

ABSTRACT

This research thesis analyzes the factors which can determine the hedging policy of the firms. A sample of 104 Pakistani non-financial firms listed in Pakistan Stock Exchange for the period between 2014 and 2018 is studied. The study has applied the Generalized Methods of Moments GMM to analyze the determinants of corporate hedging. Firms use different techniques of hedging against risk. The corporate hedging technique which has been focused in this thesis is usage of derivative instruments for hedging. The inferential statistics suggest that corporate hedging decisions positive association liquidity, level of debt, foreign sale, opportunities for investment growth and managerial ownership structures of companies. Firms choose to hedge to reduce the variability of cash flows in order to increase the value of the firm. Moreover firm decision of using derivative instrument for hedging purpose negatively related with liquidity, liquidity and profitability.

Keyword: Corporate Hedging, Derivatives, GMM