

ABSTRACT

The relationship between beta and return has always been controversial in various studies. Many sources said that the CAPM model able to describe the return movement caused by the beta, or in other words "High Risk, High Return". However, several other studies would deny the statement where it was found that the beta can't be relied upon in estimating the return. This research was conducted with the aim to determine the effect of beta on the return with Unconditional and Conditional Approaches.

The population in this study are all companies listed on the Indonesia Stock Exchange are incorporated in LQ 45 index from 2008 until 2010. Sampling was purposive sampling method using the 10 companies. Type of data used in this study is secondary data in the form of stock-price data LQ 45 index stocks listed on the website yahoo.finance.com during the period January 2008 to December 2010. The method of analysis used in this research is descriptive and statistical analysis methods. While hypothesis testing is done using a partial test (t test) with significance level (α) of 5%. Analyzing the data using the SPSS statistical processing.

Partial test results (t test) for Unconditional Approach, shows that the influence of beta on the return is positive but insignificant. As for the Conditional Approach, a significant positive influence on the results obtained only occurs when a positive risk premium, but as a negative risk premium, obtained results are also positive but insignificant.

Keywords : LQ 45, Indonesia Stock Exchange, Beta, Return, Risk Premium, Unconditional, Conditional