



THE EFFECT OF EMPLOYEE STOCK OPTION PLAN ON MARKET PERFORMANCE WITH FIRM PERFORMANCE AS INTERVENING VARIABLE

Rachel Laudya*, Jesica Handoko, S.E., M.Si., Ak
Universitas Katolik Widya Mandala Surabaya
Jl. Dinoyo 42-44 Surabaya

*Corresponding author : rachel.laudya@gmail.com

ABSTRAK

Employee Stock Option Plan (ESOP) merupakan surat kontrak dimana perusahaan akan memberikan hak kepada karyawannya untuk dapat membeli saham perusahaan dengan harga dan waktu tertentu. Program ini merupakan bentuk kompensasi yang dapat memotivasi serta menyelaraskan tujuan yang diinginkan oleh pihak prinsipal dan agen. Adanya kesamaan tujuan utama yang ingin dicapai akan memudahkan perusahaan dalam upaya peningkatan kinerja pasar perusahaan. Hubungan pengaruh antara ESOP dan kinerja pasar dapat dimediasi oleh variabel kinerja perusahaan yang diukur dengan return on asset dan return on equity. Kinerja perusahaan dapat menjadi sebuah jembatan dalam menunjukkan adanya pengaruh ESOP terhadap kinerja pasar.

Penelitian ini bersifat kuantitatif dengan menggunakan data sekunder yakni laporan tahunan, dalam menguji dan menganalisis pengaruh ESOP terhadap kinerja pasar dengan kinerja perusahaan sebagai variabel mediasi. Penelitian ini menggunakan keseluruhan perusahaan yang menerapkan ESOP dari semua sektor yang terdaftar di Bursa Efek Indonesia tahun 2010-2017. Sampel penelitian berjumlah 64 data sampel yang dipilih dengan teknik purposive sampling. Teknik analisis data menggunakan analisis jalur.

Hasil penelitian ini menunjukkan bahwa ESOP tidak memiliki pengaruh terhadap kinerja pasar perusahaan. ESOP tidak mempengaruhi kinerja perusahaan dengan pengukuran ROA namun memberikan pengaruh positif terhadap ROE. Dalam penelitian ini, kinerja perusahaan tidak mampu memediasi hubungan antara ESOP dan kinerja pasar.

Kata kunci : *Employee Stock Option Plan, ESOP, kinerja perusahaan, kinerja pasar*

1. Introduction

The similar problem that happened every year in Indonesia about minimum wage shouldn't happen. Syaikon (2014) stated that minimum wage assigned for the fresh employee, not for employees that have skill, ability and experience. They deserve to get a compensation that compatible with their given performance.

Diterima : 24 Juli 2019

Direview : 25 Juli 2019

Direvisi : 06 November 2019

Diterima : 25 November 2019

Artikel ini tersedia di website :
<http://ejournal.umm.ac.id/index.php/jaa>

According to Putra (2018), the enhancement of wages and the health insurance is not wrong, however it is not enough yet, the employees and companies need to consider the existence of employee stock option plan (ESOP). ESOP program is a contract that give the employee a chance to buy their own company's share with an amount and price that have been decided after or at expected date (Subramanyam, 2013:371). ESOP can play intermediary role in agency conflict. This conflict happened when the principal (owner, shareholders) and the agent (manager, employee) in a company has different objective. By applying ESOP, the employees that given this opportunity will have the same objective with the principal, which is trying to get a dividend, as for that, the employees will attempt to increase the firm performance. The aligned objective will increase the employees' motivation because of they will feel more like a part of the company. The effect that will happen after the increasing motivation is that the increasing of firm performance because the firm performance is one of the tool to measure the employees' performance.

This research is focused on the effect of ESOP on firm performance (ROA and ROE) and market performance with two main model, direct effect and indirect effect with firm performance as intervening variable between ESOP and market performance. ESOP can be expected to increase the feeling of employees as a part of a company and also having the aligned objective with the principal such as increasing profit. The employee increasing work can be reflected in how efficient and effective they are at using the company's asset (ROA) and equity (ROE), so as the firm performance increasing, the market performance will also be increased (Tobin's Q). This research object is all of the listed companies in Indonesia Stock Exchange that implemented ESOP between 2010-2017.

2. Theoretical Framework and Hypothesis

Development Agency theory

Scott (2015:357) stated that the agency theory is a contract model between the principal and their agent, where the shareholders played a role as principal and the manager played as the agent. Shareholders are hoping that the management will work hard towards the company's objective as the shareholder's representative, but the reality says otherwise. There are several times where both parties has totally different objectives. Deegan (2014:281) explained that the agency theory doesn't assume that an individu can act other than in self-interest, that is why the agent of a company will not do something or make a decision that did not give them a benefit or other than their self-interest. The principal, on the other hand should put a mechanisms that can align the objective between the employee and the company. Giving a company-related compensation or reward can be a solve for this problem.

Braendle and Rahdari (2016:11) stated that if the agent being reward on a basis that normally doesn't correlate to their effort then the agent won't have an initiative to give their best performance. The problem that now exist is how do a

company make such as mechanisms so that the agent can act better (going for the same objective, giving the best effort) and be loyal to the principal (Kolb, 2012:31). The key solution is an assuring mechanism that give both side the same benefit by setting a proper compensation or reward benefited those sides. Deegan (2014:297) said that granting share options can increase longer focus of management so they can be motivated to work in their best effort for the company objective.

Employee Stock Option

Kieso et al, (2014:763) share option or mostly implemented with ESOP or the special option for management called Management Stock Option Plan (MSOP) is a long term compensation to increase the loyalty of the employees by giving them a piece of action which is the company's share. Suwardjono (2014:529) also stated that ESOP/MSOP is used by the company as a tool to increasing the loyalty and motivate the employees as an additional income or an additional compensation. ESOP is a contract between a company and its employees that give employees a right to buy a specific number of company's share with a fixed price in a certain period of time (Subramanyam, 2013:371). Giving this share option, according to Deegan (2014:297), will increase the management's long term focus as an agent and motivating them to give the company their optimal performance. This reward or compensation can align the objective between both sides.

