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The Effect of Employee Stock Option (ESOs) on Abnormal Returns in Companies Listed Indonesia Stock Exchange: Corporate Governance as Moderating

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ABSTRACT:

This study aims to determine the effect of Employee Stock Options (ESOs) on Abnormal Returns with Corporate Governance as a moderating variable. Corporate Governance proxies are independent commissioners, managerial ownership, and institutional ownership. The population in this study were companies listed on the Indonesia Stock Exchange. Based on the purposive sampling method, 20 samples were obtained and the regression method used was Moderate Regression Analysis (MRA). The results of this study indicate that Employee Stock Options (F-SOs) have a significant effect on Abnormal Returns and Corporate Governance is a moderating variable in the relationship between employee stock options (ESOs) and abnormal returns.

Keywords: Abnormal Returns; Employee Stock Options (ES0s); Corporate Governance.

JEL Classification: R53; H54; O16 ; G34.

INTRODUCTION

In the context of the company, the principal is the shareholder and the agent is the management team [1]. But in reality, the appointment of managers by shareholders in making decisions often faces problems or commonly referred to as agency. This conflict of interest will naturally occur in the ownership structure of the company [2,3]. The ownership structure is a mechanism that can reduce conflicts between management and shareholders so that agency costs can be reduced, with the ownership structure. The ownership structure can be broadly divided into two groups, namely insider ownership (ownership by people within the company) and outsider ownership (ownership by parties outside the company). Insider ownership consists of ownership of shares by directors, managers, and other executives in the company. Outsider ownership is divided into two types, namely institutional ownership or share ownership by institutional investors and community (public) ownership.

Employee stock ownership plan is one of the company's long-term policies that involves workforce psychology [4,5] in the form of an equity (shares)-based compensation program [6,7]. The history of ESOP growth dates back fifty years in America. Where the capitalist economic system is still valid with the understanding of individualism so that the shareholders as owners of the company can act according to their wishes [8,9,10]. And in the 1950s a lawyer who is also an investment banker named Louis Kelso put forward the idea that the capitalist system can be stronger if employees are included in the ownership of company shares. So that the relationship created is not only limited to labor relations but also employees as owners of the company, and the means used are through the ESOP program.

In practice there are several approaches that can be used by a company in the context of implementing the ESOP, namely: (1) Stock Grants, (2) Direct Employee Stock Purchase Plans (Sahara Purchase Program by Employees), (3) Employee Stock Options (Sahara Option Programs, hereinafter referred to as ESOs), (4) Employee Stock Ownership Plans and (5) Phantom Stock and Stock Appreciation Rights (SARs) [11,12]. By making an ESOP announcement, the company means to provide information to the public, that the company has employees who have high motivation towards the company so that they are rewarded in the form of company share ownership. In addition, share ownership can also increase the sense of ownership of the company so that it can increase company productivity [13, 14]. Therefore the ESOP announcement can provide positive information to investors.

LITERATURE REVIEW

There are two ways to reduce the opportunity for managers to take actions that can harm shareholders, namely (1) monitoring (monitoring) and (2) managers themselves limiting their actions (bonding) [15]. There are various ways to reduce agency problems, for example by increasing the role of outsiders in company monitoring, the existence of managerial ownership, increasing dividend payments and financing through debt. Ownership structure theory suggests that there is a positive relationship between manager ownership and firm value. The greater the ownership of management in the company, the management will tend to try to improve its performance for the benefit of shareholders and for its own interests. To minimize this conflict, the principal must be willing to incur supervision costs or monitoring costs to prevent hazard from management. Companies with large institutional ownership are better able to monitor management performance. Institutional investors have the power and experience and are responsible for implementing the principles of corporate governance to protect the rights and interests of all shareholders so that they demand the company to communicate transparently [16,17].

As part of the world community, the activities and management practices of companies in Indonesia cannot be separated from the management practices carried out by other countries that are far more advanced. Employee Stock Ownership Plans (ESOP) are plans for deferring employee benefits by acquiring company shares. The concept of employee stock options as a right granted by the company to its employees to buy a certain number of shares of the company at a specified price during a certain period. ESOP is a type of pension program designed to accept company contributions to a fund manager who will invest in company shares for the benefit of employees.

In Indonesia, those who have started to apply the concept of employee share ownership can be divided into two groups. The first group is public companies, which have started to implement a special allocation program for employees (employee stock allocation, or ESA), a bonus program in the form of shares (share bonus plan), or a stock option plan in order to attract mint talon investors higher on the shares offered to the public. And in order to provide opportunities for employees to own shares.

