

EARNINGS MANAGEMENT AT PUBLIC COMPANIES WITH EMPLOYEE STOCK OWNERSHIP PROGRAM (ESOP)

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ABSTRACT

This research investigates the significant differences of discretionary total accrual between ESOP companies and non ESOP ones as listed at Indonesia Stock Exchange (IDX), and significant differences of stock return before and after implementing ESOP as well as the significant differences of stock return in every single stage of ESOP. This research was conducted on 11 companies doing the ESOP and other 11 ones without doing the ESOP during 1999-2004. The test is by means of windows period during three years before the ESOP, in the year of ESOP taking place, and in the three years after the ESOP. The model used for examining earnings management is the modified Jones model. The proxy of earnings management is discretionary total accrual and the measurement of stock price is stock return. This research was analyzed using independent sample t test and paired sample t test. The results showed that the companies as the sample in this research did the earning management increased their income in the period of three to two years before ESOP and increase their income in the period of one year before ESOP and for the following years after the ESOP. Yet, there are no significant differences of discretionary total accrual between these two groups. There was not any evidence of significant differences of stock return before and after time of ESOP and neither significant differences of stock return in every stage of ESOP but found that negative stock return occurred after and during three stages of the ESOP.

Keywords: Employee ownership; earnings management; compensation; stock return; stock option.

INTRODUCTION

The research focuses on the crucial problem concerning the effectiveness of the ESOP (Employee Stock Ownership Program) by reducing the agency problem. ESOP practice in Indonesia will hold ESOP issuers typically by using the opportunities provided through the board of stock exchange investigation (Bapepam) regulations No.IX.D.4: the decree by the Chairman of Bapepam No.44/PM/1998 of additional capital without preemptive rights or right issue. This regulation states that the maximum amount of additional capital in the program of ESOP amounted to 5% of the total existing capital. This means that employee ownership of companies is too small and this will be smaller for the manager because ownership is spread not only to top level managers, but also to middle managers and employees overall. As a result, managers will still be

open to get opportunity because the process of aligning the interests of agents and owners as one of the objectives expected from the holding of the ESOP can not be fulfilled.

Another issue that emerged in the administration of the ESOP are granted options practicing the same price at grant (grant date). This is because the profit (gain) from the stock options depends on the difference between the price at grant and the price on the date of execution and the existence of a sufficiently during in the second period. Thus, the condition can come up with opportunistic behavior of the managers (Fun 2007).

The research by the Fun in Fun (2007) states, that there are indications of managers to manage ESOP by lowering the price of the stock market before the date of grant-made. This is intended to reduce the price of their options and increase the future market price

at the date of decision. This is intended to maximize the profit. Fun (2007) also states that every stage of offering stock options has a significant effect on management practices.

The management is not merely to affect the stock price at the grant and execution period, but also to make the managers' performance appraisal conducted before granting the ESOP. Scott (2000) states that the plan grant of bonuses is intended to motivate managers to manage profit. This assumption is called the bonus plan hypothesis (bonus plan hypothesis). Yet, the owners can not monitor the activity that gave rise to the overall managers towards information asymmetry between owners and managers. This condition will in turn make managers increase their personal profit.

Based on the some arguments above, the researcher attempts to examine more profoundly the issue of earning management related to the ESOP. In other words, it attempts to prove the differences in management practices in the period of the ESOP and that prior to the ESOP. The ESOP which is at the time of delivery or after a period between the companies that do ESOP and those that do not, as well as to see any difference of the profit of stock after the conversion to ESOP.

THEORETICAL FRAMEWORK AND HYPOTHESIS

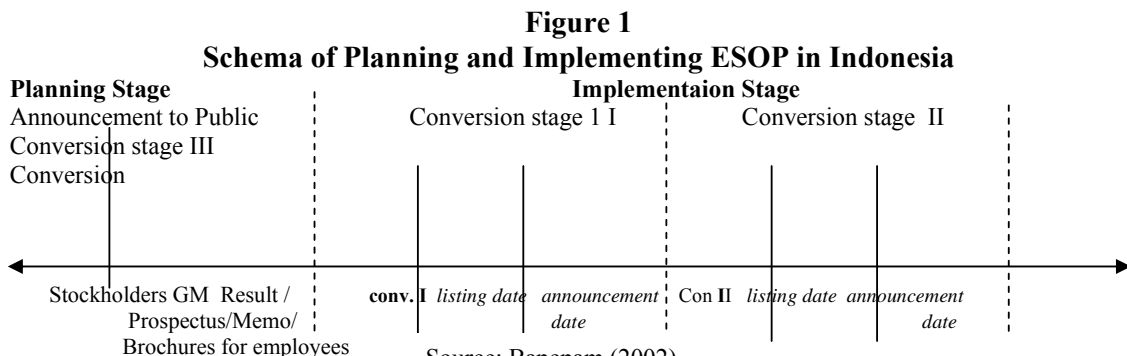
Employee Stock Ownership Program (ESOP).

