Nexus Between Financial Hedging, Performance and Firm Value: Evidence From A Sample of Non-Financial Asian Firms

M. Kabir Hassan[1], Islam Abdeljawad[2], Mamunur Rashid[3] and Siti Nur Khoirunnisaa[4]

ABSTRACT

Use of hedging and firm value (performance) nexus has received mixed attention due to conflicting results that broadly consider firms from the U.S. and European contexts. This study investigates data from Asia- Pacific region to observe the interaction between use of hedging, value, and performance of non-financial firms. Results indicate hedging to be value enhancing irrespective of the three types of risks hedged: foreign currency, interest rate, and commodity price risk with foreign currency risk is the strongest driver. This nexus, however, is weaker for commodity price risk. Several moderation and robustness tests also confirm that profitable, highly levered, and high growth companies use derivatives for hedging to a higher extent. We forward that both reactive and proactive reasons behind hedging might be connected to corporate intention to reduce 'reputation risk'.

Keywords: *Hedging; risk; derivative; value; performance; Asia-Pacific.*

[1] University of New Orleans, United States. Email: mhassan@uno.edu
[2] An-Najah National University, Palestine. Email: islamjawad@najah.edu
[3] Canterbury Christ Church University, United Kingdom Email: Mamunur.rashid@canterbury.ac.uk
[4] University of Nottingham Malaysia Campus, Malaysia. Email: dsnkphj51@gmail.com