The agent side who has company's share will have the higher ownership feeling towards the company so they will be more careful, thoughtful and responsible during their decision making that will effect the company. ESOP is structured to give a profit for the employees when the share price of the company in the market is much higher then the fixed price in the ESOP contract, they can buy it with a cheaper price and trade it with a higher price. The measurement for ESOP will be using the proportion by Ismail, Dockery and Ahmad (2017),

$$ESOP = \frac{\text{Total of ESOP granted that year}}{\text{Total of Outstanding share of the year}}$$

The application of this proportion is used based on the expectation that the amount of share granted for ESOP will reduce the agency conflict that happened between principal and agent so that the company's performance is expected to increase

2.1 Market Performance

Market performance of the company is also showed how good is the prospect that the company's had in the investor point of view. This research use Tobin's Q as the tool to measure market performance. This measurement will compare the value market of the company with thier replacement cost. Tobin's Q can measure the investor expection about the potential profit that the company will give them in the future (Stecker, 2009:132). This measurement is more

independent and can reflect the market expectation towards the company's performance because it didn't just use the information from one side (company in their financial report) but use the information by two side (company and market).

ESOP can help the principal to align the objective between the shareholders and their employee to increase the market performance, with this program employees will also have the objective to increase the company's market performance. When ESOP is granted by the company to their employees then the employees will have more motivation to give their best to increase the market performance. The employees is no longer have a role as employee but also have a role as a shareholder, that is why the employee will get a good amount of profit when the market performance is increasing.

2.2 Company performance as an intervening variable

The company performance is really important for the investor in deciding their investment decision. The performance can also be defined as an achievement of the company in certain period that also showed the health of the company. The increasing performance is also the objective that ESOP want to achieve. The principal believe that ESOP will give the initiative reaction from the employee to increase their own share value (Casson, 2012:86). This objective can be achieved when the employee showed their best performance that can be reflected on the company's performance. The effect of ESOP for company performance will be measured with return on asset and return on equity. This measurement will show how effective the employee using the asset and the equity of the company to achieve their profit.

Investor on the other side also use the company performance information to predict the profit that the company could give to them. Company performance can be a link between ESOP and market performance. Company performance has a role as an intervening variable in this research to show the connection between ESOP and market performance. Market can not directly see the effect of ESOP itself because employee performance won't be seen directly into the market. There is no report or detail information that can show the market about the employee's performance. Firm performance play a huge role here, because employee's performance can be reflected through the company performance.

H1a. *ESOP have a positive impact towards the market performance with ROA as an intervening variable.*

H1b. *ESOP have a positive impact towards the market performance with ROE as an intervening variable*

3. Research Method

3.1 Research design

This research is a qualitative research using the hypothesis examination. This design is used to show the impact of ESOP towards the market performance directly and also indirectly with company's performance as the

intervening variable.

3.2 Identification, Operational Definition and Variable Measurement

3.2.1 Independent Variable

The independent variable used is ESOP. The measurement that is used is proportion between share granted for ESOP that year and the total of outstanding share that same year. This measurement is used following the previous research by Ismail, et al (2017),

$$\text{ESOP} = \frac{\text{Total of share granted that year}}{\text{Total of outstanding share that year}}$$

3.2.2 Dependent Variable

The dependent variable in this research is market performance. The measurement of this variable is using Tobin's Q to show the comparison between market value of the company with its cost (Ismail, at al, 2017). The data that is used for this measurement is the stock price of the company at the end of the year that the share for ESOP is granted.

$$\text{Tobin's Q} = \frac{\text{Total of share granted x stock price at the end of the year}}{\text{Total of asset}}$$

3.2.3 Intervening Variable.

This research is using company performance as its intervening variable. The company performance will be measured with return on asset and return on equity. These two ratio will describe the effectivity and efficiency of the company in using their own asset and equity in order to make the profit (Subramanyam., 2013:36).

Return on Asset (ROA) formula,

$$\text{ROA} = \frac{\text{Net income after tax}}{\text{Total average of asset}}$$

Return on Equity (ROE) formula,

$$\text{ROA} = \frac{\text{Net income after tax}}{\text{Total average of equity}}$$

3.2.4 Control Variable

Control variable is used in this research for show the difference between the company industry type and the size. The industry type will be distinguished into two type, finance industry and non- finance industry because the nature of the industry is totally difference. The industry type will

be measured as the dummy variable, giving the number of 0 to the non-finance companies and 1 for the finance companies.

The company size will show how big is a company and will be measured with logarithm of their total asset. This measurement use the same formula as Ismail, et.al (2017).

$$\text{Ln (Total Aset)}$$

3.3 Data Type and Resource

This research use a secondary data from company's annual report that is listed in IDX and implementing the ESOP.

3.4 Data Analysis

Path analysis is used for this research to show the causality relation between its variable. The tool that is used is SPSS. The objective of this research is showing the relation of the ESOP proportion as the independent variable towards market performance directly and also indirectly with ROA and ROE as intervening variable.

4. Result

4.1 General Description of The Research Data

The object population is every companies that is listed in IDX in 2010-2017. Based on the criteria of purposive sampling that has been decided, there are 64 data that can be used for the object of this research.

4.2. Data Description

This research has an objective to show the relation of the ESOP proportion as the independent variable towards market performance directly and also indirectly with ROA and ROE as intervening variable The summary of the result from descriptive statistic is shown in the table 4.1.

