Evaluating the Effect of Employee Stock Option Plans on the Financial Performance of Indian Construction & Infrastructure Companies

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ABSTRACT

Competitive pressures to improve productivity continue to place significant demand upon organizations globally. To respond to these competitive pressures with the developed countries like USA, ESOPs (Employee Stock Ownership Plans) have also been adopted in developing country like India to increase the firm’s and employee’s performance and productivity by retaining the employees to a large extent. Employee Stock Ownership Plans are majorly utilized by many successful and competent companies across the world. The successes of the ESOP companies in countries like USA, Japan and UK etc. may largely be attributed to enhancement of firm’s performance and Employee productivity. These effects are becoming increasingly noticed across the world in recent years. Thus, this research is an empirical study carried out to evaluate the impact of ESOP on financial performance of ten listed Indian Construction and Infrastructural companies based on for a period of six years. The study analyzes three years pre and post period to the adoption of ESOPs for the selected companies and is based upon secondary data collected from company annual reports of the respective years. Company-wise Pre- and Post- ESOP adoption Analysis and Regression Analysis is carried out in the selected selector.

Keywords– ESOP, Performance, Employees, Company-Wise Analysis, Regression Analysis

I. INTRODUCTION

The commencement of ESOP is attributable to San Francisco lawyer and investment banker Louis Kelus. In 1956, Kelso was invited to San Francisco through the KELU’s plan and then the first ownership was transferred to employees. Employee Stock Ownership Plan (ESOP) is an option given to an employee in relation to the shares of the employer company. ESOP is a generic term for a basket of instruments and incentive schemes that find favour with the new upward mobile salaried class and which are used to motivate, reward, remunerate and hold on to achievers. It is the best non cash incentive plan offered by companies after SEBI ESOP Guidelines 1999 that can retain the employees for longer term as it creates a sense of ownership amongst the employees of the firm. This plan is majorly used by foreign companies of US, UK, France and Japan.

India, in spite of being the second largest country in population has the crucial problem for Human Resource Managers is to retain employees in the company. India is also one of the countries with the youngest population but still has a high unemployment rate. Employee Stock Option Plans (“ESOPs”) once unheard of in India are gaining popularity by leaps and bounds, especially during the past few years. Faced with the problem of poaching and brain drain, many Indian industries especially software and pharmaceutical companies have realized the importance of employee stock options to recruit and retain the best talents. In fact, new vistas in this arena have opened up, parent companies especially those based in the United States have found employee stock options a useful human resource development tool. Indian resident employees, participate in global stock option plans of their parent company (or any foreign company of the same group) are now in vogue recently and it is gaining popularity day by day.

II. LITERATURE REVIEWS

Brian J.Hall and Kevin J Murphy (Feb 2000) in their article “Optimal Exercise Prices for Executive Stock Options” has studied economic rationale for setting exercise price for executive stock options can be set either below or above the grant date market price. They have provided operationally useful alternative to Black-Scholes for the purpose of valuing executive stock option and measuring the incentives created by options.

Kumar (2004) in his paper examined the effect of ESOP adoption on the productivity and performance of Indian companies. The study explored the link between ESOPs and various economic indicators characterizing company performance, risk levels and ESOP variables with the primary focus on the distinctive characteristics of ESOP companies compared to non- ESOP companies. Econometric analysis was carried out using a sample of 125 companies (including 118 listed companies) of which 38 were ESOP companies and 87 non-ESOP companies. The change in each of the productivity and performance measures was calculated over two periods, year -1 to +1, year -1 to +2. Linear regression was employed to analyse the data set. The study results indicated that ESOPs established in Indian firms have little effect on firm’s productivity and profitability.
Martes (2012) in his thesis delineated the effect of employee share ownership on firm performance and corporate R&D expenditures for the largest European companies who have employee ownership plans during 2006-2010 using European Federation of Employee Share Ownership (EFES) dataset. The empirical results using linear regression indicated there was a negative association between employee ownership, profit margin and/or production growth. On the long-term using longitudinal data, employee ownership was found to have a positive impact on ROE and ROA. The study concluded that higher share of employee ownership does not guarantee higher performance of a firm and supports the argument that employee ownership alone does not guarantee better performance.

