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Analysis Of The Factors That Increase The Value Of Stock Returns On Manufacturing Companies In Indonesia

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Abstract
This study aims to analyze the impact of earnings management, transfer pricing, corporate social responsibility, foreign ownership, size, price-earnings ratio, profitability, and leverage on stock return. The Method this study observes manufacturing companies listed on the Indonesia Stock Exchange during 2016-2020, with a total of 205 samples. These data were analyzed by using Stata. The novelty of this research is the presence of deferred tax expense in Stubben's earnings management model. The new earnings management variables, including deferred tax expense, are related significant to stock returns with a probability value of 0.041 and the model has an adjusted r-squared of 80.13%. while the old earnings management model on stock returns produces a probability value of 0.60 with an adjusted r-square of 0.7508. So that result the measurement of the new earnings management is better than the measurement of the old earnings management. The results of this study show that earnings management and corporate social responsibility have a positive impact on stock return, while transfer pricing has a negative impact on it. Foreign ownership is not successful in moderating the relationship between earnings management on stock return. However, it can weaken the negative impact of transfer pricing on stock return and strengthen the effect of corporate social responsibility on stock return. This study provides implications to support agency theory and signal theory where earnings management can help investors measure stock returns and assist investors in making stock transaction decisions.

Keywords Stock Return (SRN), Earnings Management (EMS), Transfer Pricing (TPR), Corporate Social Responsibility (CSR), Foreign Ownership (FOW).

1. Introduction

The majority of investors want to get dividends from the profits that have been obtained by the company. The greater the profits generated by the company, the greater the dividends that shareholders will receive. To obtain accurate information and to calculate stock returns, a tool is needed, namely financial reports. Financial reports are an information tool related to profit, which may have attracted attention from investors (Moradi & et al, 2019).

The phenomenon that happens in Indonesia is positive stock return due to increasing business performance, which increases the profit. The signal that the value of shares will increase is supported by a statement from Michael T Tjoajadi, President Director of PT Schroder Investment Management Indonesia (Schroders Indonesia), which explains that stocks will be a profitable investment instrument in 2022. The main cause is that the national economy is starting to recover and improve. There is an indication of rising commodity prices and surge in demand for stocks. Moreover, last year's domestic demand was not optimal. This situation explains that the stock market in Indonesia will improve in the future.

Stock returns are also closely related to EMS. Research results show that EMS has an effect on stock returns (Bansal & et al, 2021). This illustrates that EMS contributes to SRN. Due to this, there is reason to examine the relationship between EMS and SRN. TPR practices are also often carried out in companies in Indonesia that have related parties with overseas branch companies, TPR practices in companies greatly affect stock returns because investors must consider tax penalties for transfer pricing because this will give a negative signal in investing. The motivation of companies to carry out TPR activities is for tax avoidance. Developing countries are exposed to TPR abuses. Some researchers are against the TPR as a tool for tax minimization, tax avoidance and evasion. However, they ignores other TPR usages (Blouin & et al, 2018).

According to Saedi (2018), EMS has no significance impact on SRN. On the contrary, A journal made by Sukiantono (2021) shows a significance effect of EMS on SRN. These journals explain the research gap in this study

The novelty of this research is the variable added, DTE, by this paper in the modified Stubben's EMS model. With the existence of a DTE, management can carry out EMS practices, resulting in small income tax payments, it looks well so that management performance is considered well. Stubben's EMS model has not considered the tax aspect even though the tax component is an important thing that investors will see in the company's financial statements. Stubben in his research stated that companies in managing earnings by exaggerating income and understating costs. The deferred tax burden is an attempt by management to reduce costs, this is in accordance with a research by Burgstahler & Dichev (1997) , as well as Holland & Jackson (2012) which revealed a significant relationship between EMS and DTE. In this study, modified Stubben's earnings management has higher adjusted r-squared of 80.13% and EMS variable has a probability of 0.041. while the old earnings management model produces a probability of 0.60 with an adjusted r-square of 0.7508

The differences between this study and previous studies, such as Nuryaman (2013), laid on the moderating variable and the relationship between the dependent and independent variable. Nuryaman (2013) used audit quality as the moderating variable. In his paper, EMS has a negative impact on SRN as well. On the contrary, this study uses foreign ownership as the moderating variable and the impact of EMS on SRN is positive. Thus, this study is difference with previous studies.