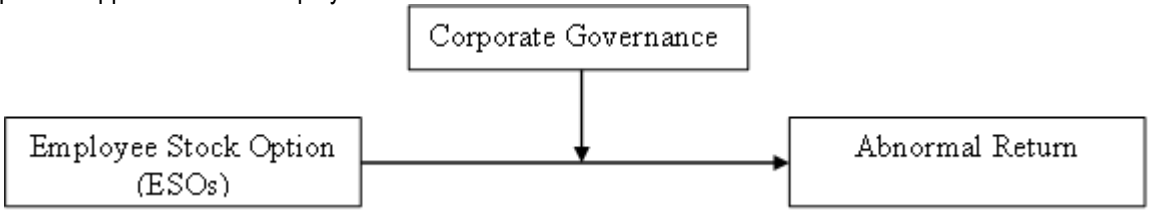

Figure 1. Research Framework

Based on the research background, theoretical basis and the results of previous research, the hypotheses in this study are:

Hypothesis 1: ESOs have an effect on abnormal returns in companies listed on the Indonesia Stock Exchange.

Hypothesis 2: Corporate Governance (Composition of Independent Commissioners, Managerial Ownership and Institutional Ownership) moderates the effect of implementing ESOs on abnormal returns in companies listed on the Indonesia Stock Exchange.

RESEARCH METHODS

This research was conducted on companies listed on the Indonesia Stock Exchange (IDX). In this study, the object studied is the effect of employee stock options (ESOs) on abnormal returns and corporate governance as a moderator in companies listed on the IDX.

Data Analysis Tools

To determine the effect of ESOs on abnormal returns with corporate governance as a moderating variable in companies listed on the Indonesia Stock Exchange (IDX) using the MRA (Moderate Regression Analysis) method. Moderated Regression Analysis (MRA) or interaction test is a special application of linear multiple regression where the regression equation contains an interaction element (multiplication of two or more independent variables), the multiple linear regression model can be written mathematically as follows:

$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + e$ (Equality 1)
$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_1X_2 + \beta_6X_1X_3 + \beta_1X_1X_4 + e$ (Equality 2)

Where:

Y	= Abnormal Return (AR)
α	= Constant
X_1	= Employee Stock Option (ESOs)
X_2	= Independent Commissioner
X_3	= Managerial ownership
X_4	= Institutional Ownership
X_1X_2	= Interaction between ESOs and Independent Commissioners
X_1X_3	= Interaction between ESOs and Managerial Ownership
X_1X_4	= Interaction between ESOs and Institutional Ownership
$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7$	= Regression coefficient X_1, X_2, X_3, X_4, X_5
E	= Error Term.

Abnormal Return (Dependent Variable)

The dependent variable in this study is abnormal return. Abnormal return is a term used to describe the rate of return generated by a guarantee or portfolio over a period of time that is different from the expected rate of return. Abnormal returns can be calculated in the following way:

$$AR = R_{it} - R_{mt}$$

Description:

AR	= *Abnormal return*
R_{it}	= *Return on day* t
R_{im}	= *Market return in period* t

Where the formula for calculating the actual return and market return is as follows:

$$R_{it} = \frac{P_{it} - P_{it-1}}{P_{it-1}}$$

Description:

R_{it}	= Return on day t
$P_{(it)}$	= The current stock price, i.e. the closing price for that day.
$P_{(it-1)}$	= The current stock price, i.e. the closing price for that day.

$$R_{mt} = \frac{IHSG_{it} - IHSG_{it-1}}{IHSG_{it-1}}$$

Description:
R_{mt} = Market return on day t
$IHSG_1$ = JCI stock on day t
$IHSG_{t-1}$ = JCI stock on day t-1

The results of the calculation of known abnormal returns are calculated cumulatively using the formula:

$$CAR_{(t1,t2)} = \sum_{t}^{t} AR_{i,t}$$

Description:
$CAR_{(t1,t2)}$ = Cumulative Abnormal Return of securities I period t before and after the event
$AR_{i,t}$ = Abnormal return of security I in period t
T_1 = The beginning of the observation period. (5 days before announcement)
T_2 = End of observation period (5 days after announcement)

Employee Stock Options (Independent Variable)

