

2021 - Earnings Persistence (IJEED)

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Earnings Persistence in Affecting Stock's Prices of Malaysia and Indonesia Manufacturing Companies

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ABSTRACT

Purpose: The users of financial reports usually use the information of current earnings to predict future earning so that quality earnings are earnings that can reflect the continuity of earning in the future.

Design/methodology/approach: This study takes company samples of manufacturing companies, both of which listed in Indonesia's stock exchange as well as Malaysia's in the years 2014 – 2017 by using regression and intervening analysis.

Findings: The results of this study are operating cash flow cannot affect the earnings' persistence in Indonesia but it affect in Malaysia, book tax differences and debt level can affect an earning persistence in Indonesia & Malaysia, earnings persistence could affect stock prices in Indonesia & Malaysia and Operating cash flow cannot affect stock prices with Earning Persistence as intervening variable for manufacturing companies in Indonesia & Malaysia.

Research limitations/implications: Adj R square value is very low and cannot be compared between Indonesia and Malaysia.

Practical implications: The result would be beneficial for researchers who eager to analyse the similar variable against different countries.

Originality/value: Claim your originality here.

Paper type: Research Paper

Keyword: Book Tax Difference, Debt Level, Earning Persistence, Stock Prices

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I. INTRODUCTION

Investors can make 2 assessment approaches when doing investment: technical approach and fundamental approach. A technical approach focuses on the condition that surrounds the company, while fundamental approach focuses on a company's economical facts, which can be seen from that company's financial report. According to Hans Kartikahadi, Rosita Uli Sinaga, Merliyana Syamsul, (2016), the purpose of financial reports is to provide information that involves financial position, performance, as well as a company's change in financial position that is beneficial to most of its users and decision-making. Rudianto, (2012), on the other hand, says that the purpose of financial reports is to help the users of the report to estimate a company's potential in creating earning in the future. Because the information present in these reports is events from a past period of time, and because of that they can't always give information that's actually needed. However, this past information can give a picture to investors about how the condition and performance of a company are like in that period.

Generally, a company's performance is often linked with the profitability of the company. Those who use financial reports often use the current earning to predict the earning in the near future so that quality earning is

earning that can mirror the continuity of future earnings. Earning Persistence as a revision of accounting earning that is looked forward to in the near future (expected future earnings) that are implicated by the current year's innovation earnings (current earnings). A earning that is persistent can give positive signals and will result in planting an investor's interest in buying towards the company's stock. With many interested, then surely the company's stock prices will experience an increase. This corresponds to the research of Mohamad Nasir dan Mariana Ulfah, (2008) which suggests that through indirect relationships, earning persistence has a load of information that is used to determine stock prices. However, Meythi, (2006) says that through an indirect relationship a profit's persistence does not have much information that can be used to determine stock prices.

Statement of Cash Flows is a report about an acceptance of activity and a company's cash disbursement during a certain period of time, along with defining the sources of those acceptances and disbursement that aim at giving relevant information about a company's acceptance and cash disbursement for a period of time (Rudianto, 2012). A couple of previous researches show that their results towards stock prices, which are Aprianti, (2017) that tell us that operating cash flows have an effect on stock prices. Despite this, different viewpoints, as told by Mohamad Nasir dan Mariana Ulfah, (2008) as well as Meythi, (2006) state that operating cash flow has no effect on stock prices. In addition to these stock prices, previous researchers also research the effect of Operating Cash Flows towards Earning Persistence, i.e. (Dewi & Putri, 2015), (Mohamad Nasir dan Mariana Ulfah, 2008) that tell that an operating cash flow affects to an earning's persistence. However, Meythi (2006) says that an Operating Cash Flow does not affect the earnings persistence.

Book Tax Difference gives a fine line between accounting earning and fiscal profit. This difference is caused by the existence of different rules and the goals of their users. Assessments involving book-tax difference is essential because profit, according to tax, is the most accurate to predict financial reports as well as the actual conditions of the company. A few preliminary types of research show that their results are connected with the effect of book-tax difference towards a profit's persistence, i.e. (Dewi & Putri, 2015) state that book-tax difference affects a profit's persistence. However, (Barus & Rica, 2014) state that book-tax difference does not affect a profit's persistence.

The number of debts also has an effect on how management manages profit. The holders of the stocks get benefits from solvability finance as far as the generated earning above money that is borrowed exceeds the price of interest. (Fanani, 2010) state that the rate of debts affect the persistence of profit.

