

Abstract

This research investigates the effectiveness of financial derivatives in hedging corporate risks, using a mixed-methods case study approach. Financial derivatives, such as options, futures, and swaps, are commonly used by firms to manage risks related to currency fluctuations, interest rates, and commodity prices. This study examines how well these instruments perform in mitigating risks and protecting corporate financial health, with a focus on their practical application and outcomes in real-world scenarios.

In the quantitative phase, data from case study firms that actively use financial derivatives are analyzed to assess the impact on their risk exposure and financial performance. Key performance indicators, including volatility, profitability, and cost of capital, are examined before and after the implementation of hedging strategies. Statistical tools are employed to evaluate the effectiveness of derivatives in reducing financial risk and stabilizing corporate cash flows, offering empirical insights into their role in corporate risk management.

The qualitative component of the study includes interviews with corporate executives, risk managers, and financial advisors to understand the strategic decision-making process behind the use of derivatives. These interviews provide deeper insights into the challenges, benefits, and limitations of hedging strategies. By combining both quantitative and qualitative data, this study aims to provide a holistic view of the effectiveness of financial derivatives in hedging corporate risks and offer recommendations for their optimal use.