Freserick Odero (October 2012) in his Research Project for Master of Business administration degree, University of Nairobi, “The effect of adoption of ESOP on Financial Performance of firms listed at Nairobi Securities Exchange” with secondary data i.e. annual reports and financial statements compared pre and post ESOP for five years with using paired t test at .05 level of significance came to the conclusion that it has obtained mixed results on financial performance and suggested that there is still a lot of scope for research regarding ESOP and other variable like size of ESOP firm, market share of ESOP firm and performance of the economy. He stated that ESOP has a long history in USA, and stated that in 1950 and 1960 the popularity of ESOP gained political momentum when Senator Russel Long became a major proponent of ESOP.

Poornima et al. (2013) in their paper empirically analysed 59 software companies listed in Indian stock market which has adopted employee stock option plan and analysed its impact on firm performance. The study indicated that employee behaviours that enhance productivity are apparently more prevalent in stock option firms which have resulted in improved employee productivity. The correlation analysis indicated that there is significant relationship between employee size, employee productivity and return on assets. But with respect to net profit margin, ESOP allotment has not improved the profit margins of the company in spite of improved employee productivity.

III. SCOPE OF STUDY

The study reveals that Indian Construction companies can benefit maximum by exploiting the full potential of ESOP by designing, communicating and implementing their plans in more appropriate manner. This Empirical research study is very useful and fruitful for various stakeholders, including retail, institutional investors, market regulators, publicly traded companies using ESOPs, research institutes, and governments who wish to have these institutions. On one hand the market regulators will gain knowledge on Employee Stock Ownership Plans by understanding and further implementing how to deal with regulations and policies while on the other side, with the development of sound regulation and policy, it increases investor confidence to invest in the stock market. Also the retailers and institutional investors will be benefited by acknowledging how to deepen their investment decisions. Further study can be done in various sectors of Indian companies like Human Resource Management, Banking sector, Information Technology Sector and many more.

IV. OBJECTIVES OF STUDY

- The main objective of this study is to throw a light on the effect of employee stock ownership plans on the financial performance of the organizations.
- To evaluate and compare the financial performance of the selected Indian Construction and Infrastructure firms in the pre- and post-adoption period of ESOP (Employee Stock option Plan).

V. RESEARCH METHODOLOGY

Research Design: The research is primarily descriptive and causal in nature.

Sampling Design: The study is based on purposive sampling of 10 companies belonging to Indian Construction and Infrastructure sector listed on BSE. The selected companies are studied considering three years prior and three years post to their adoption of ESOP. The year of Adoption is considered as the base period for the comparison purpose.

Variables under Study: The following Variables were studied in the research:

| Net Fixed Assets (NFC) |
| Net Current Assets (NCA) |
| Investment |
| Asset Turnover Ratio (ATO) = Net Sales/Total Assets |
| Net Sales |
| Total Assets |
Sampling Units: Following ten companies belonging to Construction & Infrastructural sector have been selected for the study:

| SELECTED Construction & Infrastructure Companies                      |
|---------------------------------------------------------------------|
| 1 IVRCL Limited (Iragavarapu Venkata Reddy Construction)            |
| 2 Mahindra Life Space Developers Limited                           |
| 3 Brigade Enterprise Limited                                        |
| 4 Berger Paints India Ltd.                                          |
| 5 Kirloskar Constructions & Engineers Ltd.                         |
| 6 IL & FS Engineering & Construction Company Ltd.                   |
| 7 Jaiprakash Associates                                             |
| 8 Hindustan Construction Company                                    |
| 9 DLF Ltd. (Delhi land and Finance Ltd.)                           |
| 10 Oberoi Realty                                                   |

Source of Data: Secondary data has been collected from the annual reports of selected Indian Construction & Infrastructure companies for the purpose of study.

Period of Study: Financial data pertaining to the period of six years (i.e. three years prior and three years post the adoption of ESOP) has been used for the study. The study took the assumption that ESOP allotment year will be considered as 0 year and thus the pre allotment years as (-1,-2,-3) and post allotment years as (1, 2, 3) respectively and accordingly analyses have been made.