Table 4.1
The result of descriptive statistic

	N	Mean	Maximum	Minimum	Std. Deviation
ESOP	64	1,20242%	9,809%	0,002%	1,476888%
ROA	64	5,2220%	18,49%	0,07%	4,06344%
ROE	64	11,7641%	29,20%	0,50%	6,97901%
Tobin's Q	64	0,99899	3,89399	0,10601	0,901581
V.K. D	64	0.31	1	0	0,467
LN_TA	64	29,8705	33,22	26,77	1,43347

Source : Data processed (2018), Appendix 2

4.3. Data Analysis

The path analysis that is used can be measured with this relation :

$$\text{The direct impact from ESOP to MP} = p_1$$

$$\text{The indirect impact from ESOP to MP with FP} = \frac{p_2 \times p_3}{+}$$

$$\text{Total of impact (correlation ESOP to MP)} = p_1 + (p_2 \times p_3)$$

The data analysis will be interpreted to these equation below :

$$\text{ROA} = b_0 + b_1 \cdot \text{ESOP} + b_3 \cdot \text{JI}_i + b_4 \cdot \text{TA} + e_i \dots \dots \dots (1a)$$

$$\text{ROE} = b_0 + b_1 \cdot \text{ESOP} + b_3 \cdot \text{JI}_i + b_4 \cdot \text{TA} + e_i \dots \dots \dots (1b)$$

$$\text{MP} = b_0 + b_1 \cdot \text{ROA}_i + b_2 \cdot \text{ROE}_i + b_3 \cdot \text{ESOP}_i + b_4 \cdot \text{JI}_i + b_5 \cdot \text{TA} + e_i \dots \dots \dots (2)$$

Based on those 3 equation, these are the result from the tabulation :

4.3.1 Classic Assumption Test

1. Normality Test

The normality test can be seen from the unstandardized residual significance result that should be more than 5% or 0,005 to show that the data used is distributed normally.

Table 4.2

The result of *Kolmogorov-Smirnov*

Equation	Information	Monte Carlo Sig. (2-tailed) Sig.	Monte Carlo Sig. (2-tailed) Upper Bound	Result
1a	Unstandardized Residual (ROA)	0,594	0,714	Data normally distributed
1b	Unstandardized Residual (ROE)	0,219	0,320	Data normally distributed
2	Unstandardized Residual	0,469	0,591	Data normally distributed

Source : Data processed (2018), Appendix 3

2. Multicollinearity Test

This test is used to make sure that there isn't any correlation between its variable in every equation used in this research. The result of this test will be shown from its variance inflation factor (VIF) and the tolerance value. The VIF should be less than 10 and the tolerance should be less than 1.

Table 4.3
The result of multicollinearity test

Equation	Tolerance	VIF	Result
1a			
ESOP	0,875	1,143	No multicollinearity
V.K.D	0,672	1,489	No multicollinearity
LN_TA	0,624	1,603	No multicollinearity
1b			
ESOP	0,875	1,143	No multicollinearity
V.K.D	0,672	1,489	No multicollinearity
LN_TA	0,624	1,603	No multicollinearity
2			
ESOP	0,793	1,216	No multicollinearity
V.K.D	0,542	1,847	No multicollinearity
LN_TA	0,567	1,763	No multicollinearity
ROA	0,491	2,038	No multicollinearity
ROE	0,549	1,823	No multicollinearity

Source : Data processed (2018), Appendix 4

3. Heteroscedasticity Test

This test is used to show that there is dissimilarity variance from the residual of the whole data. The result will be showed in the significant value that should be more than 0,05.

Table 4.4
Heteroscedasticity Test Result

Variable	Sig.	Result
ROA	0,2363	No Heteroscedasticity
ROE	0,0995	No Heteroscedasticity
Tobin's Q	0,1155	No Heteroscedasticity

Source : Data processed (2018), Appendix 6

4.3.2. Model properness test

The test is used to show the accuracy of the regression to describe the dependent variable in this research. The table below will show the result of this test.

Table 4.6
Model properness test result

Equation	Information		Result
1a (ROA)	R^2	0,272	The equation model is fit.
	Sig	0,000	
1b (ROE)	R^2	0,186	The equation model is fit.
	Sig	0,006	
2	R^2	0,527	The equation model is fit.
	Sig	0,000	

Source : Data processed (2018), appendix 7

1. Coefficient of Determination Test (R^2)

On the table 4.6, R^2 value is representing the ability of independent variable ESOP, industry type and company size explaining the dependent variable. The equation 1a shows that the ability of the independent variables explaining the ROA is 27,2%, meanwhile from equation 1b shows that the independent variables explain ROE at 18,6%. The equation model 2 with Tobin's Q as the dependent variable, shows that the independent variables ability reach 52,7% in explaining Tobin's Q.

2. F Statistic Test

The result from this test is concluded based on the significance value from every equation that should be lower than 0,05 so that the equation model can be a fit regression model. Table 4.6 shows that every equation model has its significance lower than 0,05 that can be concluded, every regression model in this research is fit.

3. Statistic t Test

This test is used to show the significance impact between each variable that will be shown on table 4.7 below;

Table 4.7 Result of statistic t test

Dependent Variable : ROA (Regression 1)				
Independent Variable	B	Sig	Result	R Square
ESOP	0,109	0,737	Have no impact	0,272
Variabel <i>dummy</i> sektor industri	-4,024	0,001	Negative impact	
LN_Total Aset	-0,268	0,501	Have no impact	

Dependent Variable: ROE (Regression 2)				
Independent Variable	B	Sig	Result	R Square
ESOP	0,079	0,030	Positive impact	0,186
Variabel <i>dummy</i> sektor industri	-0,422	0,002	Negative impact	
LN_Total Aset	0,067	0,128	Have no impact	
Dependent Variable : Tobin's Q (Regression 3)				
Independent Variable	B	Sig	Result	R Square
ESOP	-0,093	0,140	Have no impact	0,527
Variabel <i>dummy</i> sektor industri	-0,408	0,091	Have no impact	
LN_Total Aset	-0,124	0,106	Have no impact	
ROA	0,117	0,000	Positive impact	
ROE	-0,229	0,382	Have no impact	

Source : Data processed (2018), appendix 8

From the table 4.7 shows some result that can be summarize as below ;

1. ESOP has no impact towards ROA with significance value at 0,737 that is higher than it should be (0,05), so do company size that has significance value at 0,501. The industry type has negative impact towards ROA.
2. From the regression 2 test result can be shown that ESOP has a positive impact towards ROE which means that the higher ESOP proportion that a company's had will also increase the ROE of the company. Meanwhile the industry type gives negative impact on ROE and company size has no impact towards ROE.
3. Result of the test in regression 3 shows that all the independent variables has no impact towards Tobin's Q except ROA. ROA has a positive impact that is shown in the significance value which is below 0,05. It shows that the higher of ROA that a company achieve will also increase the market performance of the company.