The independent variable in this study is the implementation of ESOs by the company. Asyik (2012) explains the measurement of ESOs as follows:

$$\text{ESOs} = \frac{\text{Number of Stock Options}}{\text{Total Shares Outstanding}} x100\%$$

Composition of Independent Commissioners (Moderating Variable)

The proportion or composition of independent commissioners (INDEP) is the percentage of independent commissioners to the total commissioners in a company.

$$\text{INDEP} = \frac{\text{Number of Independent Commissioners}}{\text{Total Member of Commissioners}} \text{x}100\%$$

Managerial Ownership (Moderating Variable)

Managerial ownership is the percentage of the number of shares which are the proportion of shareholders of management. In this study, managerial ownership is indicated by the percentage of company shares owned by managers of the total outstanding shares.

$$\text{Managerial} = \frac{\text{Shares owned by Manager}}{\text{Total Shares Outstanding}} \text{x}100\%$$

Institutional Ownership (Moderating Variable)

Institutional holdings are company shares owned by institutions or institutions such as insurance companies, pension funds or other companies. Institutional ownership can be calculated as follows:

$$\text{INST} = \frac{\text{Share owned by the institution}}{\text{Total Shares Outstanding}} \text{x}100\%$$

Testing the Hypothesis Partially (t-test)

Partial hypothesis testing is carried out for the Hypothesis 1 (H_1) and Hypothesis (H_2) as follows:

Ha_1 : ESOs have an effect on abnormal returns in companies listed on the Indonesia Stock Exchange.
Ho_1 : ESOs have no effect on abnormal returns in companies listed on the Indonesia Stock Exchange
Ha_2 : Corporate Governance (Independent Commissioner Composition, Managerial Ownership and Institutional Ownership) moderates the effect of implementing ESOs on abnormal returns in companies listed on the Indonesia Stock Exchange.

Ho_2 : Corporate Governance (Independent Commissioner Composition, Managerial Ownership and Institutional Ownership) does not moderate the effect of implementing ESOs on abnormal returns in companies listed on the Indonesia Stock Exchange.

To determine the acceptance and rejection of the hypothesis partially for the Hypothesis 1 (H_1), Hypothesis 2 (H_2), then it is done based on the following criteria:
If $t_{count} > t_{table}$ then Ha is accepted and Ho is rejected at a significant level 5%. If $t_{count} < t_{table}$ then Ha is rejected and Ho is accepted at a significant level 5%.

Testing the Hypothesis Simultaneously (Test F)

The F test is used to see whether the ESOs variable with the corporate governance variable as the moderating variable simultaneously has an effect on the abnormal return variable. By using the F test, it can be determined whether the variables ESOs, corporate governance are simultaneously a significant explanation of abnormal returns or not. To see whether the hypothesis is accepted or not, we can compare the value of Fcount with Ftable with the following conditions:
If $t_{count} > t_{table}$, then Ha is accepted and Ho is rejected. if $F_{count} < F_{table}$ then Ha is rejected and Ho is accepted at a significant level 5%.

RESULTS

Descriptive statistics are used to determine the characteristics of the sample used in the study. The statistical description provides an overview of the research variables consisting of abnormal returns, employee stock options, the proportion of independent commissioners, managerial ownership, and institutional ownership. The table below shows a statistical description of each variable in the study.

Table 1. Description of Variable Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Abnormal Return	20	.00	.33	.078	.084
ESOs	20	.01	.98	.42	.335
Independent Commissioner	20	33.00	50.00	40.49	6.34
Managerial ownership	20	.04	1.50	.47	.38
Institutional Ownership	20	35.70	85.11	70.57	10.46
ESOs*Independent Commissioner	20	.20	48.50	17.45	14.32
ESOs*Managerial Ownership	20	.00	.71	.21	.251
ESOs*Institutional Ownership	20	.38	67.86	27.77	21.46
Valid N (listwise)	20				

Source: SPSS Data Processing Results, 2021

Discussion

Main Effect Regression Test Results

The equation of the research regression model is as follows:

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + e \text{ (Equality 1)}$$

Where:
Y = Abnormal Return (AR)
α = Constant
X_1 = Employee Stock Option (ESOs)
X_2 = Independent Commissioner
X_3 = Managerial ownership
X_4 = Institutional Ownership
e = *Error Term.*