Statistical Tools and Techniques: Comparative and Regression Analysis is done company wise using the Pre- and Post- period of adoption of ESOP in the selected selector to know the significance of relationship and interrelationship between various variables and find out the effectiveness of ESOP on corporate performance of ten selected Indian Construction & Infrastructure companies.

VI. DATA ANALYSIS & INTERPRETATION

Company-Wise Analysis

Company-wise comparative analysis and interpretation of data is done based on comparing the pre- and post- ESOP periods of ten selected Construction & Infrastructure companies for testing positive or negative effect of firm’s performance after. The values of the data collected is presented in Crores.

Table 1: Pre- and Post- Adoption of ESOP: Performance of IVRCL Limited (Iragavarapu Venkata Reddy Construction)

| VARIABLE | PRE- ESOP ADOPTION | POST- ESOP ADOPTION |
|----------|---------------------|---------------------|
|          | 2010 | 2011 | 2012 | 2014 | 2015 | 2016 |
| NFA ---(I) | 601.72 | 694.45 | 691.42 | 578.08 | 476.83 | 392.78 |
| NCA---(II) | 4,700.49 | 4,250.39 | 4,313.99 | 4,709.83 | 5,240.19 | 5,257.05 |
| INVEST—(III) | 1,584.30 | 1,653.55 | 1,740.75 | 1,324.81 | 1,299.89 | 1,831.94 |
| SALE | 5,707.97 | 6,347.52 | 3,829.50 | 3,160.93 | 2,385.24 | 2,054.20 |
| T.A(I+II+III) | 6866.51 | 6598.39 | 6746.16 | 6612.72 | 7016.91 | 7481.77 |
| ATO(A/B) | 0.8289 | 0.9620 | 0.5677 | 0.4780 | 0.3399 | 0.2746 |

Interpretation of Data

The above table shows the performance of IVRCL Ltd. Company considering Pre- and Post-adoption of ESOP. As 2013 is the year of adoption of ESOP in this Company, it is taken as the base year (0). Net Fixed Asset (NFA) is showing a negative impact Post the adoption of ESOP. Net Current Asset (NCA) in 2012 is 4313.99 while in 2016 it is 5257.05 which presents a positive impact on firm’s performance. Net sales in 2012 is 3829.5 which decreased to 2054.2 in 2016 showing a negative impact on the performance of firm. The value of Total Assets has increased moderately Post ESOP Adoption. Asset Turnover Ratio (ATO) is 0.5677 in 2012 and 0.2746 in 2016 which also proves the company to have a negative impact on its performance. Overall, it can be concluded that mixed results are found in IVRCL Ltd Company and ESOP does not show any positive change in this firm after its adoption.

Table 2: Pre- and Post- Adoption of ESOP: Performance of Mahindra Life Space Developers Ltd.

| VARIABLE | PRE- ESOP ADOPTION | POST- ESOP ADOPTION |
|----------|---------------------|---------------------|
|          | 2010 | 2011 | 2012 | 2014 | 2015 | 2016 |
| NFA ---(I) | 32.37 | 31.93 | 29.07 | 28.57 | 29.8 | 29.41 |
| NCA---(II) | 753.21 | 985.56 | 1,135.99 | 1,268.20 | 1,373.36 | 1,909.67 |
| INVEST—(III) | 409.55 | 297.88 | 320.13 | 655.9 | 573.4 | 573.4 |
| SALE | 506.85 | 521.13 | 422.26 | 760.04 | 600.16 | 753.2 |
| T.A(I+II+III) | 1195.13 | 1315.36 | 1485.19 | 1953.67 | 1976.56 | 2512.48 |
| ATO(A/B) | 0.4241 | 0.3962 | 0.2843 | 0.3890 | 0.3036 | 0.2998 |
Interpretation of Data

