

**THE EFFECT OF VARIABILITY IN EARNINGS, ASSET GROWTH,  
OPERATING LEVERAGE, AND FIRM SIZE ON BUSINESS RISK**

**PENGARUH *VARIABILITY IN EARNINGS, ASSET GROWTH,*  
*OPERATING LEVERAGE, DAN FIRM SIZE* PADA RESIKO BISNIS**

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**ABSTRACT**

The purpose of this study is to investigate whether independent variables (variability in earnings, asset growth, operating leverage, and firm size) significantly effects the business risk. The proxy of business risk in this study using unleverage beta that derived using Hamada Equation. To analyze independent variables (variability in earnings, asset growth, operating leverage, and firm size) affect the dependent variable (business risk), this study using cross sectional data in a multiple regression. The significance of the variables is tested using t-test and F-test.

The method used is a computer based content analysis of quantitative data (using SPSS version 13). The data is taken from non financial firm listed in JSX during the period of 2002-2005. The information collected and analyzed comes from Indonesian Capital Market Directory, JSX Statistics, and company press release.

Using multiple regression, this study found that from four variables investigate in this study, only firm size that statistically significant affect the business risk. The firm size significantly affect business risk, in a positive relationship, means that the larger the equity of the firm the larger the business risk. The finding probably because large firms have bigger overhead cost rather than smaller firms, so if the lower demand happens, it will increase company's business risk.

**Keywords:** *variability in earnings, asset growth, operating leverage, firm size, unleverage beta, business risk*