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The Effect of Foreign Liability, Interest Coverage Ratio and Growth Opportunity on Hedging Decisions with Leverage as a Moderating Variable

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Abstract

Objective – *This study aims to examine the effect of Foreign Liability, Interest Coverage Ratio, and Growth Opportunity on hedging decisions, with Leverage as a moderating variable.*

Design/methodology/approach – *This study employs a quantitative approach using logistic regression analysis. The sample consists of 44 non-primary consumer goods sector companies listed on the Indonesia Stock Exchange during the 2022–2024 period.*

Findings – *The results show that Foreign Liability has a negative and statistically significant effect on hedging decisions, indicating that companies with higher foreign currency liabilities tend to reduce their hedging activities. This finding contrasts with the initial hypothesis that predicted a positive relationship and represents a unique empirical result. The Interest Coverage Ratio has a negative but insignificant effect, while Growth Opportunity has a positive and significant effect on hedging decisions. Furthermore, Leverage significantly strengthens the relationship between Foreign Liability and hedging decisions but does not moderate the effects of Interest Coverage Ratio and Growth Opportunity.*

Originality/value – *This study contributes to the hedging and risk management literature by providing empirical evidence from the non-primary consumer goods sector in Indonesia during the most recent period and highlighting the contrasting role of Foreign Liability in hedging decisions.*

JEL : G34, M14, J16, Q56

INTRODUCTION

The manufacturing industry is one of the strategic sectors in the Indonesian economy with a contribution to the Gross Domestic Product (GDP) that almost reached 20% in 2021. One of the important subsectors in the manufacturing industry is the non-primary consumer goods sector, which includes the automotive, textile, electronics, entertainment, as well as various lifestyle products. This sector is cyclical because the level of demand is greatly influenced by macroeconomic conditions and people's purchasing power. Dependence on imported raw

materials, external financing, and export-import activities causes companies in this sector to face relatively high financial risks, especially the risk of exchange rate fluctuations and interest rates. In these conditions, hedging decisions are an important instrument in managing the company's financial risk.

However, hedging practices are not always used consistently between companies and subsectors. Companies with high international exposure tend to be more actively hedging, while companies oriented towards the domestic market are relatively more conservative. In addition, several empirical phenomena show that hedging decisions are not only influenced by the need for risk mitigation, but also by conflicts of interest between management and shareholders as well as management's efforts in signaling to investors. This condition can be explained through Agency Theory, which emphasizes the existence of a conflict of interest between principal and agent, and Signaling Theory, which views hedging decisions as a signal of the quality of the company's risk management.

Previous research has shown that hedging decisions are influenced by a variety of financial factors, but the results are still inconsistent. Foreign liability was found to have a positive effect on hedging decisions in energy sector companies (Hadini & Desmiza, 2024), but other studies have found negative or insignificant influences on certain state-owned companies and manufacturing sectors (Febrianti & Angelica Cindiyasari, 2024; Imelda et al., 2024). The interest coverage ratio has consistently shown a negative influence on hedge decisions, as evidenced by (Esma et al., 2021; Fadhillah & Nurlita, 2023; Ridha, 2023), which suggests that companies with good interest-paying capabilities are less likely to prioritize hedging. Meanwhile, growth opportunities generally have a positive effect on hedge decisions (Apriliani et al., 2024; Harris & Rosmita, 2024), although some studies have found the opposite in certain sectors (Siregar, 2024).

In addition to these factors, leverage also plays an important role in hedging decisions and has the potential to strengthen or weaken the relationship between financial variables and hedging decisions (Rosalin et al., 2023; Safitri & Nuraini, 2024). Based on the differences in the results of previous research and the limited research that specifically examines the non-primary consumer goods sector, this study aims to analyze the influence of foreign liability, interest coverage ratio, and growth opportunity on leveraged hedging decisions as a moderation variable in companies in the non-primary consumer goods sector listed on the Indonesia Stock Exchange for the 2022–2024 period.

LITERATURE REVIEW

Foreign Liability

According to (Weriantoni & Novita, 2024) Foreign Liability refers to a company's obligations denominated in foreign currencies, which expose firms to exchange rate risk. Companies with foreign currency liabilities are vulnerable to fluctuations in exchange rates that may increase debt burdens and financing costs when the domestic currency depreciates. Consequently, foreign liabilities are often associated with the need for hedging strategies to mitigate financial risk and stabilize cash flows.