Research analysis explains that profit shifting incentives increase systematically with large differences in tax rates (Heckemeyer & Michael Overesch, 2017). CSR is also one of the levels of disclosure that will affect the quality of company earnings. Company can use CSR as their strategy. Implementing CSR can increase social legitimacy and maximize its financial strength in the long term. With CSR, the company expects a positive response from investors in making decisions, so that investors' decision making is not only based on profit information. Companies pay attention on the impact of CSR activities to their operations on social and environmental conditions. These companies pursue positive impacts which indicates that CSR can bring value and increase their performance (Ogachi & Zoltan, 2020)

As for the FOW research results by An Yohan (2019), it shown that FOW has a positive relationship with stock prices. The reason behind this relationship is due to the investors' goals to protect wealth, reduce monitoring costs, and monitor companies. It can be concluded that higher FOW can increase transparency and reduce managers' opportunistic choices and decisions in a company. Research explains the relationship between earnings quality and FOW is positive. According to Bhudiyantia & Suryarini (2022), FOW influences TPR decisions. Research by Xuan Vinh Vo (2015) explains that FOW influences and stabilizes stock returns, so it can be concluded that FOW weakens the negative relationship between TPR and stock returns. With respect to the CSR variable, the research results by Arnel & Setyani (2018) concluded that CSR has an effect on stock returns. Research by Bartram dkk (2015) explains that there is a positive effect between FOW and SRN.

Due to future uncertainty over investments made by investors, the researchers are motivated to conduct research to find solutions for investors in

viewing stock returns that are influenced by various factors, namely, EMS, TPR practices, and CSR with FOW moderating variables.

This study aims to find relationship between EMS and SRN, TPR and SRN, and CSR and SRN. This study ought to find the impact of FOW as moderating variable on the relationship between EMS and SRN, TPR and SRN, and CSR and SRN as well.

The difference between this study and previous studies is the presence of FOW as a moderating variable. This variable became moderating variable because companies invested by foreign investors have better performance. This performance is reflected on their stock price.

2. Theoretical basis

Companies listed on the stock market are complex. It is necessary for investors to finance them directly, or indirectly (through financial intermediaries). To obtain investment, managers are responsible to increase the company's value. This is related to the concept of minimizing risk in agency theory. In agency theory, investors carry costs that necessary to encourage managers to maximize the investors' wealth. These costs are called agency costs. According to Jensen & Meckling (1976) here are three types of agency costs: monitory expenses, bonding expenses, and residual losses. Wolk et al. (2004) argued that modern businesses practice the separation of interests between managers and investors.

Meanwhile, the SRN variable is related to signal theory. Signaling Theory explains the ability of a company to generate capital and is certainly influenced by a good company reputation (Scott, 2000).

Signaling theory is related to the availability of information. Investors use financial reports to assist them in making decision as it is important for fundamental analysis.

Institutional ownership theory is also the theoretical basis for this research. Crutchley & et al (1999) said that institutional ownership can also be used as a substitute variable for controlling, monitoring and reducing agency conflict. In addition, institutional ownership can authorize management to carry out their profession based on decided company's financial policies (Sari, D. S., & Martani, 2010). The variable related to the theory of institutional ownership is the price earnings ratio (PER). The greater the institutional ownership, the stronger the institutional role is to monitor management so that this is related to company growth. It happens to the profitability variable as well, where the greater the institutional ownership, the stronger the institutional role in monitoring management. This is related to earning profits.

3. Literature Review

The grand theory in this study is agency theory, signalling theory, and institutional ownership. SRN is used for investors to measure profit, and as a consideration tool before making a decision to buy or sell shares (Salisu & Vo, 2020). Most research on stock returns uses ratios from financial statements. SRN is the level of profit enjoyed by investors. In addition, stock returns are also important for companies and investors. This is because stock returns are one indicator of a company's performance, whether it is good or not to invest in the stock market. The purpose of earnings management is to maximize profit. Profit maximization will result in higher SRN.

Jones (1991) model is an early model in detecting EMS. Stubben (2010) introduced the conditional revenue model due to disadvantage of the accrual model. In the cross-sectional estimate, firms in the same industry are assumed to produce the same accruals. The accrual model does not provide information related to company profits' components and does not differentiate discretionary increase in profits through income or expense components as well.