The above table shows the performance of Mahindra Life Space Developers Ltd. Company considering Pre- and Post-adoption of ESOP. As 2013 is the year of adoption of ESOP in this Company, it is taken as the base year (0). Net Fixed Asset (NFA) is not showing much fluctuation in Pre and Post period. Net Current Asset (NCA) in 2012 is 1135.99 while in 2016 it is 1909.67 which presents a positive impact on firm’s performance. Net sales in 2012 is 422.26 which increased to 753.2 in 2016 also shows a positive impact on the productivity of firm. The value of Total Assets have also doubled Post ESOP Adoption. Asset Turnover Ratio (ATO) is 0.2843 in 2012 and 0.2998 in 2016 which does not show significant change in the company. Overall, it can be concluded that even though there is no much change in fixed assets and ATO but the total sales and fixed assets definitely bring positive development in the company’s performance and productivity and also the adoption of ESOP does not show any negative effect.

Table 3: Pre- and Post- Adoption of ESOP: Performance of Brigade Enterprise Limited

| VARIABLE | PRE- ESOP ADOPTION | POST- ESOP ADOPTION |
|----------|--------------------|---------------------|
|          | 2008   | 2009   | 2010   | 2012   | 2013   | 2014   |
| NFA---(I) | 788.59 | 1050.51 | 1777.8 | 1348.89 | 1355.83 | 1464.18 |
| NCA---(II) | 894.36 | 905.37 | 666.03 | 957.3 | 1185.79 | 1155.92 |
| INVEST—(III) | 34.78 | 14.67 | 19.7 | 92.29 | 133 | 191.5 |
| SALE | 388.25 | 362.47 | 469.37 | 788.12 | 915.77 | 1008.01 |
| T.A(I+II+III) | 1717.73 | 1970.55 | 1863.53 | 2398.48 | 2674.62 | 2811.60 |
| ATO(A/B) | 0.2260 | 0.1839 | 0.2519 | 0.3286 | 0.3424 | 0.3585 |

Interpretation of Data

The above table shows effect of Brigade Enterprise Limited considering Pre- and Post-adoption of ESOP. The NFA of the company shows declining results post the Adoption of ESOP. While on the other hand NCA shows positive impact on firms performance where it is 1155.92 in 2014 compared to 666.03 in 2010. The sales have drastically improved post adoption of ESOP in the company. ATO is 0.2519 in 2010 while it is 0.3585 in 2014 which also shows an increasing trend for the financial performance of the company. Overall, this company has fully been benefited after the ESOP adoption.

Table 4: Pre- and Post- Adoption of ESOP: Performance of Berger Paints India Ltd.

| VARIABLE | PRE- ESOP ADOPTION | POST- ESOP ADOPTION |
|----------|--------------------|---------------------|
|          | 2011   | 2012   | 2013   | 2015   | 2016   | 2017   |
| NFA---(I) | 337.83 | 492.91 | 680.64 | 751.66 | 945.17 | 1002.6 |
| NCA---(II) | 1050.15 | 1203.55 | 1342.56 | 1569.79 | 1807.01 | 2099.21 |
| INVEST—(III) | 76.61 | 80.76 | 97.12 | 115.22 | 210.35 | 303.18 |
| SALE | 2692.71 | 3054.97 | 3415.41 | 4167.31 | 4273.63 | 4770.32 |
| T.A(I+II+III) | 1464.59 | 1777.22 | 2120.32 | 2436.67 | 3025.53 | 3404.99 |
| ATO(A/B) | 1.8385 | 1.7190 | 1.6108 | 1.7102 | 1.4125 | 1.4010 |

Interpretation of Data

Table 4 shows the data of financial performance of Berger Paints India Ltd. NFA is 680.64 in the year 2013 and is 1002.6 in the year 2017 which gives a positive outlook to the company’s performance. The sales and Net Current Assets have also shown increasing trend in the firm post the Adoption of ESOP. ATO of the firm in 2013 is 1.6108 which decreased to 1.4010 in 2017. Except the ATO all other variables have improved in the firm. As a conclusion it shows that even though other variables have positive effect on firm’s performance but due to decreased value of ATO it cannot be totally concluded with positive impact on firm.