Table 2. Main Effect Regression Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.284	.237		1.199	.249
ESOs	.005	.076	.201	0.663	.517
Komdip	-.006	.003	-.428	-1.644	.121
Managerial	.045	.058	.028	.787	.443 1
Institutional	.000	.002	-.031	-.103	.919 1

a. Dependent Variable: CAR
Source: SPSS Data Processing Results, 2021

Based on table 2 the regression equation can be written as follows:

$Y = 0{,}284 + 0{,}005X_1 - 0{,}006X_2 + 0{,}045X_3 + 0{,}000X_4$

1. Constant value Constant 0.284 means that if all the values of the independent variables are zero, then the CAR is -0.284.
2. Variable ESOs = 0.005
   If ESOs increase by 1% assuming other independent variables are constant, it will increase Abnormal Return by 0.005%.
3. Independent commissioner variable = -0.006
   If the independent commissioner has an increase of 1% with the assumption that other independent variables are constant, the Abnormal Return will decrease by 0.006%.
4. Managerial ownership variable = 0.045
   If managerial ownership has increased by 1% assuming other independent variables are constant, it will increase Abnormal Return by 0.045%.
5. Institutional ownership variable = 0.000
   If institutional ownership has increased by I% assuming other independent variables are constant it will increase Abnormal Return by 0.000%.

Moderation Effect Regression Test Results

In this study, the data analysis tool used to test the moderating effect is Moderate Regression Analysis (MRA), which is intended to determine the effect of the independent variable (independent variable) which includes Employee Stock Options (ESOs), on the variable (dependent variable), namely Cumulative Abnormal Return with Corporate Governance (independent commissioners, managerial ownership and institutional ownership) as a moderating variable in companies listed on the Indonesia Stock Exchange for the period 2007-2012. In detail, the results of research using SPSS 14 for Windows are shown in the following table:

Table 3. Calculation Results of Moderate Regression Analysis (MRA)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.589	.414		-1.422	.181
ESOs	1.767	.697	7.006	2.536	.026
Komdip	.003	.005	.222	.623	.545
Managerial	-.135	.078	616	-1.715	.112
Institutional	.008	.005	.969	1.739	.108
ESOs*Komdip	-.020	.010	-3.428	-2.102	.057
ESOs*Managerial	.463	.166	1.376	2.786	.016
ESOs*Institutional	-.016	.007	-.396	-.2.223	.046

a. Dependent Variable: CAR
Source: SPSS Data Processing Results, 2021

The equations that can be arranged based on table 3 above are:
$Y = -0,589 + 1,767X_1 + 0,003X_2 - 0,135X_3 + 0,008X_4 - 0,020X_1X_2 + 0,463X_1X_3 -0,016X_1X_4$ The interpretation of the regression model above is as follows:

1. Constant value Constants. -0.589 means that if all the values of the independent variables are zero, then the CAR is -0.589. The implication is that if investors do not have information about research variables, investors predict small or even negative abnormal returns because of the period in which the company is predicted to suffer losses in the future.
2. Variable ESOs = 1.767
   If ESOs increase by 1% assuming other independent variables are constant, it will increase Abnormal Return by 1.767%.
3. Independent commissioner variable = 0.003
   If the independent commissioner has an increase of 1% with the assumption that other independent variables are constant, the Abnormal Return will increase by 0.003%.
4. Managerial ownership variable = -0.135
   If managerial ownership has increased by 1% with the assumption that other independent variables are constant, it will reduce Abnormal Return by 0.135%.
5. Variable of institutional ownership = 0.008
   If institutional ownership increases by 1% assuming other independent variables are constant, it will increase Abnormal Return by 0.008%.
6. Variable ESOs*independent commissioner = -0.020
   If ESOs*independent commissioners increase by 1% assuming other independent variables are constant, it will decrease Abnormal Return by 0.020%.
7. Variables. ESOs*managerial ownership = 0.463
   If ESOs*managerial ownership has increased by 1% assuming other independent variables are constant it will increase Abnormal Return by 0.463.
8. Variable ESOs*institutional ownership = -0.016
   If ESOs*institutional ownership has increased by 1% assuming other independent variables are constant, it will decrease Abnormal Return by 0.016%.

Hypothesis test

Coefficient of Determination Analysis (R^2)

The coefficient of determination (R2) measures how far the model's ability to explain the dependent variation. The value of the coefficient of determination is between zero and one. A small W value means that the ability of the independent variable to explain the dependent variable is very limited. The greater the value of the coefficient of determination, the more precise a linear regression line is used as an approach. If the coefficient values are the same. with 1, then the approach is absolutely correct (perfect). The following is the coefficient of determination of this research.