Interest Coverage Ratio

According to (Supriyati et al., 2023) *Interest coverage ratio* is a ratio to measure a company's ability to pay interest on its debt using the profits generated. The higher it is *Interest coverage*

ratio, the better a company's ability to pay interest on its debt. Interest coverage is an indication of the margin of safety for an organization before running the risk of non-payment of interest costs that could potentially threaten its solvency.

Growth Opportunity

Growth opportunity is a term that describes a company's potential to expand operations, enter new markets, or develop new products and services in the future (Rosalina, 2025). The impact of growth opportunities on hedging decisions is an important aspect that affects a company's risk management strategy.

Leverage

Leverage It is the ability of a business to use assets or capital at a fixed cost (debt or equity) to achieve business goals to maximize the value of the business. With this leverage effect, the Company's wealth level is also expected to increase (Hartati, 2024).

Hedging Decisions

Hedging is defined as a company's policy in minimizing the risk of foreign exchange fluctuations that can harm the company, by using derivative instruments, namely futures, options, swaps, and forwards (Jiwandhana & Triaryati, 2016). This means that hedging activities are steps that must be taken by a multinational company in minimizing market risks and credit risks that will threaten the company's sustainability by using derivative instruments.

Development hypotheses

Companies with foreign currency liabilities face exchange rate risk that can increase financial burdens when currency depreciation occurs. According to Agency Theory, hedging is expected to reduce uncertainty and agency conflicts between management and shareholders by stabilizing cash flows. Therefore, firms with higher foreign liabilities are theoretically encouraged to implement hedging strategies.

However, empirical evidence shows mixed results. Some studies find that foreign liabilities increase hedging decisions (Hadini & Desmiza, 2024), while others report insignificant or negative relationships (Imelda et al., 2024; Nurfiyanti et al., 2025). This inconsistency suggests that companies may manage foreign exchange exposure through natural hedging, operational adjustments, or pass-through pricing strategies rather than financial derivatives.

Based on theoretical arguments and prior empirical findings, the hypothesis is formulated as follows:

H_1: Foreign Liability has a positive effect on Hedging Decisions.

The high interest coverage ratio indicates the company's financial difficulties. Indeed, the higher the interest coverage ratio, the better, because it is believed that the company can cover interest costs for a certain period with guaranteed operating profits for a certain period. As a result, the risk of bankruptcy can be minimized and the company does not need to resort to additional external financing that will be affected by exchange rate fluctuations. In this study, the Interest Coverage Ratio is calculated by comparing the ratio between earnings before

interest and tax (EBIT) with the interest expense owned. Research conducted by (Fadhillah & Nurlita, 2023) states that the Interest Coverage Ratio does not affect the company in making Hedging Decisions. Based on this explanation, the hypotheses that can be formulated are:
H_2: Interest Coverage Ratio has a negative effect on the Hedge Decision.

Companies with high growth opportunities will tend to need a large amount of funds to finance that growth in the future. High growth opportunities will encourage companies to maintain their profits as retained earnings, and will also continue to rely on funding through larger external sources of funding (Saragih & Musdholifa, 2017). This makes companies vulnerable to foreign exchange exposure. So the higher the company's growth opportunity, the more likely the company is to implement a hedging policy. Growth opportunities in this study were measured by using a comparison between MVE (market value of equity) and BVE (book value of equity). MVE is the result of multiplying the year-end closing share price by the number of shares outstanding. BVE is obtained from the difference between the company's total assets and total liabilities. Research conducted by (Fadhilah & Linda, 2025) stated that growth opportunities have an influence on the hedging decision. Based on this explanation, the hypotheses that can be formulated are:
H_3: Growth Opportunity has a positive effect on Hedging Decisions.

In the nature of high leverage conditions, companies will face great financial pressure, so they tend to hedge to maintain their ability to meet their financial obligations. Thus, leverage can strengthen the influence of foreign liabilities on hedging decisions, because the larger the company's debt, the greater the need to protect itself from the risk of exchange rate fluctuations. This shows that leverage plays a driving factor that increases the sensitivity of companies to foreign exchange exposure. This view is also in line with research conducted by (Mardiana & Ratnawati, 2023) on manufacturing companies listed on the Indonesia Stock Exchange, which shows that leverage strengthens the influence of external debt exposure on companies' hedging decisions. Based on the theoretical studies and previous research above, the researcher took the following hypothesis:
H_4: Leverage strengthens the influence of Foreign Liabilities on Hedging Decisions.