Providing shares as compensation for managers is one way for the shareholders in the agency problem. By granting the shares, it can make the manager work through a

program known as Employee Stock Ownership Programming (ESOP). ESOP is part of the compensation component which is not merely by giving the money by the company to the managers and employees. Bapepam, (2002) defines ESOP as a human resource management programs in the form of share ownership program by the workers who meet certain requirements in the company. They are the workers who have been working for years with the company.

There are several ways that can be used in the share ownership program by the workers at the company. Bapepam (2002) divides it into several approaches: (1) Granting of Shares (Stock Grants), (2) By Employee Share Purchase Program (Direct Employee Stock Purchase Plans), (3) Stock Option Plan (Stock Option Plans), (4) Employee Stock Ownership Plans (ESOPs) and (5) Phantom Stock and Stock Appreciation Rights (SARS). In Indonesia, based on the prevailing practice, the price exercise generally follows the provisions of Indonesia Stock Exchange (BEI). It is based on, an average, 25 day trading price on the stock. Yet, there are also issuers that use the nominal value and the decision of directors to determine the exercise price. ESOP can be done by public companies, non-public, or a new company that will conduct Initial Public Offerings (IPO).

ESOP begins with the decision of the General Meeting of Shareholders (AGM) of the ESOP. Broadly speaking, the period of the ESOP can be divided in two phases: the planning and execution. The ESOP Governance stages can be seen in the Figure 1.



Management around the Period of the ESOP

ESOP practice in Indonesia, the ownership of shares is offered by the company owners in ESOP ownership to a maximum of 5% of the total equity of the company (Regulation No. IX.D.4: Decree by the Chairman of Bapepam No.44/PM/1998). Since the ownership is considered small, it is difficult to expect managers to have motivation to reduce their opportunistic action. French (1987) states that the satisfaction of ownership by the workers on the job depends on corporate and financial incentives associated with ownership.

If ownership is considered financial rewards, the satisfaction and commitment to the company will be great. The smaller the number of shares granted to managers, the lower the awards for such compensation. Thomson (2003) states that the new ESOP will be managed to provide a positive impact for the company only if the employees and managers assume that the ESOP is considered financial reward.

Xiangdong and Xianming (2001) who examined the ESOP in China provides evidence that the increased value of the firm does not happen to a company that conducts the ESOP. This is due to at least the shares given by companies. Thus, the ESOP and distributed ownership shares cannot induce strong motivation for individuals within companies to improve operational performance. Offering ESOP to all the employees will induce the power of influence or voting rights. As a result, there is no correlation between individual business managers to improve performance so that the perceived intention of practicing the ESOP is not either useful. In other words, the ESOP cannot align the interests among managers and owners. Thus, it will not help reduce the manager's opportunistic actions (s management).

In the ESOP, the time span between the date of grant (grant date) and date of execution (the exercise date) can cause the manager to do earning management. Opportunistic behavior can occur in two

patterns. First, management occurs when the owners assess the performance of managers before deciding on the implementation of the ESOP. Furthermore, opportunistic behavior of managers can also occur during the period of the date of grant (grant date) and when the period of exercise date occurs. If the owner assesses the managers' performance, the managers will try to increase the value of compensation for the reward. This is consistent with the hypothesis of a bonus plan (the bonus plan hypothesis) presented by Scott (2000). This hypothesis states that managers will be more motivated to manage profit when the company has a bonus plan Gumanti (2000). The reason is that because the profits have been used as a target in the process of assessing the achievement of the managers' particular performance in their department or company in general. If income is one indicator that is also used to provide compensation to the manager then the manager will seek to enhance profit, the motivation of managers to manage profit will be greater too.

