

Suwardjono (2010: 455) defines profit as profit income minus costs, which is a structural or syntactic definition because profit is not defined separately from the notion of income and costs. Kasmir (2015: 45) income statement also contains the amount of income earned and the amount of costs incurred. In other words, the income statement is a report that shows the amount of income or income derived from expenses incurred and profit or loss in a certain period.

Hedging

Hedging is a contract that aims to protect the company from market risk (Subramanyam 2012:356). Hedging activities can be carried out using derivative instruments, namely options, forward contracts, futures contracts, and swaps (Sunaryo, 2009:25). Based on that, hedging functions to protect the owner from losses that can befall existing assets. Hedging or in English is called a hedge in the financial world can be interpreted as an investment made specifically to reduce or eliminate risk in another investment. Hedging is a strategy created to reduce the emergence of unexpected business risks, while still making it possible to gain profit from the

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Volume 3 Number 2 page 264 - 270

investment.

Leverage

According to Fahmi (2012: 91) leverage is a measure used in analyzing financial statements to show the amount of collateral available to creditors. The leverage ratio is a ratio that measures how much a company is financed with debt, whereas in a broad sense, Kasmir (2012: 45) says that the leverage ratio is used to pay all of its obligations, both long term and short term if the company is liquidated. The purpose of companies using leverage is so that the profits obtained are greater than the cost of assets and sources of funds. The average leverage value of companies that carry out income smoothing is higher than that of non-income smoothing.

Profitability

Profitability is the company's ability to earn profits (Sartono, 2008: 122). A high level of profitability can indicate the company's ability to go concern (Purwaningsih, 2008). Investors in the capital market are very concerned about the company's ability to generate, support and increase profits. Profitability can be measured in several different ways, but in interrelated dimensions. First, there is a relationship between profit and sales so that there is a residual return for the company per rupiah of sales.

Liquidity

Kasmir (2012: 129) liquidity ratio *is a* ratio that describes a company's ability to meet short-term obligations. By using the current ratio as one of the analyzes in viewing and measuring liquidity, there are ways that can be done to increase it. This is as stated by Bambang Riyanto, that "the level of liquidity or the current ratio of a company can be increased in the following ways:

1. With certain current liabilities, efforts are made to increase current assets.
2. With certain current assets, try to reduce the amount of current debt.
3. By reducing the amount of current debt together with reducing current assets.

This ratio shows whether a company can meet its short-term obligations with current assets. Companies with this position often have disrupted liquidity, so that investors prefer to buy shares of companies with high current asset values compared to companies with low current asset values (Prihantini, 2009).

METHODS

The approach of this research is descriptive quantitative with the support of Panel and ARDL regression models which are used as predictive analysis tools. This study examines the analysis of hedging in increasing profits in manufacturing companies listed on the IDX. In this study using panel data that is by using inter-temporal data and inter-regional data. ARDL panel regression is used to obtain estimation results for each individual characteristic separately by assuming cointegration in the long run lag of each variable. Autoregressive Distributed Lag (ARDL) introduced by Pesaran et al. (2001). This technique examines each variable lag located at I (1) or I (0). On the other hand, the ARDL regression result is a test statistic that can compare two asymptotic critical values.

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Volume 3 Number 2 page 264 - 270

ARDL Panel Testing with the formula:

$$\textbf{profit}_{it-p} = \quad \alpha+\beta 1\textbf{der}_{it-p}+\beta \textbf{lnroa}_{it-p}+\beta 3\textbf{cr}_{it-p}+ €$$

RESULTS AND DISCUSSION

From the results of the CUSUM test it can be seen that the model is in a stable state because the CUSUM test line is still between the 5 percent significant line (red).

Dependent Variable: D(LABA)
Method: ARDL
Date: 10/30/18 Time: 14:09
Sample: 2011 2016
Included observations: 72
Maximum dependent lags: 1 (Automatic selection)
Model selection method: Akaike info criterion (AIC)
Dynamic regressors (1 lag, automatic): DER
Fixed regressors: C
Number of models evalulated: 1
Selected Model: ARDL(1, 1)
Note: final equation sample is larger than selection sample

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
	Long Run Equation			
DER	2.128836	0.021192	100.4540	0.0000
	Short Run Equation			
COINTEQ01	-1.166611	0.149967	-7.779114	0.0000
D(DER)	0.017718	1.073539	0.016505	0.9869
C	11.06783	2.057738	5.378640	0.0000
Mean dependent var	2.47E-17	S.D. dependent var		2.622070
S.E. of regression	1.773205	Akaike info criterion		1.363846
Sum squared resid	147.7800	Schwarz criterion		2.434562
Log likelihood	-20.28151	Hannan-Quinn criter.		1.794265

*Note: p-values and any subsequent tests do not account for model selection.