According to (Supriyati et al., 2023) Interest coverage ratio is a ratio to measure a company's ability to pay interest on its debt using the profits generated. The higher the interest coverage ratio, the better a company's ability to pay interest on its debt. Interest coverage is an indication of the margin of safety for an organization before running the risk of non-payment of interest costs that could potentially threaten its solvency. Low-leverage companies have higher financial flexibility and may not need hedging as much to protect their cash flow. In other words, leverage can strengthen the influence of the Interest Coverage Ratio on hedging decisions, because the higher the leverage, the more sensitive the relationship between the ability to cover interest expenses and the company's decision to hedge. Based on the theoretical studies and previous research above, the researcher took the following hypothesis:
H_5: Leverage strengthens the influence of the Interest Coverage Ratio on the Hedge Decision.

When a company has good growth prospects, the management team tends to be more

open to risk, and by taking positions that expose them to market risks such as foreign exchange rate fluctuations or fluctuations in commodity prices, they have the potential to (Imelda et al., 2024). Growth opportunity is a term that describes a company's potential to expand operations, enter new markets, or develop new products and services in the future (Rosalina, 2025). The impact of growth opportunities on hedging decisions is an important aspect that affects a company's risk management strategy. Growth opportunities reflect a company's future growth potential and are often associated with market expansion, product innovation, and acquisitions. The relationship between growth opportunity and hedging decisions does not stand alone, but can be influenced by the leverage that the company has. A high level of leverage indicates that the company has large debt obligations and must maintain stable cash flows in order to meet interest and principal payments. In this situation, companies with high growth opportunities will be increasingly encouraged to hedge to avoid financial risks that can hinder the realization of growth opportunities. Conversely, when leverage is low, companies have greater financial flexibility to take on risk without having to rely excessively on hedging strategies. Thus, leverage has the potential to amplify the influence of growth opportunities on hedging decisions, as companies with large growth opportunities and high leverage have a stronger incentive to secure their financial position through hedging policies. Based on the theoretical study and the results of the previous research, the hypothesis proposed is:

H_6: Leverage strengthens the influence of Growth Opportunity on Hedging Decisions.

RESEARCH METHOD

Based on the determination of the population that has been determined, there is a determination of criteria that will be included as samples in this study. Some of the criteria set by the researcher in determining the sample are as follows.

Table 1. Sample Determination Process by Criteria

Number of companies in *the non-primary consumer goods* sector listed on the Indonesia Stock Exchange as of December 31, 2024		166 Companies
Criteria		
Criterion 1	Non-primary consumer goods sector companies listed on *the* Indonesia Stock Exchange in 2022-2024	166 Companies
Criterion 2	Companies in the non-primary consumer goods sector have submitted Annual Reports for 2022-2024 which can be used in this study.	94 Companies
Criterion 3	Companies in the non-primary consumer goods sector that have debt in foreign currencies in the 2022-2024 period.	44 Companies

Company Sample	**44 Companies**
Total N is 44 X 3 years of research = 132 Data Observations	

Source: data processed by the author (2025)

Based on the criteria above, there are 44 companies in the non-primary consumer goods sector that meet the requirements in this study for 3 years. With a total of 132 observations of data. The criterion requiring companies to have foreign currency debt is applied to ensure the relevance of the hedging decision. Hedging activities related to foreign exchange risk are only meaningful for firms that are exposed to foreign currency fluctuations. Companies without foreign currency liabilities do not face direct exchange rate risk and therefore have no incentive to engage in hedging strategies related to foreign exchange exposure.

This study aims to examine, analyze, and obtain empirical evidence regarding the influence of foreign liability, growth opportunity, and interest coverage ratio as independent variables on hedging decisions as dependent variables, with leverage as a moderation variable. Leverage is treated as a moderating variable and not as a primary determinant of hedging decisions. This study uses a quantitative approach. The paradigm used in this study is positivism with a deductive logic approach, which starts from the formulation of hypotheses based on theory and previous research, then empirically tested using quantitative data. Based on this definition, this study uses measurements of each variable studied in accordance with the indicators that have been set.