Mukunoki & Okoshi (2021) research examines multinational companies that transfer their profits from countries with high tax rates to countries with low tax rates. TPR is used to avoid paying taxes in multinational companies (Choi & et al, 2020).

CSR states that companies should not just focus on profits, but they need to voluntarily contribute to the society (Barauskaite & Streimikiene, 2020). Companies who carry out CSR can gain the greatest value to themselves (Boccia & Sarnacchiaro, 2017).

Businesses in Asia, especially Indonesia, use concentrated ownership structure in which it can

cause differences in the interest of controlling and non-controlling shareholders (Refgia, 2017). FOW is a moderating variable in this research because usually companies that have foreign investors are known to have good performance, according to Meitari & Estika (2021). This is because foreign investors have good management systems and technology in investing their share capital.

4. Hypothesis Development

Previous research has shown that EMS is related to company profits (Orpurt & Zang, 2009). Meanwhile, research by Moardi Mahdi (2019) explains that EMS affects stock returns. Research by Sugiyanyo, et al (2020) shows that EMS has positive effect on stock returns. Referring to the theory and research above, the development of the first hypothesis is as follows:

H_1 = EMS has a positive effect on Stock Returns

Setting harsh TPR results in eroding the tax base and shifting profits from countries with high tax rates to countries with lower tax rates, thus allowing tax avoidance (Mpofu, et al, 2021) from this study there is a connection between transfers pricing with tax avoidance. TPR is part of tax avoidance. Guenther, et al (2017) states that there is a connection between tax avoidance and stock returns. TPR practices have the effect of lowering share prices. Lorraine Eden & et al (2015).

H_2 = TPR Practices have a negative effect on Stock Returns.

Research by Yangklan & Sincharoonsak (2021) states that reporting on CSR in 5 regions in Thailand has a significant positive effect on company performance. This is closely related to signal theory as a grand theory because the availability of profit information in financial statements is strongly influenced by the company's reputation. Companies that carry out CSR have credibility and have a good reputation. According to Kusumahardini & Khairunusa (2022), CSR has a significant effect on stock prices. While a research by Mayangsari (2020) shows that CSR has a positive effect on stock returns. Based on this, the researcher makes the following hypothesis:

H_3 = CSR has a positive effect on Stock Returns.

FOW has a positive effect on EMS (Pratomo & Alma, 2020). Other research on Vietnamese stock market conducted by Xuan Vinh Vo (2015) indicates a positive effect of FOW on the stock returns. Ichwani Tia (2019) explains the positive effect of FOW on stock returns as well. Thus, this study make the following hypothesis:

H_4 = FOW strengthens the positive effect of EMS on Stock Returns.

Nguyen H N dkk (2020) shows that there are TPR activities in foreign investment company. Research conducted by Naufa, et al (2019) indicates a positive effect of FOW on stock returns. Thus, the fifth hypothesis is as follows:

H_5 = FOW weakens the negative effect of TPR practices on Stock Returns.

According to Yameen, et al (2019), FOW has a positive effect on company performance in India as measured by accounting proxies, namely sales and quality of company earnings. This is in accordance with the signaling theory of companies getting the availability of information in the presented financial reports. Research Dorfleitner, et al,(2017) explains that companies that carry out CSR well will provide good stock returns compared to small companies that carry out CSR. Research (VO, 2018) explains that FOW has a positive effect on stock prices. Referring to previous theory and research, the development of the sixth hypothesis is as follows:

H_6 = FOW strengthens the positive influence of CSR on Stock Returns.

5. Methodology

5.1. Type

This study uses quantitative research, a research method which based on positive philosophy. Quantitative research is used to examine population or samples by using statistical approaches. The aim of quantitative research is to test the predetermined hypotheses.

5.2. Population and Samples

The sample company selection method used in this study is purposive sampling, namely samples taken from certain considerations based on objectives (Uma Sekaran, 2021). There are 713 companies listed on Indonesian Stock Exchange. However, this study reduce it into 41 companies due to the absence of merchandise inventory data, related parties, foreign ownership, and deferred tax expense. The sample for this study is 205, resulted by multiplying 41 companies with 5 (years).

5.3. Variables

Each variable is measured from data taken in the company's financial reports on the Indonesia Stock Exchange website, from 2016-2020.