The previous studies also found no evidence of earning management in the periods prior to the share grant. Shuto (2004) found no evidence of earning management in the form of increased shares by Japanese companies in the effort for improving profit and bonuses. It is true, especially, when they want to boost executive bonuses. This study supports the results of the research by Healy (1985) and Bebhuck and Fried (2003).

Thus, in the period of managers' performance assessment, the managers are expected to increase the income. The goal the investors will assess is the performance of managers and then the compensation. In this case, it is related to the number of shares granted to the managers. A research conducted by the Fun (2006) in Fun (2007) suggests that offering stock option program that is conducted in several stages will result in different effects on earning management. This is because the option price is determined at the grant date and based on 25 day average trading price of shares on the stock exchange.

Therefore, in the period before the grant date, managers expect the stock price to decline for a while. If the price is cheap at the time of delivery, the price of determination of exercising date also get cheaper. Earning management behavior is stronger in the first period but finally it get less and less in subsequent periods. For the period before the date of grant of stock options, the possibility of earning management by managers occurs in the form of decreasing income. The goal, with a profit decrease reported by managers, is the market price that is before the delivery period it is reduced so that the option price is determined based on the average value of the stock price which also decreases. Furthermore, in the period after the grant date, the managers expect an increase in stock prices in the following periods, especially when stock options is about to expire.

The conditions are expected to be followed by a determination that the sale price rise (Fun in 2007) so that the gain will be higher generated. In this period, the managers tend to do earning management by increasing the income in the hope of increasing the profit. This then leads to an increase at the current price. Based on the description above, the hypothesis can be generated as the following.

H1: There is a difference of earning management practice between ESOP Companies that do not perform with the company during the period of the ESOP.

Stock Price around ESOP Period.

A research by Mehran (1999) in the NCEO a (2007) shows the return of corporate finance for two years before and in the ESOP, and four years after the ESOP. To view the return received by the shareholders, Mehran only considers the initial reaction at the announcement of ESOP. The result shows that 60% of ESOP companies have increased the stock price in the period of two days after the announcement of the ESOP with an average increase of 1.6%. Iqbal (2002) also found evidence that stock price increases

because it is affected by the improvement in operating the performance of the company.

Xianming and Xiangdong (2001) found evidence that there is no performance difference (including share price). This means that there is no difference both for companies that perform the ESOP and those that do not. Coles et.al (2005) found preliminary evidence of differences in stock prices a few days before and after implementation of the ESOP. Next, they also found any strong evidence of abnormally discretionary accrual in the period prior to the issuance of shares in the ESOP. This indicates that the managers manage the profit in the current period with the aim of trying to increase the gain to be received, expecting the price offered at the time of the grant date is lower than when the price on the date of execution. Then the expected stock price on execution period will tend to increase as a result of the efforts of managers to increase the value of stock options. Therefore, to see the difference in stock price in the period prior to the period after the ESOP and the ESOP, the hypothesis is formulated as the following.

H2A: There is difference of stock returns in the period of before and after the announcement of ESOP.

Furthermore, Fun (2007) suggests the existence of different patterns of s management at each stage of the ESOP in the event of earning management at the first periods and decreases in the following period. This difference is caused by the conflicts of interest among the participants at the first stage and later stage. In the first stage, the management of profit is better because there is no divergence of interests. However, in the second phase of its strength, it decreases because the first stage participants who initially expect lower profit in the second phase have sought to increase profits by increasing corporate profits. On the other hand, the second party, i.e. for the second phase participants are still trying to lower the income to get cheap stock prices. Hypothesis 2b in this study aimed to see the

return of the stock between the periods of the ESOP. The hypothesis is formulated as the following.

H2b: There is a difference between the stock return ESOP conversion periods

RESEARCH METHOD

Research Sample.

The sample is selected using a purposive random sampling, e.g.,

1. *Public companies that perform in the ESOP during the period 1999-2004.*

This restriction is made because of differences in the practice of the ESOP in Indonesia in the period before 1999. In the following period of 1998, the ESOP was only given when the company would go public in the form of stock allocation. After 1998, it was implemented in addition to the stock allocation by granting permanently of 10% of the initial public offering, also with a program that is like an option program (Bapepam 2002).