Table 5: Pre- and Post- Adoption of ESOP: Performance of Kirloskar Constructions & Engineers Ltd.

| VARIABLE | PRE- ESOP ADOPTION | POST- ESOP ADOPTION |
|----------|--------------------|---------------------|
|          | 2011   | 2012   | 2013   | 2015   | 2016   | 2017   |
| NFA---(I) | 12.71 | 9.84 | 7 | 5.81 | 6.87 | 34.37 |
| NCA---(II) | 73.21 | 6.26 | 74.36 | 51.29 | 80.56 | 76.49 |
| INVEST—(III) | 518.69 | 542.1 | 597.91 | 680.45 | 686.38 | 696.57 |
| SALE | 78.63 | 51.8 | 63.78 | 76.7 | 47.97 | 80.4 |
| T.A(I+II+III) | 604.61 | 558.20 | 679.27 | 743.55 | 773.81 | 807.43 |
| ATO(A/B) | 0.1301 | 0.0928 | 0.0939 | 0.1032 | 0.0620 | 0.0996 |
Interpretation of Data
Table 5 shows the financial performance of Kirloskar Constructions & Engineers Ltd. There is an increasing trend seen in all the variables of the firm post the adoption of ESOP. The growth of the firm has been affected after the ESOP implementation. Asset Turnover Ratio has remained stable even after the adoption of ESOP in the firm. So overall it can be concluded that ESOP has a not shown either positive or negative impact on the financial performance of the firm but it has more scope to improve.

Table 6: Pre- and Post- Adoption of ESOP: Performance of IL & FS Engineering & Construction Company Ltd.

| VARIABLE | PRE- ESOP ADOPTION | POST- ESOP ADOPTION |
|----------|---------------------|---------------------|
|          | 2006    | 2007    | 2008    | 2010    | 2011    | 2012    |
| NFA ---(I) | 44.2   | 164.61  | 424.72  | 335.36  | 293.11  | 220.93  |
| NCA---(II)  | 270.84 | 599.64  | 1572.59 | 1382.32 | 728.17  | 1097.99 |
| INVEST—(III)  | 96.15  | 169.01  | 256.23  | 36.65   | 156.67  | 189.73  |
| SALE       | 1656.28| 3646.27 | 983.88  | 2145.40 | 2545.75 | 3427.01 |
| T.A(I+II+III) | 411.19 | 933.65  | 2253.54 | 1754.33 | 1177.95 | 1608.65 |
| ATO(A/B)   | 4.0280 | 1.4378  | 0.4366  | 1.2229  | 2.1612  | 2.1304  |

Interpretation of Data
Table 6 shows the financial performance of IL & FS Engineering & Construction Company Ltd. There is an increasing trend seen in all the variables of the firm post the adoption of ESOP. The growth of the firm has been affected after the ESOP implementation. Asset Turnover Ratio has remained stable even after the adoption of ESOP in the company, so overall it can be concluded that ESOP has not shown either positive or negative impact on the financial performance of the firm but it has more scope to improve.

Table 7: Pre- and Post- Adoption of ESOP: Performance of Jaiprakash Associates

| VARIABLE | PRE- ESOP ADOPTION | POST- ESOP ADOPTION |
|----------|---------------------|---------------------|
|          | 2006    | 2007    | 2008    | 2010    | 2011    | 2012    |
| NFA ---(I) | 3343.73 | 5150.09 | 8256.69 | 15866.37| 17549.6 | 5426.18 |
| NCA---(II)  | 4219.83| 4257.52 | 5636.76 | 11742.94| 10726.67| 16029.19|
| INVEST—(III)  | 1557.04 | 1778.74  | 3224.83 | 5576.26 | 6048.59 | 6545.5 |
| SALE       | 3673.08 | 3558.53 | 4249.97 | 11661.77 | 13117.61 | 13117.61 |
| T.A(I+II+III) | 9120.6 | 11186.35 | 17118.28 | 33185.57 | 34242.48 | 28000.87 |
| ATO(A/B)   | 0.4027 | 0.3181  | 0.2483  | 0.3514  | 0.3880  | 0.4685  |

Interpretation of Data
The above table shows that ATO of the firm has increased from 0.2483 in 2008 to 0.4585 in 2012 bringing a significantly positive outlook altogether in the company. The performance of the company has shown fruitful results post the adoption of ESOP in the firm.