Table 2. Operationalization of Research Variables

Type	Variable	Formula	Source
Independent variables	Foreign Liability	$\frac{Amount\ of\ debt\ in\ foreign\ currency}{Total\ Debt}$	(Hadini & Desmiza, 2024)
	Interest Coverage Ratio	$\frac{EBIT}{Interest\ expense}$	(Esma et al., 2021)
	Growth Opportunity	$\frac{MVE}{BVE}$	(Fadhilah & Linda, 2025)
Dependent Variable	Hedging Decisions	The dummy variables, 1 if the company uses a *hedging* strategy and 0 if the company does not use a *hedging strategy*.	(Febrianti & Angelica Cindiyasari, 2024)
Moderating Variable	Leverage	$\frac{Debt}{Equity}$	(Lailiya & Santoso, 2023)

The logistic regression analysis technique does not require a classical assumption test, which is generally done to test for errors in linear regression, because the dependent variables in logistic regression are dichotomous variables (0 and 1), so the residue does not need to go through three classical assumption tests. The logistic regression equations used in this study are as follows:

$$KH = \alpha + \beta 1FL + \beta 2ICR + \beta 3GO + \beta 4FL*LVR + \beta 5ICR*LVR + \beta 6GO*LVR + \varepsilon$$

RESULTS

Descriptive statistics

Descriptive statistical analysis was used to explain the data characteristics of independent variables, dependent variables, and moderation variables used in this study. The independent variables used include foreign liability, growth opportunity, and interest coverage ratio, dependent variables, namely hedging decisions, and leverage as moderation variables. Through descriptive statistical analysis, this study presents the minimum, maximum, mean, and standard deviation values of each research variable during the observation period of 2022–2024. The following is presented a table of descriptive statistical results of all variables used in this study.

Table 3. Descriptive Table

	KH	FL	ICR	GO	LVR
Red	0.3030	0.1050	100.9672	0.5741	0.4643
Max	1.0000	0.5546	5839.683	8.9197	58.3192
Min	0.0000	0.0000	-1753.144	-2.9257	-28.6932
Std. Dev	0.4613	0.1439	614.609	1.2381	5.9655
N	132	132	132	132	132

KH = *Hedging Decision*; FL = *Foreign Liability*; ICR = *Interest Coverage ratio*; GO = *Growth Opportunity*; LVR = *Leverage*.
Source: Output Eviews-9 (2025)

Foreign liability has a value range between the lowest of 0.0000 to the highest of 0.5546 with an average value of 0.1051. The company with the highest foreign liability value was PT Sunindo Adiperkasa Tbk in 2022, which shows the high proportion of foreign currency liabilities owned by the company in that period. The interest coverage ratio has a value range between the lowest of -1,753.1440 to the highest of 5,839.6830 with an average value of 100.9672. The company with the highest interest coverage ratio value is PT Multi Prima Sejahtera Tbk in 2024, which indicates the company's very high ability to cover interest expenses using its operating profit. Growth opportunities range from the lowest of -2.9257 to the highest of 8.9197 with an average value of 0.5741. The company with the highest growth opportunity value is PT Multistrada Arah Sarana Tbk in 2024, which reflects the high growth opportunities of the company perceived by the market in that year. Leverage as a moderation variable has a value range between a low of -28.6932 to a high of 58.3192 with an average value of 0.4643. The company with the highest leverage value is PT Sona Topas Tourism Industry Tbk in 2024, which shows the company's relatively high level of dependence on debt-based funding.

Hosmer and Lameshow's Test (Goodness of Fit test)

Table 4. ***Hosmer and Lameshow's Test (Goodness of Fit test)***

H-L Statistic	13.2865	Prob. Chi-Sq(8)	0.1024
Andrews Statistic	32.5675	Prob. Chi-Sq(10)	0.0003

Source: EViews-9 Output (2025)

Based on the table above, the H-L statistical result is obtained as 13.2865 with a significance level of 0.1024. The results of this test show that the Chi-Square probability value > 0.05. This indicates that there is no significant difference between the model and the data so that the logistic regression model in this study is declared feasible and able to predict the observation value.