2. *BEI did not do an IPO in a minimum period of three years before the ESOP.*

3. *Issued financial statements during the observation period of research, ie from 1995 till 2007.*

Types and Sources of Data

The data were obtained from annual reports (annual report), and other IDX data publications, consisting of the following data.

1. Public company data that has been doing the ESOP.
2. Net income and cash flows from operating activities used to calculate the total accrual.
3. The book value of fixed assets and depreciation which is used to calculate the PPE (Property, Plant and Equipment) gross.
4. Total assets, total sales, and total accounts receivable in the period of the year before the announcement of the ESOP are used to calculate Δ fixed assets, the value $1/TAt-1$, sales Δ , and Δ accounts receivable.
5. Daily stock prices are used for the calculation of stock returns.

Variable Measurement

Earning management

Earning management is measured using the modified Jones' model (Dechow, 1995). This model uses Total Accrual (TAC), Discretionary Total Accrual (DTAC), and Nondiscretionary Total Accrual (NDTAC) used as a proxy for s management. Total accruals (TAC) are defined as the difference between the reported income from continuing operations and operating cash flows. To obtain the value of the DTAC it can be done by using the following formula:

$$TAC = \text{Net Income (NI)} - \text{Cash Flow Operation (CFO)} \dots\dots\dots (1)$$

The total value of accrual which is estimated using OLS equation, as follows:

$$TAC_t/TAt-1 = \alpha_1 (1/TAt-1) + \alpha_2 (\Delta \text{ Salest}/TAt-1) + \alpha_3 (PPE_t/TAt-1) + \varepsilon \dots\dots\dots (2)$$

Where:

TA_{t-1} = Total Asset of the period t-1
 $\Delta \text{ Sales}_t$ = change of net sale of the period t
 PPE_t = gross property, plant, and equipment
 $\alpha_1, \alpha_2, \alpha_3$ = Regression coefficient
 ε = error term

By using regression coefficients above, ($\alpha_1, \alpha_2, \alpha_3$) then NDTAC value can be calculated using the following formula.

$$1/TAt-1 \text{ NDTAC} = \alpha_1 + \alpha_2 (\Delta \text{ Salest} - \Delta \text{ REC}_t) / TAt-1 + \alpha_3 (PPE_t/TAt-1) + \varepsilon \dots\dots\dots (3)$$

Where;

NDTAC = *Nondiscretionary Total Accrual*
 $\Delta \text{ REC}_t$ = change of net account receivables of the period t
 $\alpha_1, \alpha_2, \alpha_3$ = Regression coefficient
 ε = error term

DTAC is the difference between total accrual results for the previous period's total assets and a value nondiscretionary accrual. DTAC is calculated using the formula:

$$DTAC = (TAC/TAt-1) - NDTAC \dots\dots\dots (4)$$

Where:

DTAC = Discretionary total accruals.

Stock Return

Return is obtained from the investment. It is one measurement of the company's performance (Jogiyanto, 2000). Return used in this research is the realization of return (Complaints return) which is a return that has occurred in the period of t . Shares used for calculating the return can be written as the following.

$$R_{it} = \left(\frac{P_t}{P_{t-1}} \right) - P_{t-1}$$

Where:

R_{it} = Company's return i in month t

P_t = company closing stock price on the day of t

P_{t-1} = company closing stock price on the previous day ($t-1$).

Hypothesis Testing

Testing the First Hypothesis.

The first hypothesis aims to see the attitude embodied in opportunistic profit manipulation around the ESOP. It was conducted by using independent sample *t-test* against a company that did the ESOP and the ESOP did not. As a comparison, the companies (non-ESOP) are selected by means of a sample of matched firms based on several criteria such as (1) the company had not conducted the ESOP in the 1999-2004 period, (2) the industrial firms have similar characteristics to the sample and the total equity firms in the same range. If not available in a single company in the same industry, the samples were taken in adjacent industries. If the value of total discretionary accruals between the two groups of firms show a significant difference, then the first hypothesis, which shows the differences in earning management between firms with ESOP companies do not do during the ESOP, it can not be rejected.

Testing the Second Hypothesis

Hypothesis H2A is done to see the differences in stock returns in the periods before and after the ESOP. This hypothesis was tested using paired samples of *t-test* (paired difference test) by comparing the

stock return in the period prior to the period of after and before the ESOP. If there are significant differences from the stock returns before and after the announcement of the ESOP, then the hypothesis H2A can not be rejected.