Table 4. Value of Coefficient of Determination Model Summary

Model	R	R Square	Std. Error of the Estimate	Durbin-Watson
1	.421(a)	.177	.008632	
2	.768(b)	.590	.006813	1.693

Source: SPSS Data Processing Results, 2021

Based on the results of data analysis, showing the results of the ESOs variable, against abnormal with corporate governance as the moderating variable, the R Square value is 0.177. This value means that only 17.70% of the changes that occur in abnormal return 1 can be explained by changes in ESOs while 82.30% can be explained by variables outside the research model. If, variable. ESOs, against abnormal with corporate governance as a moderating variable that is obtained by the R Square value of 0.590 that the corporate governance variable is able to moderate ESOs against abnormal returns of 59.00% and the rest is explained by other variables outside the research model.

F Statistic Test

The F statistical test basically shows whether all the independent variables included in the model have a joint effect on the dependent variable. The results of this F-Test calculation can be seen in the following table:

Table 5. F test

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	.024	4	.006	.808	.539
	Residual	.112	15	.007		
	Total	.136	19			
2	Regression	.080	7	.011	2.468	.081**
	Residual	.056	12	.005		
	Total	.136	19			

** Significant at level 0,10

Source: SPSS Data Processing Results, 2021

Based on the results of hypothesis testing using the SPSS output above, it shows that the independent variables in this study together have a significant influence on the dependent variable. This can be seen from the p-value 0.081 (p-value smaller than 0.10).

Test Statistics t

T statistical test is used to see how far the influence of an independent variable individually on the dependent variable. The results of the t-statistical test in this study are shown by the following label:

Table 6. t Test

Coeffidents(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.284	.237		1.199	.249
	ESOs	.005	.076	.201	0.663	.517
	Komdip	-.006	.003	-.428	-1.644	.121
	Managerial	.045	.058	.028	0.787	.443
	Institutional	non	002	-031	-101	919
2	(Constant)	-.589	.414		-1.422	.181
	ESOs	1.767	.697	7.006	2.536	.026*
	Komdip	.003	.005	.222	.623	.545
	Managerial	-.135	.078	616	-1.715	.112
	Institutional	.008	.005	.969	1.739	.108
	ESOs*Komdip	-.020	.010	-3.428	-2.102	.057**
	ESOs*Managerial	.463	.166	1.376	2.786	.016*
	ESOs*Institutional	-.016	.007	-.396	-.2.223	.046*

* Significant at level 0,05

** Significant at level 0,10

Source: SPSS Data Processing Results, 2021

Hypothesis testing of the effect of Employee Stock Option (ESOs) on Abnormal Return

Partially with the t-test of the Employee Stock Option (ES0s) variable on abnormal returns, it is obtained tcount of 2.536 with a significance level of 0.026, which means it is smaller than the significance level of 0.05. So Ho is rejected and Ha is accepted so that it can be concluded that partially ESOs affect abnormal returns. The results of this study are in accordance with research conducted by Davidson and Worell (1994) which showed that the market reacted positively to the implementation of ESOs as seen from the increase in abnormal returns. Asyik (2012) also found the same thing where there was a positive abnormal return after the implementation of ESOs in companies listed on the IDX.

Testing the Corporate Governance hypothesis (Independent Commissioners, Managerial Ownership and Institutional Ownership) moderates the effect of ESOs on Abnormal Returns.

Testing the Corporate Governance (Independent Commissioner) hypothesis moderates the effect of ESOs on Abnormal Return.

Partially with the t-test of the interaction variable between ESOs and independent commissioners on abnormal returns, the tcount is -2.102 with a significance level of 0.057, which means it is smaller than the significance level of 0.10. So Ha is accepted and Ho is rejected so that it can be concluded that partially the interaction of ESOs with independent commissioners has a significant negative effect on abnormal returns. This study supports research conducted by Asyik (2012) which states that independent commissioners are able to moderate the relationship between ESOs and abnormal returns. This shows that the existence of independent commissioners can strengthen or weaken the effect of ESOs on abnormal returns. The results of this study also do not support the results of research disclosed by Suranta and Puspa (2005) which states that market participants respond positively if an issuer has an independent commissioner of 0.375%-12.5% of the total board of commissioners. The role of independent commissioners is expected to be able to encourage the implementation of corporate governance principles and practices in companies. Independent commissioners are considered as a check and balance mechanism in increasing the effectiveness of the company's performance and increasing investor confidence. However, research conducted by Baruhart and Rosenstein (1998) in Suranta and Puspa (2005) found weak evidence between the proportion of outside directors and company performance. Research by Vafeas (2000) which examines the relationship between the structure of the board of directors and information labs states that a smaller number of boards of directors is perceived as more informative by market participants. The number of independent commissioners is strongly influenced by their competence, not only by their number. In accordance with the statement of Stanberdg (2005) Restuningdiah (2010) which states that the competence of the board of commissioners plays an important role in decision making, so that not only the composition of the independent board of commissioners is considered, but also the ability, knowledge and background so as to improve the quality of decision making.