The accepted ARDL Panel model is a cointegrated lag model, where the main assumption is that the coefficient value has a negative slope with a significant level of 5%. ARDL Panel Model Requirements: the value is negative (-1.166611) and significant (0.0000 <0.05), then the model is accepted. Based on the acceptance of the model, data analysis is carried out with panels per company:

The results of this study indicate that DER has no significant effect on profit. The t-count value is 2.81 > 1.65 (t-table) and sig 0.0062 <0.05, then H0 is accepted and H1 is rejected. It can be concluded that DER has a significant effect on profit and the hypothesis states that DER has a significant effect on profit acceptable. The results of this study are not in accordance with the results of Michael Valentino Damanik's research (2008) which revealed

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Volume 3 Number 2 page 264 - 270

that DER has no effect on profits. From the results of the study it can be said that the movement in the direction of the DER ratio to the Profit ratio is directly or linearly proportional. So it can be concluded that if the DER ratio goes up, profit goes up and vice versa, if the DER ratio goes down, profit goes down. This indicates that internal factors within the company or management factors do not significantly influence company profits

The results of this study indicate that Return On Assets (ROA) has no significant effect on profit. T-count value 3.05> 1.65 (t-table) and sig 0.0031 <0.05 then H0 is accepted and H1 is rejected, it can be concluded that ROA has no significant effect on profit and the hypothesis stating that ROA has a significant effect on return is acceptable . The results of this study are not in accordance with the research of Wildham Bestivano (2013) which states that ROA has no effect on profit actions. Profitability is proxied by ROA, ROA has no effect presumably because investors tend to ignore the maximum available ROA information so that management is not motivated to do income smoothing through the profitability variable.

The results of this study indicate that CR has no significant effect on earnings. The t-count value is 4.7 > 1.65 (t-table) and sig 0.0000 <0.05 then H0 is accepted and H1 is rejected. It can be concluded that CR has a significant effect on earnings and the hypothesis states that CR has a significant effect on acceptable profit. The results of this study differ from the results of Michael Valentino Damanik's (2008) study which revealed that CR had no significant effect on stock prices. The results of this study indicate a positive correlation between CR and profit, which means that if the CR ratio increases, profits increase and vice versa, if the CR ratio decreases, profits decrease.

Based on data analysis and hypothesis testing that has been carried out in this study, it can be seen that DER has proven to have a significant effect on profits at PT. ICBP. This research is different from Wulandari's research (2015) which states that der has a negative effect on profit. And research conducted by Jonathan, Rita and Fredella (2014) states that the debt equity ratio (DER) has a significant positive effect on stock prices in manufacturing companies in the food and beverage sector listed on the Indonesia Stock Exchange for the 2011-2014 time period.

Based on data analysis and hypothesis testing that has been carried out in this study, it can be seen that DER has proven to have a significant effect on profits at PT. AISA. This research is different from Wulandari's research (2015) which states that der has a negative effect on profit. And research conducted by Jonathan, Rita and Fredella (2014) states that the debt equity ratio (DER) has a significant positive effect on stock prices in manufacturing companies in the food and beverage sector listed on the Indonesia Stock Exchange for the 2011-2014 time period.

Based on data analysis and hypothesis testing that has been carried out in this study, it can be seen that DER has proven to have no significant effect on profits at PT. MYOR. The results of this study are in accordance with the results of Michael Valentino Damanik's research (2008) which revealed that DER has no effect on profit prices. From the results of the study it can be said that the movement in the direction of the DER ratio to the Profit ratio is directly or linearly proportional. So it can be concluded that if the DER ratio goes up, profit goes up and vice versa, if the DER ratio goes down, profit goes down. This indicates that internal factors within the company or management factors do not significantly influence company profits.

Based on data analysis and hypothesis testing that has been carried out in this study, it

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Volume 3 Number 2 page 264 - 270

can be seen that DER has proven to have no significant effect on profits at PT. BREAD. The results of this study are in accordance with the results of Michael Valentino Damanik's research (2008) which revealed that DER has no effect on profit prices. From the results of the study it can be said that the movement in the direction of the DER ratio to the Profit ratio is directly or linearly proportional. So it can be concluded that if the DER ratio goes up, profit goes up and vice versa, if the DER ratio goes down, profit goes down. This indicates that internal factors within the company or management factors do not significantly influence company profits.

CONCLUSION

The results of this study indicate that DER has no significant effect on profit. The t-count value is 2.81 > 1.65 (t-table) and sig 0.0062 <0.05, then H0 is accepted and H1 is rejected. It can be concluded that DER has a significant effect on profit and the hypothesis states that DER has a significant effect on profit acceptable. The results of this study indicate that Return On Assets (ROA) has no significant effect on profit. T-count value 3.05> 1.65 (t-table) and sig 0.0031 <0.05 then H0 is accepted and H1 is rejected, it can be concluded that ROA has no significant effect on profit and the hypothesis stating that ROA has a significant effect on return is acceptable. The results of this study indicate that CR has no significant effect on earnings. The t-count value is 4.7 > 1.65 (t-table) and sig 0.0000 <0.05 then H0 is accepted and H1 is rejected. It can be concluded that CR has a significant effect on earnings and the hypothesis states that CR has a significant effect on acceptable profit.

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Volume 3 Number 2 page 264 - 270

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