SRN or share income is the difference between the stock price at the end of a certain year and the closing share price at the end of the previous year and SRN can be calculated by dividing the differences between current and previous stock price with previous stock price (Ross, A Stephen, 2021).

EMS accruals can be calculated using the discretionary income model approach (Stubben, 2010). Modified Profit Management formula and added DTE to the model. The difference between present and previous account receivable (ΔAR_{it}) can be calculated by adding the difference between present and previous revenue (ΔR_{it}) , natural log of total assets ($SIZE_{it}$), the multiplication of the difference between present and previous revenue (ΔR_{it}) with natural log of firm's age in years (AGE_{it}), the multiplication of the difference between present and previous revenue (ΔR_{it}) with the square variable of natural log of firm's age in years (AGE_SQ_{it}), the multiplication of the difference between present and previous revenue (ΔR_{it}) with industry-median-adjusted gross margin (GRM_{it}), the multiplication of the difference between present and previous revenue (ΔR_{it}) with the square variable of industry-median-adjusted gross margin (GRM_SQ_{it}), and the multiplication of the difference between present and previous revenue (ΔR_{it}) with deferred tax expense (DTE).

In accordance with research by Dahlia, et al. (2019), the TPR proxy is the proportion of sales to related parties abroad to total equity. It can be calculate by dividing the volume of sales to related parties abroad with total equity.

CSR disclosure is measured using the CSR 4.0 index. CSR is measured using the GRI Standards, including economic, environmental, and social indicators. CSRI for each CSR item that is disclosed will be given a value of 1, and if not disclosed, a value of 0 will be given. It can be calculated by dividing total item in GRI 4.0. with content analysis (1 if the item is disclosed. Otherwise, 0).

Previous studies detail the impact of each ownership on performance, for example (Shrivastav & Kalsie, 2017) , this variable is measured by the percentage of shares owned by each foreign owner divided by the total number of shares.

Price earnings ratio is the potential of the performance of stocks (Kumar, 2017). Price earnings ratio indicates company's opportunity to grow in the future which is measured by comparing the closing price of a share with earnings per share (F. E. Brigham & Houston, 2007). The formula is calculated by dividing stock price with earnings per share.

The benchmark for the size of a company by looking at the value of the total assets, equity, or sales of a company is called company size (E. F. Brigham & Houston, 2011). The company's size can be calculated with the natural logarithm of its total sales.

The measure for Profitability is net profit after tax divided by total assets.

Leverage is measured by is debt-to-asset ratio (DAR). DAR is the ratio of total debt and total assets held by the company. It indicates company ability to fulfil their obligations with their own capital (Bintara, 2022). The formula can be calculated by dividing total debt with total assets.

5.4. Research Model

The research model is as follows:

$$SRN_t = \beta_0 + \beta_1 EMS + \beta_2 TPR + \beta_3 CSR + \beta_4 EMS \times FOW + \beta_5 TPR \times FOW + \beta_6 CSR \times FOW + \beta_7 Size + \beta_8 PER + \beta_9 Lev + \beta_{10} Prof + \varepsilon$$

Where:

SRN_t = Stock Return (Dependent Variable)

TPR = Transfer Pricing (Independent Variable)

CSR =Corporate Social Responsibility (Independent Variable)

FOW= Foreign Ownership (Moderating Variable)

Size = Firm Size (Control Variable)

PER = Price Earnings Ratio (Control Variable)

Lev = Leverage (Control Variable)

β_0 = Model Constant

ε = Model Coefficient

6. Result and Discussion

Descriptive statistics are a part of statistics that only presents the data. In other words, it is a general description of the data obtained. Below are descriptive statistics of the variables used in this paper (Mpofu FS & et al, 2021). The dependent variable used, namely stock returns (SRN) have a minimum value of -95 with a maximum value of 44. The average value obtained from 205 observations is 0.3578 with a standard deviation of 3.1574. The resulting average value (mean) indicates that the rate of stock returns in the manufacturing sector in the 2016-2020 period is low (mean < std deviation), this is explained by the mean value generated being far from the maximum area of 44. A small mean value means stock returns in manufacturing companies is not good, maybe because the manufacturing sector has challenges and constraints such as skilled labor constraints, difficulties in efficiency and difficulties in obtaining new technology.

