ABSTRACT

THE IMPACT OF BUSINESS AND FINANCIAL RISKS ON SYSTEMATIC RISK OF COMMON STOCKS:
ANALYSIS ON NON-FINANCIAL COMPANIES IN THE INDONESIAN CAPITAL MARKET

PENGARUH RESIKO BISNIS DAN KEUANGAN TERHADAP RESIKO SISTEMATIS SAHAM
ANALISIS TERHDAPAP PERUSAHAAN NON-KEUANGAN DI PASAR MODAL INDONESIA

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Tanggal Wisuda : 22 Januari 2009

This research conducted to discover the impact of business and financial risks on systematic risk of common stocks. DOL, size, cyclicality of sales is chosen as proxy for business risk and debt to asset ratio chosen as proxy for financial risk while systematic risk of common stock is measured by beta coefficient. Beside the impact of business and financial risks, this research also try to discover which proxy for business risk that capture business risk better.

Sample chosen for this research is 40 non-financial companies that expected to be a good predictor for whole companies in Indonesia. Data used is secondary data, which is financial statement, stock price and GDP as macroeconomic indicator. Different measurement of DOL and cyclicality is used to find whether different measurement could give different result.

Using multiple regressions, this research found that business and financial risks significantly affect on systematic risk of common stock. The t-test found that size, cyclicality and debt to asset ratio significantly and positively affect on business risk. Despite the significant effect of size on systematic risk, this research found that size coefficient regression is contrary to what it expected that after analyzed using coefficient correlation, this contrast sign of coefficient regression might result from sample chosen. Using One way Anova test, it is found that cyclicality capture business risk better than DOL and size

Keywords : business risk, financial risk, systematic risk, DOL, size, cyclicality of sales, debt to asset ratio, beta