Table 8: Pre- and Post- Adoption of ESOP: Performance of Hindustan Construction Company.

| VARIABLE | PRE- ESOP ADOPTION | POST- ESOP ADOPTION |
|----------|---------------------|---------------------|
|          | 2011    | 2012    | 2013    | 2015    | 2016    | 2017    |
| NFA ---(I) | 1150.23 | 1022.66 | 920.37  | 690.19  | 782.65  | 758.32  |
| NCA---(II)  | 5153.14 | 5024.9  | 4686.68 | 4560.13 | 6114.01 | 5955.72 |
| INVEST—(III)  | 581.74  | 601.22  | 689.95  | 699.35  | 718.63  | 703.42  |
| SALE       | 4111.06 | 3952.20 | 4256.11 | 4405.13 | 4557.04 | 5024.9 |
| T.A(I+II+III) | 6888.11 | 6648.78 | 4256.11 | 3952.20 | 4557.04 | 5024.9 |
| ATO(A/B)   | 0.5968  | 0.5944  | 0.6759  | 0.7404  | 0.5854  | 0.6506  |

Interpretation of Data
The above table shows stability in the financial performance of the firm post the adoption of ESOP. The value of ATO is 0.6759 in 2013 which remained almost same in 2017 i.e. 0.6506. Therefore it can be concluded that the implantation of ESOP did not affect the financial performance of the firm neither positively nor negatively.

Table 9: Pre- and Post- Adoption of ESOP: Performance of DLF Ltd. (Delhi land and Finance Ltd.)

| VARIABLE | PRE- ESOP ADOPTION | POST- ESOP ADOPTION |
|----------|---------------------|---------------------|
|          | 2003    | 2004    | 2005    | 2007    | 2008    | 2009    |
| NFA ---(I) | 45.8   | 59.3   | 478.64  | 993.6   | 3256.16 | 3473.26 |
| NCA---(II)  | 1214.8 | 1392.7 | 1707.76 | 9438.45 | 18341.58 | 18711.78 |

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Interpretation of Data

The above table shows the financial performance of DLF Ltd. (Delhi land and Finance Ltd.). It can clearly be seen that the value of ATO of the firm has decreased drastically from 4.7 in 2005 to 1.17 in 2009. The above statement proves that the even if other variables performance has improved but the impact of ESOP in the firm has a negative effect in the financial performance of the firm.

Table 10: Pre- and Post- Adoption of ESOP: Performance of Oberoi Realty.

| VARIABLE              | PRE- ESOP ADOPTION | POST- ESOP ADOPTION |
|-----------------------|--------------------|---------------------|
|                       | 2011               | 2012               | 2013               | 2015               | 2016               | 2017               |
| NFA ——(I)             | 837.31             | 926.92             | 952.26             | 859.56             | 822.64             | 788.13             |
| NCA ——(II)            | 1639.47            | 1912.88            | 2023.73            | 3016.18            | 3086.03            | 4105.15            |
| INVEST ——(III)        | 348.8              | 315.78             | 316.61             | 318.31             | 616.93             | 774.72             |
| SALE                  | 550.25             | 742.5              | 705.86             | 1323.72            | 949.07             | 1083.31            |
| T.A(I+II+III)         | 2825.58            | 3154.88            | 3292.6             | 4194.05            | 4525.6             | 5668               |
| ATO(A/B)              | 0.1947             | 0.2353             | 0.2144             | 0.3156             | 0.2097             | 0.1911             |

Interpretation of Data

Table 10 shows that the adoption of ESOP in Oberoi Realty has not shown a positive effect on the financial performance of the firm post the adoption of ESOP in the company. The value of ATO in Pre ESOP period is more than that of the Post ESOP period. Thus it can be concluded that ESOP adoption has not brought a positive result in the financial performance of the firm.