Hypothesis H2b examines differences among periods ESOP stock return. This hypothesis was tested by means of paired samples *t-test* (paired difference test) to test the difference between the periods of the ESOP stock return. If there are significant differences among periods of stock returns, the hypothesis H2b ESOP can not be rejected. Here is the formula.

$$t = \frac{(x_1 - x_2) - 0}{sd/\sqrt{n}}$$

Where:

X_1 = observation average 1 (Period ESOP 2)

X_2 = observation average 2 (Period ESOP 1)

Sd = standard of deviation

n = the sample size.

IV. RESEARCH RESULTS AND DISCUSSION

Description of Research Sample

The sample are the companies listed in Indonesia Stock Exchange that have made the ESOP in the period of 1999-2004 with the three-year observation period before implementation of the ESOP (1996-2001), when the ESOP (1999-2004), and three years after the implementation of ESOP (2002-2007). The number of companies for the population is of 29 companies. The sample is taken from the period of the study using purposive sampling method based on the previously determined criteria as Table 1 (see Appendix 1)

The observation was done on the firms that did not do the ESOP as a sample for comparison. The comparison sample (non-ESOP) was selected companies that had not conducted any activities during the ESOP 1999 to 2004. Another criterion is that industrial firms have similar characteristics with the total equity in the same range. Based on these criteria, the total companies used as

the sample can be seen in Table 2 (Appendix 2)

Description of Research Variables

It uses the variable of total discretionary accruals (DTAC) as a proxy of earnings management and stock return variables as a proxy of changes in stock prices. To provide a picture of total discretionary accrual variable (DTAC), it can be seen in Table 3 (Appendix 3) and a description of the stock return is presented in Table 4 (Appendix 4).

From the results of descriptive statistics, it can be seen that the average DTAC in the third period and two years before the ESOP for a company with ESOP shows that the pattern of earning management performed during this period can increase the income. In period of one year prior to and during the ESOP, one year to three years after the ESOP, the non-ESOP companies perform earning management and they decrease the income. Such pattern is presented in Table 4 (Appendix 4).

Hypothesis 1 Test Results and Discussion

The first hypothesis aims to prove the difference between earning management with ESOP and those with non ESOP in the period during the ESOP. Therefore, the hypothesis is tested using different test independent *t* test. Test results of independent *t* test between ESOP companies and the non ESOP companies are displayed in Table 5 (Appendix 5).

Different test results showed that the difference test between the value of discretionary accruals (DTAC) for a period of three years before the ESOP of a company that did the ESOP and those that did not show the *t* value is -0.453, it is not significant with a probability of 0.656. Negative *t* value indicates that the average value of the ESOP companies DTAC is lower when compared to the average value of DTAC for non-ESOP companies.

t value for the period of two years and one year before the ESOP totaled to 1.288 and 1.21. This is not significant indicating that for a period of two years and one year

before the ESOP, the average value of DTAC ESOP companies tends to conduct less earning management practices than the companies that do not perform the ESOP. Different test results for a period of three years after the ESOP, the *t* value is -0.292 and not significant, which means that for a period of three years after the ESOP, the mean average value of DTAC for a company with the ESOP is lower when compared to the average value average for companies that do not perform the ESOP.

From the different test results in the Table 5, it can be concluded that there is no difference between the companies with ESOP and those with non ESOP. Thus, the first hypothesis can not be accepted. There is no significant difference from the practice of earning management performed between the two groups of firms. It means that managers in the companies with the ESOP are not motivated to reduce opportunistic action in the form of earning management. This is due to the offered shares in the ESOP in which it is maximally only 5% of the total equity of the company.

Test of Hypothesis 2a Results and Discussion

The 2a hypothesis statistical test on the stock return is aimed at determining whether there is any difference in stock returns that occur in the ESOP period. In this study, statistical test of stock return is done by using paired sample of *t* test. A statistical test of stock return in the period before and after the ESOP for hypothesis 2a is as in Table 6 (Appendix 6).