This research takes a sample from manufacture companies in Indonesia and Malaysia that are listed in the Indonesian capital market and the exchange-effect on Malaysia. With some weighing, Malaysia and Indonesia have similar fare for imposition on corporate income tax, which is a single rate of 25% related to book tax different. Based on the results of these preliminary researches that still have the diversity in terms of results and similarities with the capital market of Indonesia – Malaysia, and so the researchers are interested in doing research with the title: "THE EARNINGS PERSISTENCES IN AFFECTING STOCK PRICES OF MALAYSIA'S AN INDONESIA'S MANUFACTURE COMPANIES."

1. Theoretical Framework And Hypothesis

a. Signalling Theory

Suwardjono (2015) states that information is an announcement that will give a signal to investors in investment. According to Brigham, Eugene F. dan Houston (2011), signal is a behavior that is adopted by a company's management that gives clues to the investor about the prospect of the company. A good giving of this signal can affect the quality of decision-making. This theory is linked to signals that are given by stock prices. If a company's stock price is high, it gives a signal to the investors that the company has a good quality performance, and thus, it increases the interests of that stock due to the high price, and vice versa.

b. Stock Price

Capital Market Law Number 8 of 1995 defines the capital market as a party that organizes and provides the system and/or means to bridge selling and buying offers affect other parties with the purpose of trade effect. The market value is determined by demand and supply of stock concerned in the capital market. The movement of stock price is provided every day in the stock-exchange effect, based on the closing price on that day, and thus the stock price that is used is the closing price in the end. The market price is the stock price that happens in the stock exchange price at certain moments that is decided by the market players.

c. Earning Persistence

Accounting profit is information that is gotten from the in-between of revenue and expenses that later will be used as one of the information for decision-making. Because earning can directly project a company's performance, the company tries to make its earning higher to attract investors.

(Fanani, 2010) says the earnings persistence is one side that tells us about company's efforts to sustain the number of earning received in the present until the near future. Persistent earning is earning that is able to reflect sustainable earning in the future that is determined by accrual component and its cash flow.

d. Cash Flows

Statement of Cash Flows is a report that shows cash flow that is accepted and used by the company for a period of accounting. Cash flows are divided into three groups, which are:

Operation Activities, which is a string of activities that are related to a company's efforts to sell and produce the product.

Investment Activities, which is a couple of activities that are related to a company's purchase and selling of their money that becomes the source of the company's income.

Financing Activities, which is every activity that provides funding requirements as well as their consequences.

e. Book Tax Difference (BTD)

(Suandy, 2016) proposes that the existence of a line between recognition of income and costs and fiscal gives rise to a difference in counting taxable income. The difference between accounting earning and fiscal accounting can be referred to as Book Tax Difference. The causes of this difference are:

1. The existence expenses; expenses that cannot be less than gross income (a positive fiscal correction needs to be done)
2. The existence of income that is not added to gross income (a negative fiscal correction needs to be done).
3. The existence of transaction that is in debt with taxes, however, it does not or has not been recorded as income that is related to PPN (a positive fiscal correction needs to be done)

The difference between financial reports and fiscal reports are categorized to timing difference and a permanent change. Timing differences is a difference where there is an inequality in the time of recognition of income and the burden between tax regulations with the SAK.

f. Debt Level

A financial report's information that can affect an investor's viewpoint towards Debt Level. One of the sources of financial capital is debt. Debt is the company's whole obligation towards the creditor or another party that gives financial borrowing to the company. Companies that have debt as an alternative source are expected to work hard so that the users of this capital can give a significant advantage to the company so that it develops and can be able to repay the creditor. Investors tend to be careful when investing in a company that has a high amount of Debt Level.

g. The Effect of Operating Cash Flow Towards Earning Persistence

A company that produces a substantial earning but does not have an available cash flow to run an operational activity will become burdened and be very depended on other parties; i.e. the bank party to provide a working capital or a supplier that gives a more extended credit to the company, and as such the company ignores the quality of their products and services proposed to by the supplier. This research focuses on Operating Cash Flow because it shows the users of the financial reports as to how companies benefit from cash flow to pay debts maintain the company's operational capabilities and perform obligations, such as paying dividends.

(Dewi & Putri, 2015) as well as (Mohamad Nasir dan Mariana Ulfah, 2008) prove in their researches that there's a positive connection between Operating Cash Flow and Earning Persistence.