4.3.3 Path Analysis

This analysis will show the cause and effect relation between each variable that is used in this research directly and indirectly. This following equation is used in path analysis ;

Equation 1

$$FP = b_0 + b_1.ESOP + b_3. JI_i + b_4. TA + e_i$$

$$ROA = b_0 + b_1.ESOP + b_3. JI_i + b_4. TA + e_i \dots \dots \dots (1a)$$

$$ROA = 14,341 + 0,109.ESOP - 4,024. JI_i - 0,268. TA + e_i \dots \dots \dots (1a)$$

$$ROE = b_0 + b_1.ESOP + b_3. JI_i + b_4. TA + e_i \dots \dots \dots (1b)$$

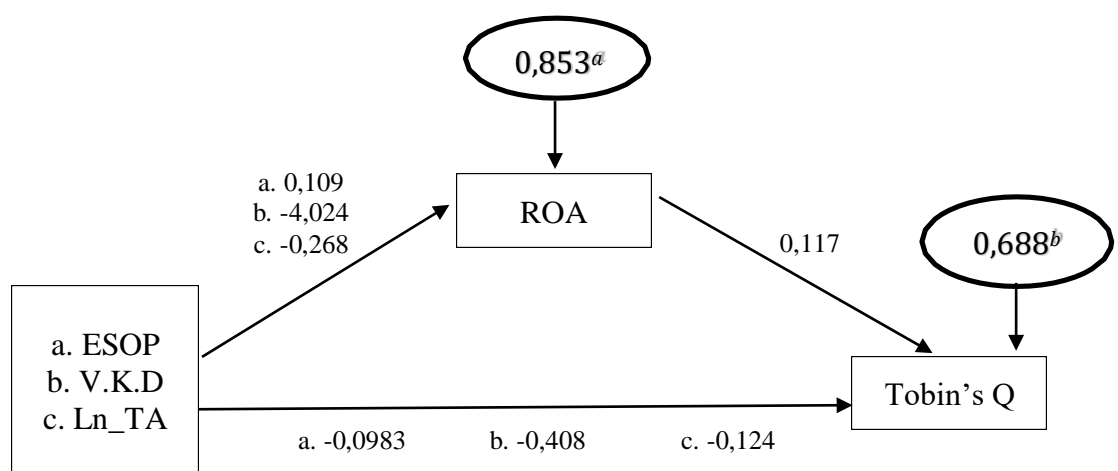
$$ROE = -1,032 + 0,079.ESOP - 0,422. JI_i + 0,067. TA + e_i \dots (1b)$$

Equation 2

$$MP = b_0 + b_2. ESOP_i + b_3. JI_i + b_4. TA + e_i \dots (2)$$

$$MP = 4,545 + 0,117. ROA_i - 0,229. ROE_i + 0,98. ESOP_i - 0,782. JI_i - 0,171. TA + e_i$$

The following will show the schema result from path analysis,



Schema 4.1. Path Analysis ROA

Explanation :

a : Calculation of $\sqrt{1 - R_{squared} \text{ regresi 1 tabel 4.8}}$

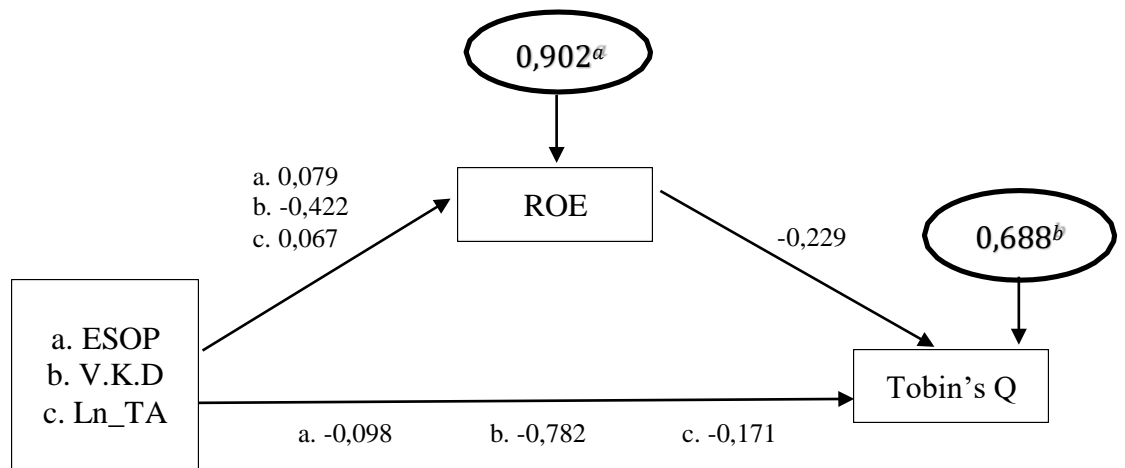
$$= \sqrt{1 - 0,272}$$

$$= 0,853$$

b : Calculation of $\sqrt{1 - R_{squared} \text{ regresi 3 tabel 4.8}}$

$$= \sqrt{1 - 0,527}$$

$$= 0,688$$



Schema 4.2. Path Analysis ROE

Explanation :

a : Calculation of $\sqrt{1 - R_{squared \text{ regresi } 2 \text{ tabel } 4.8}}$

$$= \sqrt{1 - 0,186}$$

$$= 0,902$$

b : Calculation of $\sqrt{1 - R_{squared \text{ regresi } 3 \text{ tabel } 4.8}}$

$$= \sqrt{1 - 0,527}$$

$$= 0,688$$

This following formula is used to find out the impact value between ESOP towards market performance directly and with ROA as intervening variable;

Direct impact between ESOP towards MP = -0,098

Indirect impact from ESOP to ROA towards MP = $\underline{0,109 \times 0,117}$

Total impact (correlation ESOP towards MP) = $-0,098 + (0,109 \times 0,117)$

As stated above, the indirect impact from ESOP towards market performance with ROA as intervening variable is bigger than the direct impact. This result is shown from the direct comparison between -0,098 which is smaller than the result of $0,109 \times 0,117 = 0,013$. Meanwhile the result of $-0,098 + 0,013 = -0,085$ shows the total impact directly and indirectly from ESOP towards market performance with ROA as intervening.