From the results of paired sample *t* test, it shows that the average stock return for the companies with ESOP is -.00315 and the *t* value of -.0611. Negative *t* value indicates that the stock return in the period after the date of implementing ESOP is lower than stock returns after the ESOP. This is in line with the research by Baridwan Anwar (2006) who also found a negative return in the period after the ESOP. Stock return patterns during a declining supply of stock

options is not consistent with opportunistic behavior of managers that aims to increase the value of their options after the grant (Nice, 2006). This happens because a negative return may be caused by several factors, namely (1) because the option exercise period occurred within the time periods adjacent to the granting (grant date) the next stage in which the manager decreases the income patterns that occurred in the period before the grant date. This makes the financial performance decrease which in turn it makes the company's market performance lower as well.

Such condition can result in difficulty for the managers to immediately increase the stock price in the next period and (2) the ESOP program implemented in several phases of implementation can cause the managers increasingly lose their power to influence stock prices. Significance level (α) is required at different test using paired samples *t test* that is 10% for two-sided test so that each side is of 5%. From the different test results, it shows no significant difference from the stock return for the period before and after the ESOP. Thus, the second hypothesis (H2A) is rejected. This implies that the rejection of H2A is the existence of some phases of the ESOP program. It is the managers' desire to raise the price of shares in the first period that would directly conflict with the interests of managers and other employees who have not received stock options. In the reality they are still expecting a cheap price on the second and third periods.

Hypothesis 2b 4.4 Test Results and Discussion

Hypothesis 2b is expected to test the difference between the stock return of ESOP conversion period. This hypothesis was tested by means of different test of paired samples *t test*. The statistical test of stock return in the period before and after the ESOP for hypothesis 2b is presented in Table 7.

Testing the first pair is aimed to test the differences in stock return in the first period and second period of the ESOP

conversion. From the Table 7, it can be seen that the average is -0.00413 and -0.00114 and negative *t* value of -1.342 and -0, 413. This indicates that the stock return in the first and second period is lower when compared to the return of the next period. The level of significance between the two periods is 0.180 and 0.608, while the probability for the second pair is of 0.608 ($> 5\%$). Thus, it can be concluded that thus concluded that H2b is not acceptable.

This research proved the existence of negative returns at every stage of execution. This negative return is thought to be a continuation of negative returns in the period before the date of grant which is unable to increase on the later stages. The inability of managers to increase share prices between the period of granting and the execution is due to a short time span between the period of granting and the execution. Such a phenomenon causes the least time to improve financial performance that previously has been reduced (because of the income Decrease). In return, it influences the performance of company stock. Fun (2007) adds that the ESOP program is distributed in several stages in which it tends to create a conflict between the managers who receive the ESOP in the first phase, to improve the profits and the second and third manager who still lose profits. Such hypothesis is consistent with the theory of incentive contracts, which states that a new compensation package would be worth if the manager considers such incentives still valuable for them (Xiangdong and Xianming, 2006).

CONCLUSION, IMPLICATION, SUGGESTIONS, AND LIMITATIONS

Based on the discussion, it can be concluded as the following. First, managers who conduct ESOP are not motivated to reduce opportunistic behavior. Secondly, this implies that there is no difference between the earning management by companies that implement the ESOP and those that do not. Thirdly, for a period of three years before the ESOP, the practice of earning management

occurs in the form of the increased income. Conversely, in the period of the year before the ESOP up to three years after the ESOP, the practice of earning management occurs in the form of decreased income.

Hypotheses 2a and 2b could not provide any evidence that shows a significant difference between the stock returns. Yet, the researchers have found evidence of negative stock returns in the periods before and after the ESOP. This indicates that the ESOP program is offered with a maximum of 5% of the total equity of the company as required by Bapepam (2002), but it did not provide motivation for managers and employees to improve company performance.

Implications and Further Research Suggestions

First, the companies are expected to consider a period of time (the grant date and exercise date) in which the ESOP policy by considering the period to provide an opportunity for managers to improve corporate financial performance and for investors to consider and process the information from these ESOP programs. Second, the Bapepam is expected to reconsider the rules on the percentage of shares which is given to the managers or employees in the ESOP, so that it can encourage managers to better improve the performance affecting the company's stock price.

It is suggested that, for further research, the researchers are expected to test in advance what factors that affect the company's decision to implement the ESOP. In addition, they are also expected to increase the size of the sample and extend the observation time so that it can induce a wider generalization. Finally, they also examine the company's motivation in doing the ESOP and test the effect of it on companies' performance (EPS and PER) in the future and the effect of the ESOP to the agency problem as well.