Likelihood Ratio *Test*

Table 5. Likelihood *Ratio Test*

LR statistic	23.36838
Prob(LR statistic)	0.001470

Source: Output Eviews-9 (2025)

Based on Table 4.5 above, the probability value (LR statistic) or chi-square calculation is 0.001470 < 0.05, then it can be concluded that the constructed logistics model is statistically significant and is statistically feasible to use for prediction

Coefficient of Determination (*McFadden R-squared*)

Table 6. Coefficient of Determination

(*McFadden R-squared*)	
McFadden R-squared	0.144302

Source: Output Eviews-9 (2025)

In the table above, the McFadden R-squared value is 0.144302, indicating that the independent variables in this study—namely Foreign Liability, Interest Coverage Ratio, and Growth Opportunity—together with Leverage as a moderating variable, are able to explain 14.43% of the variation in the probability of hedging decisions. The remaining 85.57% of the variation is explained by other variables outside this study, including cash flow volatility (Hadini & Desmiza, 2024), firm size (Haerisma et al., 2024), exchange rate (Nurfiyanti et al., 2025), financial distress (Fadhilah & Linda, 2025), managerial ownership (Fadhillah & Nurlita, 2023), current ratio (Siregar, 2024), dividend policy (Rosalin et al., 2023), profitability (Safitri &

Nuraini, 2024), market-to-book value (Aditya & Haryono, 2018), and liquidity (Imelda et al., 2024).

Logistic Regression Analysis

Table 7. Logistic Regression Analysis

Variable	Coefficient	Std. Error	z-Statistic	Prob.
C	-1.143800	0.294739	-3.880725	0.0001
FL	-5.052209	2.814912	-1.794802	0.0727**
ICR	-0.000617	0.000861	-0.716627	0.4736
GO	0.503953	0.249263	2.021769	0.0432*
LVR	-0.374904	0.165645	-2.263300	0.0236*
FL*LVR	12.81310	4.320625	2.965565	0.0030*
ICR*LVR	-0.000652	0.001256	-0.518871	0.6039
GO*LVR	-0.355975	0.287603	-1.237731	0.2158

Level significance *0.05
Significance level **0.1
Source: EViews-9 Output (2025)

The results of the test using Logistic Regression Analysis can be concluded as follows:

1. A constant with a significance value of 0.0001 < 0.05 indicates that when all independent and moderation variables are of constant value, then the hedging decision can be interpreted statistically.
2. Foreign Liability has a coefficient of -5.0522 (negative) which indicates that Foreign Liability has an effect on the Hedging Decision and is not in line with the hypothesis.
3. The Interest Coverage Ratio with a significance level of 0.4736 > 0.1 indicates that the interest coverage ratio has no effect on the Hedging Decision and is in line with the hypothesis.
4. Growth Opportunity has a coefficient of 0.5039 (positive) which indicates that Growth Opportunity has an effect on the Hedging Decision and is in line with the hypothesis
5. Leverage has a coefficient of -0.3749 (negative) which indicates that Leverage has an effect on the Hedging Decision and is not in line with the hypothesis. Although leverage shows a significant coefficient, it is interpreted within its moderating role rather than as an independent explanatory variable.
6. Foreign Liability*Leverage has a coefficient of 12.81310 (positive) which indicates that leverage strengthens the influence of foreign liabilities on hedging decisions.
7. Interest Coverage Ratio*Leverage is negative but not significant, so it has no real effect on the hedging decision.
8. Growth Opportunity*Leverage is negatively marked with a significance of 0.2158 > 0.1, indicating that leverage tends to weaken the influence of growth opportunities, but is not statistically significant.

DISCUSSIONS

Foreign Liability has an effect on the Hedging Decision.

