



## Table of Contents

Authorization .....	ii
Declaration.....	iii
Acknowledgement.....	iv
Abstract.....	vii
<b>Chapter 1 Introduction .....</b>	<b>1</b>
1.1 Background.....	1
1.2 Problem Statement .....	3
1.3 Research Objectives.....	4
1.4 Hypothesis .....	4
1.5 Significance of the Study .....	5
1.6 Limitation of the Study .....	6
<b>Chapter 2 Theoretical Background .....</b>	<b>7</b>
2.1 Investment .....	7
2.1.1 Definition.....	7
2.1.2 Alternatives.....	7
2.1.3 Process.....	8
2.2 Stock Exchange as a Medium of Investments .....	9
2.2.1 Bapepam-LK.....	9
2.2.2 Indonesian Stock Exchange .....	10
2.3 Risk and Return .....	10
2.3.1 Risk.....	10
2.3.2 Measuring the Coefficient of Beta .....	11
2.3.3 Estimating the Coefficient of Beta .....	12
2.3.4 Return .....	13
2.4 Modern Portfolio Theory.....	14
2.5 Capital Asset Pricing Model (CAPM) and Single Index Model (SIM) .....	16
2.6 Previous Research.....	17
<b>Chapter 3 Research Methodology.....</b>	<b>22</b>
3.1 Design, Method, and Procedure.....	22



3.1.1	Sample and Population .....	22
3.1.2	Data and Source of the Data .....	22
3.1.3	Variable Identification and Empirical Model .....	22
3.2	Hypothesis Testing.....	24
3.3	Data Processing and Analysis Method.....	25
<b>Chapter 4 Research Findings and Analysis .....</b>		<b>29</b>
4.1	Descriptive Analysis .....	29
4.1.1	Summary of the Returns and Betas .....	30
4.1.2	Agriculture Industry .....	31
4.1.3	Chemicals and Basic Industry.....	32
4.1.4	Consumption Goods Industry .....	33
4.1.5	Finance Industry.....	33
4.1.6	Investment, Service, and Trade Industry .....	33
4.1.7	Mining Industry.....	34
4.1.8	Miscellaneous Industry.....	35
4.1.9	Real Estate and Property Industry .....	35
4.1.10	Transportation, Utility, and Infrastructure Industry .....	36
4.2	Excess Return to Beta (ERB) Ratio .....	36
<b>Chapter 5 Conclusion and Recommendation .....</b>		<b>46</b>
5.1	Conclusion.....	46
5.2	Recommendation .....	47
<b>Bibliography .....</b>		<b>49</b>