Research Limitations

First of all, the sample using the companies consists of only eleven companies doing the ESOP and the other eleven ones no doing the

ESOP. Secondly, *windows- 25 day* period is relatively a short span of time between the period of the grant date and the exercise period (exercise date) in which it is close to the limited time the researchers extend the observation *windows*.

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Appendix 1

Table 1
Data of Research Sampling

Criteria	Σ
Companies doing ESOP in the period of 1999-2004	29
Companies that do not comply with the criteria:	
• Doing IPO less than three years before observation	10
• Doing merger during observation	1
• Without information for the date giving and implementing ESOP on financial report	2
• Data of incomplete financial report	5
Total of the sample	11

Source: processed secondary data

Appendix 2

Table 2
List of the Companies for the Research Sample

Year	ESOP	Non ESOP
1999	-	-
2000	3	3
2001	5	5
2002	3	3
2003	-	-
2004	-	-
Jumlah	11	11

Source: processed secondary data

Appendix 3

Table 3
Descriptive Analysis of the Value DTAC
the ESOP Companies' and Non ESOP Companies

	ESOP					NON ESOP			
	N	Min	Max	Average	Std. Dev	Min	Max	Average	Std. Dev
DTAC-3 (3 years before ESOP)	11	-.36	3.02	.2558	.93139	-1.08	9.83	.6806	3.07934
DTAC-2 (2 years before ESOP)	11	-.12	.27	.0339	.12490	-1.20	.70	-.2335	.65817
DTAC-1 (1 year before ESOP)	11	-.33	.17	-.0218	.12254	-9.58	.71	-1.079	2.86708
DTAC0 (during ESOP)	11	-.38	.11	-.0750	.15294	-17.37	.99	-1.732	5.21718
DTAC+1 (1 year after ESOP)	11	-.29	.11	-.0389	.14634	-.90	.82	-.197	.47478
DTAC+2 (2 years after ESOP)	11	-.39	.25	-.0017	.17095	-.79	.83	-.165	.46308
DTAC+3 (3 years after ESOP)	11	-.66	.15	-.1078	.24103	-1.37	.93	-.0553	.68100

Source: processed secondary data

Appendix 4

Table 4
Descriptive Statistics of Stock return

	N	Minimum	Maximum	Average	Standard Dev.
Hypothesis 2a					
Ret Before	275	-1,00	0,35	-0,8072	1,49299
Ret After	275	-0,22	0,17	-0,35	0,07473
Hypothesis 2b					
Ret pair 1					
Ret Period 1	500	-1.00	0,22	-0.0036	0,05878
Ret Period2	500	-0,22	0,17	0,0006	0,03668
Ret pair 2					
Ret Period 2	350	-0,11	0,14	0,0009	0,03475
Ret Period 3	350	-0,18	0,27	0,0020	0,04124

Source: processed secondary data (2008)

Appendix 5

Table 5
df Testing of the DTAC Value of ESOP Companies
and the Non ESOP Companies

ESOP-Non ESOP	Levine's Test		T-Test	
	F	Significance	t	Sig.2-tailed
DTAC-3 (3 years before ESOP)	2,181	0,155	-0,453	0,656
DTAC-2 (2 years before SOP)	19,505	0,000	1,288	0.212
DTAC-1 (1 year before ESOP)	4,436	0,048	1,210	0.241
DTAC0 (Period during ESOP)	4,419	0,048	1,045	0.309
DTAC+1 (period 1year after ESOP)	3,89	0,063	0,998	0.338
DTAC+2 (period 2 years After ESOP ESOP)	3,46	0,078	1,042	0.317
DTAC+3 (period of 3 years after ESOP)	4,175	0,054	-0,292	0.775

Source: processed secondary data

Appendix 6

Table 6
df Testing of Paired Sample T Test for Hypothesis s 2a

	Mean	t	df	Sig. (2-tailed)
After - Before	-.00315	-.611	274	.542

Source: Processed secondary data

Appendix 7

Table 7
df Testing of Paired Sample T Test for Hypothesis 2b

	Mean	t	df	Sig.(2-tailed)
Period 1-Period 2	-.00413	-1.342	499	.180
Period 2-Period 3	-.00114	-.413	349	.680

Source: processed secondary data