Effect of Liquidity, Debt Policy, Profitability, and Company Size on Systematic Risk at 50 Companies with Level of Trade of Activities in Indonesia Stock Exchange

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Abstract: In investing stocks, investors in capital market always contend risks. Generally, the risks intended are unique risk and systematic risk. Unique risk can be diversified by forming stock portfolio. On the other hand, systematic risk cannot be eliminated by doing it. Therefore, this risk is relevant for investors to be considered. Because of this relevancy, variables causing this risk need to be investigated. To fulfill this condition, this study is conducted. This study aims to test the impact of liquidity, debt policy, profitability, and firm size on systematic risk of firm stock. The population in this study is non- financial firms forming the fifty most active firms based on stock trading frequency on Indonesia Stock Exchange in 2011 to 2014. Firm as sample are taken from the population by using stratified random sampling method. Regression model with pooling data is used as data analysis method. The result of this study shows liquidity does not impact on systematic risk, debt policy has a positive impact on systematic risk whereas profitability and firm size have a negative impact on systematic risk.

Keywords: Debt policy, profitability, firm size, systematic risk