H1: Operating Cash Flow effect towards earning persistence to manufacturing companies in Indonesia and Malaysia

h. The Effect of Book Tax Difference Towards Earning Persistence

Companies were required to organize financial reports based on the underlying universal principles of accountancy, usually called the SAK. Meanwhile, when it comes to taxation purposes, financial reports are made with different standards that are adapted based on tax regulations so that later, the accountancy earning and fiscal earning have different results. An assessment regarding book-tax difference is essential because there are many things that have to be understood in order to guess a company's actual tax liability and taxable income from costs allowed according to tax rules. The tax-based earning is most accurate for predicting financial statements and the actual conditions of the company. (Dewi & Putri, 2015) state that book-tax difference affects the earnings persistence.

H2: Book tax difference's effect towards earning persistence to manufacturing companies in Indonesia and Malaysia

i. The Effect of Debt Level Towards Earning Persistence

One of the strings of information in financial reports that can affect the investor's perception is the debt rate. The higher the debt rate, then there's a higher effort put into the management to give an excellent performance. The company will pick a high Earning Persistence so that they can maintain an excellent performance in the eyes of an auditor and/or investor if a company has a high level of Debt Level (Fanani, 2010). This is done so that auditors and investors see the company's performance with a right, pleasing eye.

H3: The Debt level effect towards earning persistence to manufacturing companies in Indonesia and Malaysia.

j. The Effect of Earning Persistence Towards Stock Prices

The first testing of earning with stock prices was done by (Ball & Brown, 1968), showing that the increase or decrease of earning towards a company will be followed by the increase or decrease of the stock price. The stock price is one part of the investor's reaction. The research of (Ball & Brown, 1968) that the earnings persistence affects the stock price. The research of (Meythi, 2006) state the opposite; that Earning Persistence does not affect stock prices.

H4: The earning persistence effects towards the stock price for manufacture companies in Indonesia and Malaysia.

k. The Effect of Cash Flow Towards Stock Price Through Earning Persistence

Operating Cash Flow is a cash flow that originates from the primary producer activity's company's earnings or transaction that goes in-and-out from a determined net income. The more the Operating Cash Flow can support the company to produce profit, then this condition can give positive signals to the investors and thus, it results in them having a higher interest to buy the product and increase the stock prices – a positive connection between Operating Cash Flow and stock prices.

The rise of the cash flow will also increase the rise of Earning Persistence, and the rise of Earning Persistence will attract investors. This is according to the research of (Mohamad Nasir dan Mariana Ulfah, 2008) that put the element of persistence as an intervening variable that mediates the effect of Operating Cash Flow to stock prices. Such research gives a result that states the existence of a positive relationship between Operating Cash Flow and stock prices through Earning Persistence.

H5: Operating cash flow affects stock prices along with earning persistence as an intervening variable at manufacture companies in Indonesia and Malaysia.

2. Framework

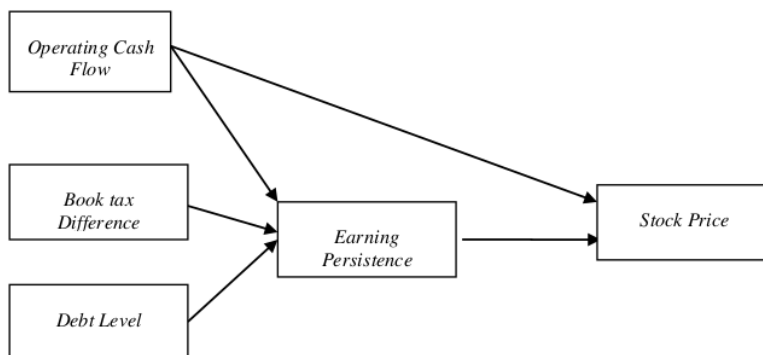


Figure 1-Research Model

II. METHODOLOGY

A. Sample Classifications

The population in this research is the financial report's entire manufacturing companies in Indonesia and Malaysia along the years 2014 – 2016. The method used in this research is the census.

B. Research Data

This research uses various types of secondary data in the form of audited financial reports where it is received from the site BEI, as well as a summary of stock prices from yahoofinance, a data collecting technique using the documentation method.

C. Variables

Data variables used in this research consist of dependent variable, which is stock prices, intervening variable, which is earning persistence, as well as independent variable, which are Operating Cash Flow, book-tax difference, and the level of Debt Level.