This following formula is used to find out the impact value between ESOP towards

market performance directly and with ROA as intervening variable;

Direct impact from ESOP towards MP = -0,098

Indirect impact between ESOP to ROE towards MP = $0,079 \times -0,229$

Total impact (correlation ESOP towards MP) = $-0,098 + (0,079 \times -0,229)$

As stated above, the indirect impact from ESOP towards market performance with ROE as intervening variable is bigger than the direct impact. This result is shown from the direct comparison between -0,098 which is smaller than the result of $0,079 \times -0,229 = -0,02$. Meanwhile the result of $-0,098 - 0,02 = -0,118$ shows the total impact directly and indirectly from ESOP towards market performance with ROE as intervening.

4.3.3. Sobel Test

Sobel test is used to show the ability of the intervening variable as a mediator between ESOP and market performance. The impact between ESOP towards tobin's Q with ROA as intervening can be count with the formula below:

$$Sab = \sqrt{b^2Sa^2 + a^2Sb^2 + Sa^2Sb^2}$$

Result :

$$\begin{aligned} &= \sqrt{(0,117)^2(0,324)^2 + (0,109)^2(0,029)^2 + (0,324)^2(0,029)^2} \\ &= 0,039 \end{aligned}$$

The result then used to count the t that will be compared to the t table to get a conclusion ;

$$t = \frac{0,117 \times 0,109}{0,039} = 0,327$$

From the t count above, the result of 0,327 will be compared to the t table with significance value 0,05 which is 1,96. If the t count is lower than the t table then can be concluded that the hypothesis in this research is rejected, in other words can be explained that the variable used as intervening can be an intervening between the independent variable and dependent variable. The result for this research showed that ROA can not play a role as an intervening variable between ESOP and market performance. The impact between ESOP towards tobin's Q with ROE as intervening can be count with the formula below:

$$\begin{aligned} &= \sqrt{(-0,229)^2(0,036)^2 + (0,079)^2(0,260)^2 + (0,036)^2(0,260)^2} \\ &= 0,021 \end{aligned}$$

The result then used to count the t that will be compared to the t table to get a conclusion ;

$$t = \frac{0,079x - 0,229}{0,021}$$
$$= -0,861$$

From the t count above, the result of -0,861 will be compared to the t table with significance value 0,05 which is 1,96. The result for this research showed that ROE can not play a role as an intervening variable between ESOP and market performance.

4.4. Explanation

4.4.2. The indirect impact of ESOP towards market performance with company performance as intervening variable.

ESOP that should be a tool that can help a company to motivate their employees to maximize the market performance of the company so that they can get much profit towards it is not proven in this research. This result is align with the research made by Ismail, et al (2017). ESOP in fact seen to has a higher risk when compared to the cash bonus that is more familiar to the employees because they can directly get the advantage or benefit without waiting, even though ESOP actually will give them a long- term benefit. The existence of terms for employee to get ESOP, also making it more complicated for employees to understand how ESOP actually works and benefitted them. Moreover, ESOP is not a booming program in Indonesia, is showed from the least companies that implemented this program. This indicates that in market performance ESOP will not be an important or crucial factors to value a company. Furthermore, the fact than the stock option is giving a right for employees to buy or not also need to be taken as a consideration. Employees in the internal part than knows how the companies actually works, from the risk until the future prospect of the company. ESOP won't play any role when the employees has an information about the high risk of the company because at the end they won't redeem the ESOP granted for them. That is why ESOP also has no impact towards the market performance.

The impact between ESOP to ROA cannot be proven in this research, this is shows that the proportion of ESOP won't make a higher ROA for the company. ROA also can be proven to play a role as an intervening variable for ESOP towards market performance. Meanwhile ROA has a direct impact towards market performance with the ESOP effect that showed the higher ROA of a company will also increase the market performance of the company. This result

is align with the result of Ismail, et al (2017), Ismiyanthi and Mahadwartha (2017), Dewi and Hatane (2015) research that show ESOP has no impact towards ROA.

This research showed that ESOP has a positive impact towards company performance measured by ROE which means that the higher proportion of ESOP granted in a company will also increase the effective and efficiency of company in using their equity to achieve their profit. This result showed that ESOP can give the ownership feeling to their employees and motivate employees to increase their performance in managing the equity of the company to get profit. However, from the test result before showed that ROE is not proven to be an intervening variable between ESOP and market performance. This conclusion is showed from the sobel test result done before. From that result the second hypothesis in this research is also cannot be proven because company performance cannot play a role as an intervening variable between ESOP towards market performance.

This can be happened considering the low ESOP proportion given by the company that cannot maximize the ownership feeling in the employee's mindset. The very low proportion given cannot motivate employees to give their best towards the company because after all, they won't also get maximize advantage from that (Ismail, et al, 2017). Hallock, Salazar, & Venneman (2004) stated that ownership portion that is granted to ESOP will give a significant impact to how the employees giving their performance to increase the company performance because there will be a difference between ownership and controlling.

5. Conclusion, Implication and Limitation

5.1. Conclusion

1. Employee Stock Option Plan has no impact towards market performance. This conclusion showed that the ESOP proportion in the company will not give a significant impact towards the market performance of a company. This is caused by the unpopular ESOP in Indonesia that made employees and market is not so used of this program, which means that whether employees and market has no enough information about hoe ESOP works and benefited them.
2. Company performance is not proven to play a role as an intervening variable between ESOP and market performance. ESOP has no significant impact towards company performance measured by ROA but has a positive impact towards ROE which means that the higher ESOP proportion granted will also increase the ROE of the company.

5.2 Limitations

This research has limitations as followed:

1. The difficulty to look for the list of company implementing ESOP in Indonesia. There isn't any list that showed all companies implementing ESOP in the period decided in this research making a main hurdle so that

cannot be confirmed that all the companies implementing ESOP has already be the object of this research.

2. This research also didn't separate the type of ESOP that is used in companies so that cannot be shown which type of ESOP that actually give an impact.
3. The measurement of company performance in this research also using only two measurement ROA and ROE. The data that is used is also at the same year when the ESOP is granted so that the impact after that year cannot be shown.
4. This research also using Tobin's Q that is using data at the end of the year that cannot directly represent the impact between ESOP directly after its granted towards the dependent variable.

