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Does hedging increase firm value? Evidence from French firms

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Abstract

This study investigates the relationship between corporate hedging and firm value for a large sample of French firms. The aim is to extend the existing literature on corporate hedging by empirically investigating the effect of hedging with derivatives on the market value of firm. We find, from the univariate analysis, that the derivative users have lower firm value (as proxied by Tobin's Q) than the nonusers. However, multivariate tests have not reported significant results that are consistent with the documented US sample examinations that the use of derivatives increases the firm value.

Notes

¹Ciner ([2006](#)) found that hedging is the principal motive behind trading in derivative markets.

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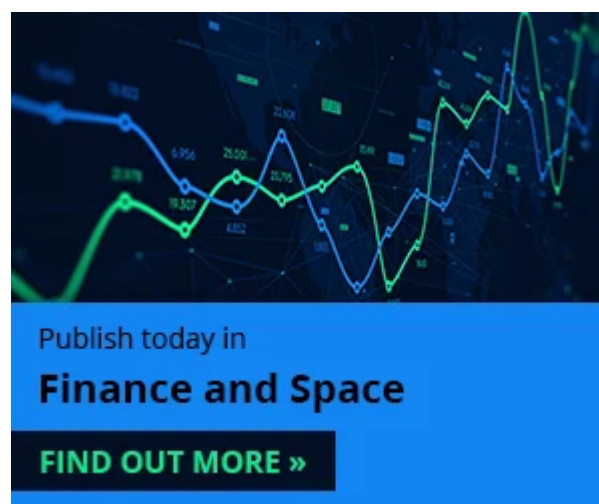
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