The Definition of Operational Variable

D. Stock Prices

The stock price that is meant here is the closing price at the end of the analysis period, that is counted with a mathematical formula. Below is the formula:

$$\text{Stock Price} = \frac{SP_{it} - SP_{it-1}}{SP_{it-1}}$$

Definition:

SP_{it} – the stock price of Company i on the year t
 SP_{it-1} – the stock price of Company i before the year T

Earning Persistence

The measurement of earning persistence is measured by the coefficient of current earnings regression to future earnings.

$$E_{it+1} = \beta_0 + \beta_1 E_{it} + \varepsilon$$

Definition

E_{it+1} : accounting earning after the earning of Company i after Period T (quarterly)

E_{it} : accounting earning after the earning of Company i in Period T (quarterly)

B_0 : Constanta

B_1 : the persistence of accounting earning

ε : component error

To get the result of B , a simple linear regression where (E_{it}) as a dependent variable and (E_{it-1}) as an independent variable, where the data uses a quarterly financial report.

E. Operating Cash Flow / OCF

Cash flow from operating activities is cash flow received from company business activities. Thus, the parameter that is used for this variable is cash flow that is counted based on the total of cash flow as the year goes on.

F. Book Tax Different (BTD)

Book Tax Difference is the difference between accounting earning and fiscal earning where the variable that appears is due to the fine line between provisions in SAK and also the provisions used in taxations. This research only focuses on the temporary difference corresponding with the model on Hanlon (2005), the difference between accounting earning and fiscal earning measured by using deferred tax proxy, which is:

$$\text{Deferred Tax Exp}_{it} = \frac{\text{Deferred tax expense } t}{\text{Total Asset } (t-1)}$$

Definition:
 Deferred Tax Expense it : Deferred Tax Expense company i the year t
 Deferred Tax Expense t : Deferred Tax Expense t
 Total of assets (t-1) : total assets of the company before the year t

G. Debt Level

Debt is defined as a whole obligation of the company to the creditor or other parties that give borrowing assets towards that company (Munawir, 2004:18). Debt Level has the formula below:

$$\text{Debt Level} = \frac{\text{Total Debt}}{\text{Total Asset}}$$

III. RESULTS AND DISCUSSION

Manufacturing companies in this research are divided into two categories: companies that are listed in the Indonesia Stock Exchange, which are as much as 142 companies and companies that are listed in the Malaysia Stock Exchange, which are as much as 103 companies per year. This research started from 2014 to 2016.

A. SPSS Tabulation Results for Indonesia Data

Table 1 Coefficients of OCF, Earning Persistence toward Stock Price in Indonesia

Adj R square = 0,043

Constant	Beta	Sig
Operating Cash Flow	3,83	0,649
Earning Persistence	0,003	0,000

Table 2 Coefficients OCF, Debt Level, BTD toward Earning Persistence in Indonesia

Adj. R Square = 0,027

Constant	Beta	Sig
Operating Cash Flow	-3,172	0,955
Debt Level	53,83	0,026
Book Tax Difference	68,164	0,019

B. SPSS Tabulation Results for Malaysia Data

Table 3 Coefficients AKO, Earning Persistence toward Stock Price in Malaysia

Adj. R Square = 0,841

Constant	Beta	Sig
Operating Cash Flow	-0,293	0,876
Earning Persistence	0,408	0,000

Table 4 Summary Model BTB, AKO, TOT. Debt, Earning Persistence toward Stock Price

Adj. R Square = 0,933

Constant	Beta	Sig
AKO	7,412	0,000
Tot.Hutang	2,078	0,000
BTD	-168,3	0,005

C. Operating cash flow's effect towards earning persistence in manufacturing companies in Indonesia

Based on the SPSS tabulation results it shows that Operating Cash Flow does not affect the earnings persistence with sig value 0,995 and beta -3,172. Operating Cash Flow determines whether or not a company's operation can provide a cash flow that's enough to pay off borrowings, maintain the company's operational ability, pay dividends and make new investments without any help from the outer circle. The result of this research shows that company samples in Indonesia do not have much cash compared with the costs incurred or, in other words, don't have enough cash for its operational activity and so it gives a possibility to search for new borrowings to other parties. If the operational change is done optimally, then the company is able to produce a maximum amount of profit.

D. Operating cash flow's effect toward earning persistence to manufacturing companies in Indonesia

According to SPSS tabulation results, Operating Cash Flow affects Earning Persistence positively with a sig value of 0,000 and beta 7,142. This means that if the Operating Cash Flow increases, then the ability of the company to make more earning will also increase. But on the other hand, if the Operating Cash Flow decreases, then the company's ability to produce earning will also decrease. This happens because Operating Cash Flow produced from a company's main operational activity will significantly affect the company's ability in making profit. (Fanani, 2010) states that cash flow is a financial indicator that is better compared to accounting because the cash flow is relatively hard to manipulate.