The EMS of Indonesian manufacturing companies in 2016 to 2020 that perform EMS is 0.03421, this explains that few companies carry out EMS. However, some companies carry out quite high EMS as indicated by the maximum company value of 0.2256. This is due to the many interests that companies have in carrying out EMS practices for the purpose of gaining the trust of investors as well as for tax purposes.

TPR has an average of 0.5693 manufacturing companies in Indonesia. This indicates that 56% of TPR companies are carried out by utilizing the sales of companies that have a related party. High corporate tax rates in Indonesia lead to the practice of TPR, so that sales at low prices are made in Indonesia and related companies located in countries with lower rates than in Indonesia will enjoy maximum profits.

CSR has an average value of 0.1438 and a standard deviation of 0.106. Based on the results, the average value of the CSR disclosure variable is 14.3%. It means that CSR disclosure in manufacturing companies during the observation period tends to be low. The low level of manufacturing companies in implementing CSR is because there is no obligation for companies to implement CSR in Indonesia with the Global Reporting Initiative (GRI) 4.0 standard.

The average value of the FOW variable is 0.5501. The average value tends to be closer to the maximum value of 0.998 indicating that there are many companies with high FOW. Indonesia with large human resources and a capable market attracts foreign investors so that the number of FOWs is high in Indonesia.

Table 1 Test Result
Source: Data processed with Stata

Independent Variables	Model 1 (with DTE)			Model 2 (without DTE)		
	Prediction	**Coefficient**	**Prob**	**Prediction**	**Coefficient**	**Prob**
Constant (c)		-13.75			-10.061	
EMS	+	1.411	0.041 **	+	0.304	0.060*
TPR	-	-2.659	0.001***	-	-3.146	0.000***
CSR	+	9.983	0.000***	+	11.977	0.000***
EMS x FOW	+	-1.804	0.116	+	0.411	0.162
TPR x FOW	+	5.620	0.000***	+	6.505	0.000***
CSR x FOW	+	25.59	0.000***	+	31.261	0.000***
PER		2.670	0.142		2.000	0.349
SIZE		0.458	0.246		0.356	0.437
PROF		0.400	0.762		-0.424	0.976
LEV		1.412	0.328		0.812	0.620
Adj R-Square	0.8013			0.7508		
Prob F	0.0000			0.0000		

Notes: *= 10% significance, **= 5% significance, ***= 1% significance, EMS= Earning Management, TPR=Transfer Pricing, CSR= Corporate Social Responsibility, FOW= Foreign Ownership, PER= Price Earnings Ratio, SIZE= Company Size, PROF= Profitability, LEV= Leverage

Due to the presence of heteroscedasticity, this paper examined the variables by using Chow, Lagrangian Multiplier (LM Test), and Hausman Test. Based on these tests, this study uses fixed effects robust regression model.

6.1. Goodness of Fit Models

R-Square = 0.8013 = 80.13%, The resulting value in testing the determinants of the coefficients can be interpreted that the ability of independent variables includes EMS, TPR, CSR. Along with the moderating variable FOW in explaining the variation of the dependent variable, namely the stock return is 80.13%, while the remaining 19.87% is explained by variables not included in the model.

6.2. F-Test

Based on the results in table 1 above, the F-statistic value of the stock return model test is 0.000 with a Prob value. The resulting F of 0.000 is smaller than alpha 5 percent, so the null hypothesis (H0) is rejected, meaning that the independent variables are EMS, TPR, CSR, and FOW as moderating variables. Control variables used in this test are size, PER, leverage, profitability. These variables simultaneously are able to influence the dependent variable, namely stock returns (SRN) significantly.

6.3. Hypothesis Testing

The EMS coefficient in table 1 are positive with a value of 1.411. It indicates a positive influence of EMS on SRN. It is due to coefficient values that has the same direction as the proposed hypothesis. The probability is 0.041 which is less than the significant level of 5%. It can be concluded that EMS has a positive effect on SRN and hypothesis 1 can be accepted. It is because EMS makes company perform efficiently and bring positive value to SRN. In accordance with research Moardi & Mahdi (2019)

The TPR coefficient in table 1 is -2.659 and the probability is 0.001. It indicates that TPR has a negative influence on SRN. It happens due to the direction of TPR coefficient value has opposite direction as the SRN. With the probability of 0.001, it can be concluded that TPR negative influence to SRN is significant and hypothesis 2 can be accepted. There is a higher probability for companies, who practice TPR, to get tax penalties. This issue will be reflected in lower SRN. TPR practices have the effect of lowering share prices. Lorraine Eden, et al (2015).