5.3 Implication

Based on the limitations stated above, these are the implication given for the next research :

1. The next researcher can make a deep searching towards the exact list of companies implementing ESOP in Indonesia, so that every companies implementing ESOP can be the object of the research.
2. The next research also expected to separate and identificate the types of ESOP used so that can show which type that can give an impact towards dependent variables used.
3. The next research is also expected to add more measurement of company performance and longer period of observation so that can include a broader view.
4. The next research is expected to use the data near at the granted day of the ESOP to show the direct impact after the ESOP granted.

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Appendix

Appendix 1. Data Sample

No.	Code	Company Name	Year	ESOP type
1	AGII	Aneka Gas Industri Tbk	2016	MESOP
2	AGRS	PT. Bank Agris Tbk	2014	ESA
3	AKRA	PT. AKR Corporindo	2010	MSOP

4	AKRA	PT. AKR Corporindo	2011	MSOP
5	AKRA	PT. AKR Corporindo	2012	MSOP
6	AKRA	PT. AKR Corporindo	2013	MSOP
7	AKRA	PT. AKR Corporindo	2014	MSOP
8	AKRA	PT. AKR Corporindo	2015	MSOP
9	APII	Arita Prima Indonesia Tbk	2014	MESOP
10	APII	Arita Prima Indonesia Tbk	2015	MESOP
11	APLN	Agung Podomoro Land Tbk	2011	MESOP
12	APLN	Agung Podomoro Land Tbk	2012	MESOP
13	APLN	Agung Podomoro Land Tbk	2013	MESOP
14	APLN	Agung Podomoro Land Tbk	2014	MESOP
15	APLN	Agung Podomoro Land Tbk	2015	MESOP
16	APLN	Agung Podomoro Land Tbk	2016	MESOP
17	ASSA	Adi Sarana Armada Tbk	2012	ESA
18	ATIC	Anabatic Technologies Tbk	2016	MESOP
19	BABP	Bank MNC Internasional Tbk	2016	MESOP
20	BBTN	Bank Tabungan Negara Tbk	2010	MESOP
21	BBTN	Bank Tabungan Negara Tbk	2011	MESOP
22	BBTN	Bank Tabungan Negara Tbk	2012	MESOP
23	BCAP	MNC Kapital Indonesia Tbk	2012	MESOP
24	BCAP	MNC Kapital Indonesia Tbk	2013	MESOP
25	BCAP	MNC Kapital Indonesia Tbk	2014	MESOP
26	BDMN	Bank Danamon Indonesia Tbk	2015	MSOP
27	BHIT	MNC Investama Tbk	2010	MESOP
28	BHIT	MNC Investama Tbk	2011	MESOP
29	BHIT	MNC Investama Tbk	2012	MESOP
30	BHIT	MNC Investama Tbk	2014	MESOP
31	BHIT	MNC Investama Tbk	2016	MESOP
32	BJTM	Bank Pembangunan Daerah Jawa Timur	2015	MESOP
33	BJTM	Bank Pembangunan Daerah Jawa Timur	2016	MESOP
34	BJTM	Bank Pembangunan Daerah Jawa Timur	2017	MESOP
35	BMTR	Global Mediacom Tbk	2011	EMSOP
36	BMTR	Global Mediacom Tbk	2014	EMSOP
37	BMTR	Global Mediacom Tbk	2016	EMSOP
38	BNGA	Bank CIMB Niaga Tbk	2017	ESOP
39	BOLT	Garuda Metalindo Tbk	2015	ESA
40	BTPN	Bank Tabungan Pensiunan Nasional	2015	MESOP
41	BWPT	Eagle High Plantations Tbk	2011	ESOP
42	BWPT	Eagle High Plantations Tbk	2010	ESOP
43	BWPT	Eagle High Plantations Tbk	2012	ESOP
44	DPUM	Dua Putra Utama Makmur Tbk	2015	ESA

45	DSNG	Dharma Satya Nusantara Tbk	2014	ESOP
46	KINO	Kino Indonesia Tbk	2015	ESA
47	KPIG	MNC Land Tbk	2016	MESOP
48	KPIG	MNC Land Tbk	2017	MESOP
49	KPIG	MNC Land Tbk	2012	MESOP
50	KPIG	MNC Land Tbk	2014	MESOP
51	KPIG	MNC Land Tbk	2013	MESOP
52	KPIG	MNC Land Tbk	2011	MESOP
53	MNCN	Media Nusantara Citral Tbk	2012	MESOP
54	MNCN	Media Nusantara Citral Tbk	2014	MESOP
55	MNCN	Media Nusantara Citral Tbk	2016	MESOP
56	MNCN	Media Nusantara Citral Tbk	2010	MESOP
57	MNCN	Media Nusantara Citral Tbk	2011	MESOP
58	NIKL	Pelat Timah Nusantara Tbk	2010	MESOP
59	SDRA	Bank Woori Saudara Indonesia	2010	MESOP
60	SKBM	Sekar Bumi Tbk	2013	MSOP
61	SKBM	Sekar Bumi Tbk	2014	MSOP
62	WSKT	Waskita Karya Tbk	2014	MESOP
63	WSKT	Waskita Karya Tbk	2013	MESOP
64	WTON	Wijaya Karya Beton Tbk	2014	ESA

Information :

ESOP = *Employee Stock*

Option Plan MSOP =

Management Stock

Option Plan ESA =

Employee Stock

Allocation

MESOP = *Management and Employee Stock Option Plan*

EMSOP = *Employee and Management Stock Option Plan*

Appendix 2. Descriptive Statistics Result

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ESOP	64	0.002%	9.809%	1.20242%	1.476888%
ROA	64	0.07%	18.49%	5.2220%	4.06344%
ROE	64	0.50%	29.20%	11.7641%	6.97901%
Tobin's Q	64	.106016852070 1703	3.89399025696 53135	.998991551104 024	.901581195654 862
V.K. D	64	0	1	.31	.467
LN_TA	64	26.77	33.22	29.8705	1.43347
Valid N (listwise)	64				

Appendix 3. Normality test result

				Unstandardize d Residual	Unstandardiz ed Residual	Unstandardiz ed Residual
N				64	64	64
Normal	Mean			.0000000	.0000000	.0000000
Parameters ^{a,b}	Std. Deviation			3.46745283	.38149931	.62028808
Most Extreme	Absolute			.099	.145	.120
Differences	Positive			.099	.068	.120
	Negative			-.071	-.145	-.069
Test Statistic				.099	.145	.120
Asymp. Sig. (2-tailed)				.193 ^c	.002 ^c	.023 ^c
Monte Carlo Sig.				.594 ^d	.219 ^d	.469 ^d
Sig. (2-tailed)	95% Confidence	Lower Bound		.473	.117	.346
	Interval	Upper Bound		.714	.320	.591

- a. Test distribution is Normal.
- b. Calculated from data.
- c. Lilliefors Significance Correction.
- d. Based on 64 sampled tables with starting seed 2000000.
- e. This is a lower bound of the true significance.