The first hypothesis test (H1) showed that foreign liability had a negative effect on the hedging decision, so the first hypothesis (H1) was rejected. The negative effect of Foreign Liability on hedging decisions indicates that firms with higher foreign currency liabilities tend to reduce their hedging activities. This finding contradicts the initial hypothesis and highlights a unique empirical result. One possible explanation is that companies in the non-primary consumer goods sector rely more on natural hedging mechanisms, such as matching foreign currency revenues with foreign currency expenses, rather than using derivative instruments. This result suggests that foreign liabilities do not automatically increase hedging intensity and that sectoral characteristics play a crucial role in determining risk management strategies. This means that companies with higher levels of foreign liability do not increase their tendency to hedging, and even tend to lower the probability of hedging decisions. These findings are not in line with Agency Theory, which states that companies with foreign currency liabilities should be encouraged to hedge to minimize exchange rate risk and reduce conflicts of interest between principals and agents. Judging from Signaling Theory, hedging decisions should be a positive signal for investors and creditors regarding management's ability to manage risk. However, the results of this study show that companies with high foreign liabilities do not use hedging as a means of signaling, so the signals expected by the theory do not appear in practice. The results of this study are in line with research by (Imelda et al., 2024) and (Nurfiyanti et al., 2025) Found that foreign debt had no significant effect on hedging decisions. This indicates that foreign liability can function as natural hedging, so companies do not always need derivative instruments. However, the results of this study differ from the findings (Hadini & Desmiza, 2024) In the energy sector, which found a positive influence of foreign debt on hedging decisions, which was allegedly caused by differences in the characteristics of the industrial sector and the level of foreign exchange exposure.

The Interest Coverage Ratio has no effect on the Hedge Decision.

The second hypothesis test (H2) shows that the Interest Coverage Ratio has a negative effect on the hedge decision, so the second hypothesis (H2) is accepted. This means that the higher the company's ability to cover the interest expense of operating profit, the lower the company's tendency to hedge. These findings are in line with Agency Theory, which states that hedging decisions are more necessary when companies face high financial risks. Companies with high Interest Coverage Ratios reflect stable financial conditions and low risk of default, so management's push to hedge is getting smaller. Judging from Signaling Theory, a high Interest Coverage Ratio has become a positive signal for investors and creditors regarding the company's ability to meet its financial obligations, so the decision not to hedge is not perceived as a negative signal by the market. The results of this study are in line with research by (Esma et al., 2021; Fadhillah & Nurlita, 2023; Ridha, 2023) which found that the interest coverage ratio had a negative effect on hedging decisions.

Growth Opportunity affects the Hedge Decision.

The third hypothesis test (H3) showed that Growth Opportunity had a positive effect on the hedging decision, so the third hypothesis (H3) was accepted. This means that the higher

the company's growth opportunities, the greater the company's tendency to hedging. These findings are in line with Agency Theory, which states that management is driven to protect the interests of shareholders when the company has high growth prospects. In addition, companies with high growth opportunities generally face greater funding needs and financial risks, so hedging is seen as a strategy to maintain cash flow stability and investment sustainability. Judging from Signaling Theory, hedging decisions in companies with high growth opportunities are a positive signal for investors and creditors regarding management's commitment to managing risk. The results of this study are in line with research by (Apriliani et al., 2024; Fadhilah & Linda, 2025; Harris & Rosmita, 2024) which found that growth opportunities had a positive effect on hedging decisions.

Leverage moderates the influence of Foreign Liabilities on Hedging Decisions.

The fourth hypothesis test (H4) shows that Leverage strengthens the influence of Foreign Liabilities on Hedging Decisions, so the fourth hypothesis (H4) is accepted. This means that the higher the level of leverage of the company, the stronger the influence of foreign liability on hedging decisions. Companies with foreign currency liabilities and high debt burdens tend to be more motivated to hedge to control financial risk.These findings are in line with Agency Theory, which explains that high-leverage companies face pressure from creditors to manage risk more carefully. The increase in foreign liabilities increases the risk of exchange rates and the risk of default, so management is encouraged to hedge to reduce agency conflicts and maintain creditor confidence. Judging from Signaling Theory, hedging decisions in companies with foreign liabilities and high leverage are a positive signal for investors and creditors regarding management's commitment to managing financial risks prudently. The results of this study are in line with research by (Hadini & Desmiza, 2024) which found that foreign debt affects hedging decisions, as well as research by (Lailiya & Santoso, 2023) which states that leverage affects hedging decisions. These findings confirm that leverage acts as a pure moderator that strengthens the relationship between foreign liability and hedging decisions.

Leverage does not moderate the influence of the Interest Coverage Ratio on the Hedging Decision.