CSR coefficient in table 1 is 9.983 and the probability is 0.000. As the coefficient value of CSR is positive, it indicates that CSR has positive influence on SRN. The probability value is lower than the significant level of 5%. It means the CSR positive influence on SRN is significant and hypothesis 3 can be accepted. CSR increases reputation and public sentiment on a company. Companies who disclose their CSR will be supported by their shareholders and it will be reflected on higher SRN (Qiu, et al, 2021).

The FOW should strengthen the EMS effect on SRN. However, the coefficient of it is -1.804 with probability value of 0.116. These numbers indicate that FOW does not strengthen the positive effect of EMS on SRN, and hypothesis 4 is rejected. Foreign investors value companies based on earnings report issued by the companies. Due to this, foreign investors do not get a complete information regarding to the EMS. In accordance with research Li, et al (2011) which explains that FOW has a negative effect on stock returns

The FOW should have impact on TPR as well. Table 1 shows that the coefficient value of TPR x FOW is 5.620 with a probability of 0.000. As the coefficient is positive, it indicates that FOW weakens the negative effect of TPR on SRN. The probability value shows that its effect is significant. Thus, it can be concluded that FOW weakens the negative effect of TPR on SRN, and hypothesis 5 is accepted. Foreign investors has a strong influence over the invested companies. Companies who failed to obey the tax law will be subjected to tax penalties. It will be reflected in lower SRN. This is in line with research conducted by Naufa, et al (2019) showing a positive effect of FOW on stock returns. so that the presence of FOW weakens the negative effect of TPR on RS

The last effect of FOW should be on CSR. In the table 1, the coefficient of CSR x FOW is 25.59 and the probability is 0.000. The coefficient is in accordance with the hypothesis 6. The probability value of 0.000 shows that its effect is significant. It can be concluded that FOW strengthens the positive influence CSR towards SRN and hypothesis 6 is accepted. Foreign investors are concerned about company's CSR disclosure. Foreign investors tend to be better on oversee management when they do CSR activities. The last paragraph are in accordance to Topaloğlu (2019).

6.4. Discussion

Before moving to the result, the dependent variable and several independent variables are aligned with theories explained in chapter 2. The dependent variable, SRN, is closely related to signalling theory. In signalling theory, the agent provides information regarding to company's value. This value is SRN. The two of the independent variables, EMS and TPR, are closely related to agency theory. In agency theory, managers are responsible to maximize company's profit. It may be done by managing the earnings and practice TPR to reduce the expense. The last variable, CSR, is related to stakeholder theory. The stakeholder theory explains that company is responsible for the stakeholder well-being. CSR is able to improve company's reputation and prove company's care on their stakeholders.

The coefficient value for EMS x FOW in table 3 is -1.804. FOW weakening the EMS relationship to SRN. This can be interpreted that every time there is an increase in FOW by 1 unit, it will be followed by a decrease in the relationship of EMS by 1.804 to SRN. While the probability value generated is 0.000, because the direction of the coefficient value should be positive while the results of the regression test are negative, it can be concluded that FOW cannot moderate FOW on SRN.

FOW's inability to moderate EMS's relationship with SRN is due to foreign investors who own companies by buying shares of go public companies from the capital market, generally assessing companies only based on profit information issued by companies through financial reports. So they do not have complete information regarding EMS.

Based on the results of the regression model shown in table 1 above, the resulting coefficient value is 5.620. It means FOW weakens the negative relationship between TPR and SRN. Every time there is an increase in TPR by 1 unit, it will be followed by a decrease in the negative relationship between TPR and SRN by 5.620. While the resulting probability value is 0.000 because the direction of the hypothesis is positive and the results of the regression test are positive, it can be concluded that FOW can moderate the relationship between TPR and SRN.

The results of the study are in accordance with the conditions that occur where FOW weakens the negative effect of TPR on SRN. This is due to the strong control of FOW because those who violate tax rules are subject to large sanctions as stipulated in the General Tax Provisions Law (KUP) in Indonesia Article 13.