Appendix 4. Multicollinearity test result

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	14.341	11.755		1.220	.227		
ESOP	.109	.324	.040	.338	.737	.875	1.143
V.K. D	-4.024	1.169	-.463	-3.442	.001	.672	1.489
LN_TA	-.268	.395	-.094	-.677	.501	.624	1.603

a. Dependent Variable: ROA

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	-1.032	1.293		-.798	.428		
ESOP	.079	.036	.277	2.224	.030	.875	1.143
V.K. D	-.422	.129	-.467	-3.285	.002	.672	1.489
LN_TA	.067	.043	.228	1.544	.128	.624	1.603

a. Dependent Variable: LG_ROE

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	4.545	2.223		2.045	.045		
ESOP	-.093	.062	-.152	-1.496	.140	.793	1.261
V.K. D	-.408	.237	-.211	-1.721	.091	.542	1.847
LN_TA	-.124	.075	-.197	-1.644	.106	.567	1.763
ROA	.117	.029	.528	4.093	.000	.491	2.038
LG_ROE	-.229	.260	-.108	-.882	.382	.549	1.823

a. Dependent Variable: Tobin's Q

Appendix 5. Heteroskedasticity test result

Heteroskedasticity Test: Glejser

F-statistic	9.327547	Prob. F(3,60)	0.0000
Obs*R-squared	20.35503	Prob. Chi-Square(3)	0.0001
Scaled explained SS	19.68471	Prob. Chi-Square(3)	0.0002

Test Equation:

Dependent Variable: ARESID

Method: Least Squares

Date: 01/12/18 Time: 22:52

Sample: 1 64

Included observations: 64

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.411364	0.653872	3.687824	0.0005
ESOP	-0.051263	0.018022	-2.844474	0.0061
V_K_D	0.325450	0.065030	5.004570	0.0000
LN_TA	-0.072049	0.021992	-3.276121	0.0018
R-squared	0.318047	Mean dependent var		0.299274
Adjusted R-squared	0.283950	S.D. dependent var		0.233570
S.E. of regression	0.197647	Akaike info criterion		-0.344211
Sum squared resid	2.343850	Schwarz criterion		-0.209281
Log likelihood	15.01476	Hannan-Quinn criter.		-0.291056
F-statistic	9.327547	Durbin-Watson stat		1.626031
Prob(F-statistic)	0.000038			

Heteroskedasticity Test: Glejser

F-statistic	3.524108	Prob. F(3,60)	0.0202
Obs*R-squared	9.587736	Prob. Chi-Square(3)	0.0224
Scaled explained SS	10.15342	Prob. Chi-Square(3)	0.0173

Test Equation:

Dependent Variable: ARESID

Method: Least Squares

Date: 01/12/18 Time: 22:50

Sample: 1 64

Included observations: 64

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	9.847040	6.944007	1.418063	0.1613
ESOP	-0.089758	0.191390	-0.468979	0.6408
V_K_D	-1.376321	0.690613	-1.992899	0.0508
LN_TA	-0.223216	0.233554	-0.955733	0.3430
R-squared	0.149808	Mean dependent var		2.641448
Adjusted R-squared	0.107299	S.D. dependent var		2.221538
S.E. of regression	2.098973	Akaike info criterion		4.381235
Sum squared resid	264.3412	Schwarz criterion		4.516165
Log likelihood	-136.1995	Hannan-Quinn criter.		4.434391
F-statistic	3.524108	Durbin-Watson stat		1.195374
Prob(F-statistic)	0.020187			

Heteroskedasticity Test: Glejser

F-statistic	3.810042	Prob. F(5,58)	0.0047
Obs*R-squared	15.82362	Prob. Chi-Square(5)	0.0074
Scaled explained SS	18.56844	Prob. Chi-Square(5)	0.0023

Test Equation:

Dependent Variable: ARESID

Method: Least Squares

Date: 01/12/18 Time: 22:41

Sample: 1 64

Included observations: 64

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.212473	1.322798	0.916597	0.3631
ESOP	-0.005000	0.036860	-0.135646	0.8926
V_K_D	-0.241690	0.140993	-1.714203	0.0918
LN_TA	-0.026020	0.044895	-0.579580	0.5644

ROA	0.029678	0.017028	1.742846	0.0867
LG_ROE	-0.064940	0.154770	-0.419587	0.6763
R-squared	0.247244	Mean dependent var		0.447813
Adjusted R-squared	0.182351	S.D. dependent var		0.425486
S.E. of regression	0.384741	Akaike info criterion		1.016566
Sum squared resid	8.585475	Schwarz criterion		1.218961
Log likelihood	-26.53011	Hannan-Quinn criter.		1.096300
F-statistic	3.810042	Durbin-Watson stat		2.366603
Prob(F-statistic)	0.004724			

Heteroskedasticity Test: White

F-statistic	1.420475	Prob. F(3,60)	0.2456
Obs*R-squared	4.244090	Prob. Chi-Square(3)	0.2363
Scaled explained SS	6.218541	Prob. Chi-Square(3)	0.1014

Test Equation:

Dependent Variable: RESID^2

Method: Least Squares

Date: 01/12/18 Time: 23:02

Sample: 1 64

Included observations: 64

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	16.57915	35.10934	0.472215	0.6385
ESOP^2	-0.040590	0.226904	-0.178887	0.8586
V_K_D^2	-11.69662	7.292605	-1.603902	0.1140
LN_TA^2	-0.001054	0.040290	-0.026165	0.9792