Graphical Presentation of ATO of Construction & Infrastructure Companies

Graphical representation of ATO is shown below for all the Ten Indian Construction & Infrastructure Companies selected for the study. The first graph represents the Pre Adoption performance of ATO (Asset Turnover Ratio) while the second graph shows the Post Adoption performance of ATO of Construction & Infrastructure companies. The period of study is 6 years considering 3 years Pre- and 3 years’ Post- adoption of ESOP.
Regression Analysis

The Regression analysis is carried out using SPSS version 20 for the data collected of 10 selected Construction & Infrastructure companies.

| COEFFICIENTS | OVERALL PERIOD | PRE-ESOP PERIOD | POST-ESOP PERIOD |
|---------------|----------------|-----------------|------------------|
|               | SALES          | PBT             | SALES            |
| Constant      | -1264.47       | -63.675         | 454.754          | 74.261           |
| ATO           | 3509.145       | 85.619          | 835.323          | -8.139           |
| INVESTMENT    | 2.840          | 0.303           | 1.738            | 0.191            |
| R²            | 0.393          | 0.378           | 0.512            | 0.357            |
| F             | 18.483         | 17.321          | 10.996           | 7.510            |
| Sig F Change  | 0.000          | 0.000           | 0.001            | 0.003            |

VII. INTERPRETATION OF DATA:

The above table shows the regression analysis of the Overall, Pre- and Post ESOP adoption to show and evaluate the change in the financial performance of the selected companies in Construction & Infrastructure sector.

Sales and PBT are taken as dependent variables while ATO (Asset Turnover Ratio) and Investment are taken as independent variables. The value of ATO in Pre- ESOP period is 835.323 for sales and -8.139 for PBT (Profit before Tax) while in Post- ESOP period it is 2240.256 and 296.161 respectively which is more than double the times and also proves that the adoption of ESOP in the companies have a positive impact of the firm’s performance. On the other hand the value of R² in Pre-ESOP period is 0.512 for sales and 0.357 for PBT which is 0.901 and 0.412 respectively for the Post-ESOP period that again shows a progressive improvement in the performance of the firm eventually. But, if we see the overall performance of the variables in both the periods respectively, the value of ATO and R² which is 3509.145 and 0.393 for sales and 85.619 and 0.378 for PBT shows a moderate change in the financial performance of the companies. In a nutshell it can be concluded that the adoption of ESOP has definitely proved beneficial for the firms but still it has more scope of improvement because the value of R² in the overall performance of the firm has not been attained as expected.

VIII. FINDINGS

Employee stock ownership plan in Construction & Infrastructure companies showed mixed results post the adoption of ESOP in the firms. Even though the sales and total Assets of the firm were showing improvement in all the firms selected under study but the value of ATO in few companies were not showing positive impact on the financial performance of the firms. ESOPs have lots of benefits for both the issuing companies like easy retention of talented and valued employees, increase internal holdings and attracting better human resource etc. There are few problems also like lack of precise
regulations, reactive nature of regulators, accounting system confusions and delays in actual realisation of benefits. In spite of problems, the advantages surpass the limitations.

IX. CONCLUSION

Construction & Infrastructure companies one of the fastest growing sectors in Indian economy. Implementation of GST also doesn’t have negative impact for the consumers as well as the Indian Construction & Infrastructure companies. The study found mixed conclusions for the study of Employee Stock Option Plan in Construction & Infrastructure firms. Employee Stock Options (ESOPs) have been used as a means to retain talented employees by many companies all over the world in the last century. ESOP idea has eventually spread across corporate India and corporates have begun looking at ESOPs as an attractive tool to hire and retain employees after SEBI ESOS & ESPP Guidelines 1999. Even though the sociological importance of employee stock ownership to altering traditional patterns of wealth distribution the phenomenon had received little academic attention in India but rising markets are usually a signal that the economy is reviving which means that higher attrition levels make ESOPs useful. This research paper has thrown light into EVALUATING THE EFFECT OF EMPLOYEE STOCK OPTION PLANS ON THE FINANCIAL PERFORMANCE OF INDIAN CONSTRUCTION & INFRASTRUCTURE COMPANIES. This sector is increasingly becoming the engine of growth in our Indian economy. The use of ESOP will be beneficial to employer and employee through stable relationship, associability, and trust between employee and employer in long run to increase their performance and productivity of the firm. There is definitely a positive change in the financial performance of companies after the adoption of ESOP but still there is more scope of improvement.

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