

## **ABSTRACT**

*In 2017, Bank Indonesia asked state-owned enterprises (SOEs) to actively hedge after the issuance of Standard Operating Procedure (SOP) hedging transactions signed by the Minister of Bumn on July 5, 2017. On the occasion that I also did the endorsement of hedging transactions between PT PLN (Persero) and PT Bank Mandiri (Persero), PT Bank Negara Indonesia (Persero), and PT Bank Rakyat Indonesia (Persero) with a call spread hedging transaction value of US \$ 30 million. Hedging is an attempt to protect an asset owned by a company from future volatile price fluctuations and is one way to minimize exposure to risk and possible losses (Kinasih and Mahardika, 2019).*

*This study has two variables that affect banking hedging decisions, namely liquidity and profitability. This research aims to find out the effect of liquidity and profitability on hedging decisions on state-owned enterprises listed on the Indonesia Stock Exchange (IDX). The object of this study is a state-owned company registered with the IDX. The period in this study is 2016-2020.*

*In this study, hedging decisions are projected with dummy variables, where companies that hedge will be given a score of 1 and companies that do not hedge will be given a score of 0. While liquidity is projected with the formula Current Ratio and profitability is projected with the formula Return On Assets. The population in the study was 16 companies. With the purposive sampling method, a sample of 16 companies was obtained. The analytical method used in this study is the logistic regression method.*

*The results of this study showed that simultaneously, liquidity and profitability affect hedging decisions in state-owned enterprises listed on the IDX. Partially, liquidity has no effect on hedging decisions and profitability has positive effect on hedging decisions in state-owned enterprises listed on the IDX.*

*From the results of this study, researchers hope that this research can be a reference for investors to invest, especially investors in state-owned enterprises. In addition, researchers also hope that this study can be generalized again in a broader direction.*

*Keywords: hedging decisions, liquidity, and profitability.*