E. Book Tax Difference's effect toward earning persistence to manufacturing companies in Indonesia

Based on the SPSS tabulation results, BTD positively affects the earnings persistence with a sig value of 0,026 and beta 53,83. Book tax difference is more commonly called as a difference between accounting earning and fiscal profit. (Suandy, 2016) states that there is a difference between income recognition and costs between commercial and fiscal accounting make a difference in calculating the amount of taxable income. The existence of this difference gives negative signals to the investors and the users of these financial reports due to how big this difference and thus, it will cause a low earning that would later also decrease the company's persistence on that year.

This result according to (Dewi & Putri, 2015), probably happened because the expense recognition in the short period of time does not grasp the transitory effect from the temporary change. The fact that it doesn't catch the transitory effect can cause the cash that is supposed to be placed in the counting of earning – according to the accounting and fiscal earning but also has to have a decrease so that it can make the earning more significant and more persistent. The result of this research shows that book-tax difference does have an effect on Earning Persistence. It is also corresponding with what is done by (Dewi & Putri, 2015) that prove that book-tax difference affects the earnings persistence.

F. Book Tax Difference's effect toward earning persistence to manufacturing companies in Malaysia

Based on the SPSS tabulation results, Book Tax Difference affects Earning Persistence with a sig value of 0,000 and beta -168,376 which means it's a negative relationship. This means that the difference between accounting earning and fiscal earning will increase so that the company's ability to provide earning in the future will lessen. Otherwise, if there is little difference between accounting earning and fiscal earning then the ability of the company to make earning will increase. This is due to the use of deferred tax expense proxy for measuring Book Tax difference. So, if the Book Tax difference is high, then the company's next period of time will have to pay a big tax difference because it has a negative effect on the future profit. This research has the support of Dewi & Putri (2015) but contradicts with the result of the research of Barus & Rica (2014).

G. Debt Level' effect towards earning persistence to manufacturing companies in Indonesia

The SPSS results show that Debt Level has a positiv effect on Earning Persistence with a sig value of 0,019 and beta 68,164. This means that if the company's debt rate is high then its ability to make earning in the future will increase. However, if the company has a low debt rate then its ability to make earning in the future will decrease. Debt also affects the ability to produce earning since it's one of the sources of capital for the company. Variable of Debt Level does not significantly affect the earnings persistence.

H. Debt Level' effect toward Earning Persistence to manufacturing companies in Malaysia

According to the SPSS results, Debt Level has a positive effect on Earning Persistence with a sig value of 0,000 and beta 2,078. This walks the same road with the effect of Debt Level toward Earning Persistence to manufacturing companies in Indonesia.

I. Earning Persistence's effect on stock prices to manufacturing companies in Indonesia

Based on the results of the SPSS tabulation test, Earning Persistence has a positive effect with a sig value of 0,000 and beta 0,003. It proves that companies are able to suffice the operational activities without borrowing money from outside companies as well as being able to pay its obligations through cash because the higher the Operating Cash Flow, the higher the trust that the investors have to the company that will, later on, affect stock price and dividend policy.

J. Earning Persistence toward stock prices to manufacturing companies in Malaysia

In the SPSS results, Earning Persistence has a positive effect on stock prices with a sig value of 0,000 and beta 0,408. This means that if the company's ability to produce earning in the near future increases, same goes for stock prices. However, if there's a decrease in that ability then it will also result in a decrease in stock prices. It is like this because, to investors, a substantial earning in a specific time period is still not enough, and it will result in them significantly measuring the earnings persistence. The result of this research supports the results of Mohamad Nasir dan Mariana Ulfah (2008) and Fathurrochman (2014) but does not support the researches of Meythi (2006), Dianieti et al. (2006) that state that Earning Persistence does not affect stock prices.

K. Operating cash flow's effect toward stock prices with earning persistence as an intervening variable to manufacturing companies in Indonesia

Based on the results of the SPSS test, Operating Cash Flow doesn't affect stock prices with a sig value of 0,649 and beta 3,83, and with the previous data, Operating Cash Flow doesn't affect Earning Persistence and Earning Persistence gives a positive sig toward stock prices. Because Operating Cash Flow doesn't affect stock prices then Earning Persistence is not an intervening variable.