Testing the hypothesis of Corporate Governance (Managerial Ownership) moderates the effect of ESOs on Abnormal Return.

Partially with the t-test of the interaction variable between ESOs and managerial ownership on abnormal returns, the thing obtained is 2.768 with a significance level of 0.016, which means it is smaller than a significance level of 0.05. So Ho is rejected and Ha is accepted so that it can be concluded that partially the interaction of ESOs with managerial ownership has a significant positive effect on abnormal returns. This means that the managerial ownership variable is able to moderate the effect of the ESOs variable on abnormal returns. This study supports research conducted by Asyik (2012) which states that managerial ownership is able to moderate the effect of implementing ESOs on abnormal returns. This result implies that the concentration of managerial ownership can determine the size of the abnormal return that will be obtained by the company. Jensen and Meckling argue that agency costs will be low in companies with high managerial ownership, because this allows for the unification of the interests of shareholders with the interests of managers who in this case act as agents and at the same time as principals (Sugeng, 2009).

Testing the Corporate Governance (Institutional Ownership) hypothesis moderates the effect of ESOs on Abnormal Returns.

Partially, with the t-test of the interaction variable between ESOs and institutional ownership on abnormal returns, it is obtained that thi.g is -2.223 with a significance level of 0.046, which means it is smaller than a significance level of 0.05. So Ha is accepted and Ho is rejected so that it can be concluded that partially the interaction of ESOs with institutional ownership has a significant negative effect on abnormal returns. This means that the institutional ownership variable is able to moderate the effect of the ESOs variable on abnormal returns. This study supports research conducted by Asyik (2012) which states that institutional ownership is able to moderate the relationship between ESOs and abnormal returns. Pound (1998) in Pakayaningsih (2008) states that there are three alternative hypotheses regarding institutional ownership. One of them is The Strategic Alignment Hypothesis. This hypothesis states that the majority of institutional investors have a tendency to compromise with management and ignore the interests of minority shareholders and reduce conflicts by making compromises and alliances with management. In Indonesia, this institutional ownership generally consists of holding companies which are still family companies where the company management is still part of the family companies (Sudarma, 2004 in Sugeng, 2009).

Thus, even though the institutional holding is classified as an outsider's holding together with shareholders who come from the public (society), it can be said that the status as an outsider of the institutional holding becomes false, because in reality they have a strong affiliation with management, it is even said that management as an extension of the institutional holders. The ownership structure as mentioned above, in which the insider and institutional holding are jointly the majority shareholder, results in the weakening of the position of shareholders who are actually from the public who are actually in the position of minority shareholders. Under these conditions, public companies, especially in the Indonesian capital market environment, can be said to have no or no meaning as the name suggests (Sugeng, 2009).

CONCLUSION

Based on the results of the research conducted in the previous chapter, several conclusions were drawn as follows:

1. The ESOs variable has a significant effect on the Abnormal Return of companies that implement the Employee Stock Option program on the Indonesia Stock Exchange. This shows that the implementation of ESOs is considered as a signal that provides information on good news for investors in Indonesia in obtaining profits. By doing ESOs, it means that the company provides information to the public, that the company has employees who have high motivation towards the company so that they are rewarded in the form of employee share ownership.
2. Corporate Governance variables consisting of independent commissioners, managerial ownership and institutional ownership have a significant influence on the implementation of ESOs on the Abnormal Return of companies that implement the Employee Stock Option program on the Indonesia Stock Exchange. This means that the large or small number of independent commissioners, managerial ownership and institutional ownership owned by the company can strengthen or weaken the influence of ESOs on Abnormal Return. Changes in abnormal returns can occur in companies with high and low managerial and institutional ownership. Likewise with the composition of the board of commissioners owned by the company.

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