

ABSTRACT

Stock is one of the quite popular financial instruments traded in the capital market to invest. In considering the expected return on a company's stock, investor must measure its risks such as systematic risk (beta) because the risks can not be diversified away.

This research was carried out to determine the effect of systematic risk (beta) on the expected return of the stock and to determine how much the systematic risk (beta) of the expected return influence the stock. The independent variable in this study is the systematic risk of the stock. The dependent variable is the expected return of the stock.

The data used was secondary data from daily stock price obtained from the Indonesia Stock Exchange (BEI). The object of this research is LQ45 companies listed in Indonesia Stock Exchange 2010-2014. Sampling was done by purposive sampling techniques and resulted in 17 companies. The analytical method used in this study is simple linear regression analysis, coefficient of hypothesis, classic assumption test (test data normality, heteroscedasticity test, autocorrelation test), as well as testing using F-test.

The overall level of significance obtained amounted to 0.4862, larger when compared with 0,05 (> 5%). The result shows that the level of systematic risk (beta) on a stock does not have a significant effect on the level of expected stock returns.

Based on the results of the analysis conducted in this study, the level of systematic risk (beta) can not be used as a reference by an investor or a company in determining investment strategy and measure a level of expected return on the stock in the future.

Keywords: Systematic Risk, Expected Return, Company LQ45 Index.