Cash flow from operating activities reports a summary of the earnings and the payment of cash from operational activity (Reeve et al., 2013:26. This cash flow report will show how the company's performance is in doing their operation to get profit. The rise of Operating Cash Flow will also increase the earning so that the persistence will also increase. If the quality of the earning gets better and is followed by a high rate of Operating Cash Flow, stocks will be seen as liquid, which will make the shared sale value increase.

This research shows that the direct relationship of Operating Cash Flow towards stock price as well as an indirect relationship affects the earnings persistence. However, the Earning Persistence does not affect the stock prices. And so, this method of analysis cannot be continued because it doesn't meet the criteria of intervening variables. This shows that the earnings persistence doesn't have a load of information towards stock prices so that the investors can't differentiate the information in the earning and can only see the earning as a whole. The result of this research treads the same road as the research from Meythi (2006).

L. Operating cash flow's effect toward stock prices with earning persistence as an intervening variable to manufacturing companies in Malaysia

According to the results of the SPSS test, it shows that Operating Cash Flow doesn't affect stock prices with a sig value of 0,876 and beta -0,006, and in the previous data, Operating Cash Flow affects sig positive toward Earning Persistence; which does affect the sig to the stock price. Because the Operating Cash Flow doesn't affect the earnings persistence, it's not an intervening variable.

CONCLUSION

Based on the statements above, then the conclusion of this research will be:

1. Operating Cash Flow can't affect the earnings persistence to manufacturing companies in Indonesia. Based on the SPSS tabulation results, Operating Cash Flow does not affect Earning Persistence with a sig value of 0,955 and beta -3,172
2. Operating Cash Flow can affect the earnings persistence to manufacturing companies in Malaysia from the years 2014 – 2017. Based on the results of the SPSS tabulation test, Operating Cash Flow positively affects the Earning Persistence along with the sig value of 0,000 and beta 7,412.
3. Book tax differences can affect the earnings persistence in Indonesia to manufacturing companies in Indonesia from the years 2014 – 2017. Based on the SPSS tabulation results, it shows that BTD has a positive effect on Earning Persistence with a sig value of 0,026 and beta 53,83.
4. Book tax difference can affect Earning Persistence to manufacturing companies in Malaysia from 2014 – 2017. Based on the results of the SPSS, Book tax difference affects the earnings persistence with a sig value of 0,000 and beta -168,376 that point to a negative arrow. This means that the difference between

accounting earning and fiscal earning will increase, and so the ability of the company in producing earning in the future will lessen.

5. Debt Level can affect the earnings persistence to manufacturing companies in Indonesia in the years 2014 – 2017. Based on the SPSS tabulation results, Debt Level has a positive effect on Earning Persistence with a sig value of 0,019 and beta 68,164.
6. Debt Level has an effect on Earning Persistence to manufacturing companies in Malaysia from the years 2014 – 2017. According to the tabulation results of the SPSS, Debt Level affect the earnings persistence with a sig value 0,000 and beta 2,078 on a positive effect.
7. Earning Persistence affects stock prices to manufacturing companies in Indonesia from the years 2014 – 2017. Based on the SPSS tabulation results, Earning Persistence positively affects stock prices with a sig value of 0,000 and beta 0,003.
8. Earning Persistence affects stock prices to manufacturing companies in Malaysia from the years 2014 until 2017. The SPSS test results show that Earning Persistence positively affects the sig value of 0,000 and beta 0,048.
9. Operating Cash Flow doesn't affect the stock prices with Earning Persistence as an intervening variable to manufacturing companies in Indonesia from the years 2014 – 2017. Based on the SPSS tabulation results, Operating Cash Flow doesn't affect stock prices with a sig value of 0,649 and beta 3,83, and in the previous data Operating Cash Flow doesn't affect Earning Persistence and Earning Persistence gives a positive sig effect toward stock prices.
10. Operating Cash Flow doesn't affect the stock prices with Earning Persistence as an intervening variable to manufacturing companies in Malaysia from the years 2014 – 2017. Based on the SPSS tabulation results, Operating Cash Flow doesn't affect stock prices with a sig value of 0,876 and beta -0,006, and in the previous data Operating Cash Flow does affect Earning Persistence and Earning Persistence affects sig to the stock prices. Because the Operating Cash Flow doesn't affect the earning of persistence, not as an intervening variable.

Limitations of this study and suggestions for further research:

- 1) The value of adj R square in this research is very low, the next research is advised to have more independent variables for manufacturing companies in Indonesia and Malaysia.
- 2) This research does not compare Indonesia and Malaysia; the next one, however, may also add a discussion for the difference between the two countries.

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