The fifth hypothesis test (H5) shows that Leverage does not strengthen the influence of the Interest Coverage Ratio on the Hedging Decision, so the fifth hypothesis (H5) is rejected. This means that leverage does not act as a moderation variable in the relationship between interest coverage ratio and hedge decisions. Companies with high levels of leverage tend to prioritize meeting debt obligations and maintaining short-term cash flow stability, so hedging decisions are not based on the company's ability to cover interest expenses. These findings are in line with Agency Theory, which states that management in high-leverage companies focuses more on fulfilling debt contracts and financial ratios required by creditors. As long as the interest coverage ratio is at a safe level, management does not have a strong incentive to hedge. Judging from Signaling Theory, a good interest coverage ratio has become a positive signal for investors and creditors regarding the company's financial stability, so hedging activities are not seen as a relevant additional signal. The results of this study are in line with research by (Fadhillah & Nurlita, 2023; Ridha, 2023) which found that the interest coverage ratio had no effect on hedge decisions, and was supported by research (Safitri & Nuraini, 2024) which states

that leverage has no effect on the hedge decision. These findings confirm that leverage fails to act as a moderation variable in the relationship between interest coverage ratio and hedging decisions.

Leverage does not moderate the influence of Growth Opportunity on Hedging Decisions.

The sixth hypothesis test (H6) shows that Leverage does not strengthen the influence of Growth Opportunity on the Hedging Decision, so the sixth hypothesis (H6) is rejected. This means that leverage does not act as a moderation variable in the relationship between growth opportunities and hedging decisions. Companies with high levels of leverage tend to prioritize debt fulfillment and financial stability over risk management related to growth opportunities. These findings are in line with Agency Theory, which states that high-leverage companies face pressure from creditors to maintain debt repayment capabilities, so strategic decisions such as hedging are not the main focus even though companies have great growth opportunities. Judging from Signaling Theory, high growth opportunities have become a positive signal for investors regarding the company's prospects, so companies do not feel the need to provide additional signals through hedging decisions, especially when leverage is at a high level. The results of this study are in line with research by (Siregar, 2024) and (Putri et al., 2024) which states that growth opportunities have no effect on hedging decisions, and is supported by research (Aditya & Haryono, 2018) which found that leverage had no effect on the hedge decision. These findings confirm that leverage fails to moderate the relationship between growth opportunities and hedging decisions.

CONCLUSIONS

This study aims to analyze the influence of Foreign Liability, Interest Coverage Ratio, and Growth Opportunity on Hedging Decisions, with Leverage as a moderation variable. The results of the study show that Foreign Liability has a negative effect on Hedging Decisions, while Interest Coverage Ratio also has a negative effect on Hedging Decisions. Meanwhile, Growth Opportunity has a positive effect on Hedging Decisions, which indicates that companies with high growth opportunities tend to be more active in hedging. In addition, the results of the moderation test showed that Leverage was able to strengthen the influence of Foreign Liability on the Hedging Decision, but was unable to moderate the influence of the Interest Coverage Ratio and Growth Opportunity on the Hedging Decision. These findings confirm that hedging decisions are not only influenced by the company's financial condition, but also by the risk pressures arising from the combination of liabilities in foreign currencies and the company's funding structure. These findings imply that managers in non-primary consumer goods firms should not rely solely on foreign liabilities as a trigger for hedging, but should consider leverage pressure and sector-specific risk characteristics when designing risk management policies.

SUGGESTION

1. Addition of independent variables

The McFadden R-squared value of 14.43% shows that the research model is still limited in explaining hedging decisions. Therefore, further research is recommended to add other variables such as cash flow volatility, firm size, exchange rate, financial distress, managerial

ownership, liquidity, profitability, and market to book value so that the model's ability to explain hedging decisions becomes more comprehensive.

2. Addition of moderation or control variables

The next study is suggested to add moderation or control variables other than leverage, such as firm size, financial distress, good corporate governance, and liquidity, to analyze the relationship between variables in more depth and accurately.

3. Use of alternative measurement proxies

The next study is recommended to use a different measurement proxy for each variable, such as foreign liability to total liabilities, EBITDA to interest expense for interest coverage ratio, market to book ratio for growth opportunities, and debt to equity ratio for leverage. Hedging decisions can also be measured based on the intensity or notional value of derivative contracts, not just dummy variables.

4. Expansion of the research sector

Further research can extend the research object to other sectors such as energy, mining, manufacturing, infrastructure, and banking, in order to increase the generalization of research results.

5. Extension of the research period

Future research is suggested to use longer observation periods in order to capture the dynamics of hedging decisions in various economic conditions and produce more stable and representative findings.

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