Based on the regression results shown in table 1 above, the resulting coefficient value is 25.59. FOW strengthens the positive relationship of CSR to stock returns. This can be interpreted that every time there is an increase in FOW by 1 unit, it will be followed by an increase in the positive relationship of CSR to stock returns of 25.59. Meanwhile, the resulting probability value is 0.000, because the direction of the hypothesis is positive and the results of the regression test are positive, so it can be concluded that FOW can moderate (strengthen positive relationship) CSR on stock returns.

This is in accordance with research from (Guo & Zheng, 2019) which explains that CSR can be affected by FOW. FOW is a party that concerned about the disclosure of CSR in a company. In this case, FOW has a qualified level of ability to oversee company management in carrying out social activities. FOW should encourage company management to carry out CSR, this means that the higher the level of FOW in a company, the effort to disclose CSR will tend to increase, this is included in Indonesia.

This research suggests that companies registered in Indonesia should make full use of the supervisory power of FOW to promote CSR. In this study, the 4 control variables can be seen in table 4.8, namely price earnings ratio (PER), size, profitability and leverage, all of which have no significant effect on stock returns, with a probability PER value of 0.142, leverage a probability value of 0.328, while the variable size with a probability of 0.246 and profitability with a probability of 0.762.

6.5. Sensitivity Test

Sensitivity test was performed on table 1 to add to the research analysis of the main regression. The purpose of conducting a sensitivity test is to analyze whether the new measurement on the research variable is stronger than the previous measurement.

EMS has always played an important role for investors in providing benefits to investors in the present and in the future so as to create good investment opportunities (Schipper & Vincent, 2003). DTE proxy which has a positive effect on stock returns with a probability value of 0.041 when compared to Stubben's EMS without a DTE proxy with a probability value of 0.060. on stock returns to be significant.

The relationship between EMS and stock return became more significance due to DTE influence. So that Stubben's measurement of EMS which is added with DTE (new measurement) will be better than Stubben's measurement of EMS without DTE (old measurement).

However, based on table 1 Adjusted R-Square results (added the DTE variable to the EMS variable), the Adjusted R-Squared value is 0.801,

while in table 1 the Adjusted R-Squared results (without Tax Expense on the Profit Management Variable) yields a value of 0.7508 With From these results it can be concluded that measurement with EMS added with DTE in relation to R-Squared is better using the new measurement of Stubben's EMS with DTE compared to the old measurement (Stubben's EMS).

7. Conclusion

EMS has a positive influence on the stock return coefficient. These results provide an overview in the analysis that EMS affects the level of investor confidence, so EMS will reflect earnings information in the future. This is allegedly related to the research sample, the majority of which are manufacturing companies, which experienced an increase in sales in the year of study. The increase in sales in Indonesia was triggered by increased consumption of products produced by manufacturing companies in Indonesia.

TPR has a negative effect on stock returns. These results explain that TPR is a practice that will have a negative impact on stock returns. Considering that companies that carry out TPR practices will bear large tax penalties.

CSR influences stock returns. The results provide an explanation that CSR has a positive impact on stock returns because if a company does CSR, it will give a good response to investors. However, CSR must continue to be improved to comply with the Global Reporting Initiatives (GRI) 4.0 standards, because most companies are still far from the GRI 4.0 standard.

FOW is not able to moderate EMS on stock returns. These results provide an explanation that FOW cannot have an impact on companies not to carry out EMS even though with FOW control over management should be stronger.

FOW can moderate or weaken the negative effect of TPR on stock returns, because FOW exercises strong control so that companies do not practice TPR which is at risk of being subject to tax penalties.

FOW has succeeded in moderating the effect of CSR on stock returns, the impact with the presence of FOW will encourage companies to take CSR actions. With the role of FOW, companies increase their CSR activities, because CSR has become a culture for companies abroad.

This study implies that EMS has a positive impact on SRN. EMS influence investors' trust because EMS will be reflected in future SRN. This might happened as the samples were manufacturing companies that experienced an increase in sales. This increase is triggered by an increasing number of public consumption on products manufactured in Indonesia.

This study supports the signal and agency theory. The result implies that investors may use EMS to calculate companies' SRN. EMS assistance is important for investors' decision making process, therefore investors' may gain higher return.

Recommendations for further research are use different types of companies, for example transportation, logistics and financial companies with the same variables studied in order to compare the results between different types of companies.

The sample is limited, due to the need for research data. This limited number might interfere with the research results in general. The limitations of this study can be used as input or consideration in conducting further research.

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