R-squared	0.066314	Mean dependent var		11.83537
Adjusted R-squared	0.019630	S.D. dependent var		21.78197
S.E. of regression	21.56712	Akaike info criterion		9.040679
Sum squared resid	27908.44	Schwarz criterion		9.175609
Log likelihood	-285.3017	Hannan-Quinn criter.		9.093834
F-statistic	1.420475	Durbin-Watson stat		1.401235
Prob(F-statistic)	0.245637			

Heteroskedasticity Test: Harvey

F-statistic	2.181570	Prob. F(3,60)	0.0995
Obs*R-squared	6.294436	Prob. Chi-Square(3)	0.0981
Scaled explained SS	4.923316	Prob. Chi-Square(3)	0.1775

Test Equation:

Dependent Variable: LRESID2

Method: Least Squares

Date: 01/12/18 Time: 23:14

Sample: 1 64

Included observations: 64

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	16.26673	6.374144	2.551987	0.0133
ESOP	-0.370181	0.175683	-2.107090	0.0393
V_K_D	0.789908	0.633937	1.246035	0.2176
LN_TA	-0.449648	0.214388	-2.097359	0.0402
R-squared	0.098351	Mean dependent var		2.637254
Adjusted R-squared	0.053268	S.D. dependent var		1.980182
S.E. of regression	1.926720	Akaike info criterion		4.209976
Sum squared resid	222.7350	Schwarz criterion		4.344907
Log likelihood	-130.7192	Hannan-Quinn criter.		4.263132
F-statistic	2.181570	Durbin-Watson stat		1.448411
Prob(F-statistic)	0.099504			

Heteroskedasticity Test: White

F-statistic	1.859556	Prob. F(5,58)	0.1155
Obs*R-squared	8.842162	Prob. Chi-Square(5)	0.1155
Scaled explained SS	14.41890	Prob. Chi-Square(5)	0.0132

Test Equation:

Dependent Variable: RESID²

Method: Least Squares

Date: 01/12/18 Time: 23:04

Sample: 1 64

Included observations: 64

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.234595	1.213507	1.017378	0.3132
ESOP ²	-0.000199	0.007945	-0.025080	0.9801
ROA ²	0.002994	0.001812	1.651956	0.1039
LG_ROE ²	-0.194051	0.191339	-1.014175	0.3147
V_K_D ²	-0.308014	0.260981	-1.180215	0.2427
LN_TA ²	-0.000766	0.001390	-0.550591	0.5840
R-squared	0.138159	Mean dependent var		0.378745
Adjusted R-squared	0.063862	S.D. dependent var		0.760713
S.E. of regression	0.736022	Akaike info criterion		2.313947
Sum squared resid	31.42026	Schwarz criterion		2.516342
Log likelihood	-68.04630	Hannan-Quinn criter.		2.393681
F-statistic	1.859556	Durbin-Watson stat		2.286583
Prob(F-statistic)	0.115545			

**Appendix 6. Model
properness test result**

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.521 ^a	.272	.235	3.55308%	.272	7.466	3	60	.000

a. Predictors: (Constant), LN_TA, ESOP, V.K. D

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	282.762	3	94.254	7.466	.000 ^b
	Residual	757.463	60	12.624		
	Total	1040.226	63			

a. Dependent Variable: ROA

b. Predictors: (Constant), LN_TA, ESOP, V.K. D

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics		
	B	Std. Error	Beta			Tolerance	VIF	
1 (Constant)	14.341	11.755		1.220	.227			
	ESOP	.109	.324	.040	.338	.737	.875	1.143
	V.K. D	-4.024	1.169	-.463	-3.442	.001	.672	1.489
	LN_TA	-.268	.395	-.094	-.677	.501	.624	1.603

a. Dependent Variable: ROA

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.431 ^a	.186	.145	.39092	.186	4.574	3	60	.006

a. Predictors: (Constant), LN_TA, ESOP, V.K. D

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.097	3	.699	4.574	.006 ^b
	Residual	9.169	60	.153		
	Total	11.266	63			

a. Dependent Variable: LG_ROE

b. Predictors: (Constant), LN_TA, ESOP, V.K. D

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	-1.032	1.293		-.798	.428		
ESOP	.079	.036	.277	2.224	.030	.875	1.143
V.K. D	-.422	.129	-.467	-3.285	.002	.672	1.489
LN_TA	.067	.043	.228	1.544	.128	.624	1.603

a. Dependent Variable: LG_ROE

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df 1	df2	Sig. F Change
1	.604 ^a	.364	.333	.7365852254 10701	.364	11.462	3	60	.000

a. Predictors: (Constant), LN_TA, ESOP, V.K. D

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	18.656	3	6.219	11.462	.000 ^b
	Residual	32.553	60	.543		
	Total	51.209	63			

a. Dependent Variable: Tobin's Q

b. Predictors: (Constant), LN_TA, ESOP, V.K. D

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	6.461	2.437		2.651	.010		
ESOP	-.098	.067	-.161	-1.459	.150	.875	1.143
V.K. D	-.782	.242	-.405	-3.227	.002	.672	1.489
LN_TA	-.171	.082	-.271	-2.083	.042	.624	1.603

a. Dependent Variable: Tobin's Q

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df 1	df2	Sig. F Change
1	.726 ^a	.527	.486	.6464719920 53314	.527	12.906	5	58	.000

a. Predictors: (Constant), LG_ROE, LN_TA, ESOP, V.K. D, ROA

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	26.970	5	5.394	12.906	.000 ^b
	Residual	24.240	58	.418		
	Total	51.209	63			

a. Dependent Variable: Tobin's Q

b. Predictors: (Constant), LG_ROE, LN_TA, ESOP, V.K. D, ROA

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	4.545	2.223		2.045	.045		
ESOP	-.093	.062	-.152	-1.496	.140	.793	1.261
V.K. D	-.408	.237	-.211	-1.721	.091	.542	1.847
LN_TA	-.124	.075	-.197	-1.644	.106	.567	1.763
ROA	.117	.029	.528	4.093	.000	.491	2.038
LG_ROE	-.229	.260	-.108	-.882	.382	.549	1.823

a. Dependent Variable: Tobin's Q