

# ESOP VS SWEAT EQUITY– A COMPARISON OF BENEFICIAL IMPACT TO EMPLOYEES-A STUDY WITH SPECIAL REFERENCE TO CHENNAI, HYDERABAD & RAJASTHAN

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**ABSTRACT-** *Employees Stock Ownership Plan (ESOP) are given in the nature of Incentive and retention plan and these are issued to employees and officers. These options are issued with conversion right at a pre-determined price and the issue price can be less than the intrinsic value of the shares. SWEAT EQUITY Shares (SE) are issued as consideration for creation or transfer of IPRs to the company or as other value addition these are issued to the employees, Officers and Directors of the Company. These shares are issued at discounted price or even free for know-how and services to the company. ESOP is granted to employees normally in the Senior Management level even though such contributions arise from grass root level and there is no review mechanism for this grant either by the Internal and External auditors or by the Regulator viz., SEBI which is again like performance appraisal resulting in favoritisms and demotivation among the employees. In order to understand the perquisite which is beneficial for the employees between ESOP and SE, this study was conducted in the Cities of Chennai, Hyderabad & Rajasthan in India and primary data were collected from 374 employees working in Manufacturing, Banking, IT & ITES, Construction / Real Estate and FMCG sectors. . Both Primary and secondary data were collected. It was found that 301 respondents were found to be allotted with ESOP and SE and in between the two majority of them were found to be with ESOP and the balance of 73 respondents were not allotted any shares. The results reveal that for the purpose of Job security, the Junior level and Middle level management has agreed that, there exists a review mechanism both Internal and Regulatory but whereas the Senior Management is always sail with the Tactical Management and Board in order not to lose any benefit.*

**Keywords:** *ESOP- Employees Stock Option Plan , SWEAT EQUITY – SE, SEBI- Securities and Exchange Board of India, AGM – Annual General Meeting, EGM- Extraordinary General Meeting, FMV – Fair market value, IPR – Intellectual Property Rights*

## I INTRODUCTION

An Employee stock option plan is a plan which benefits employee by giving ownership interest in the company. It is nothing but the company gives right to purchase certain number of shares in the company where the employee works at a predetermined price and after a predetermined period.

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Such kind of options will improve the performance of the company and increase in the value of shares by providing stocks to the employees which in turn minimizes the problems relating to incentive schemes during performance appraisal.

As per Section 2 (88) of Companies Act 2013, SESE shares is defined as “Equity shares issued by a company to its employee or to its director for a consideration other than cash or generally at discount price, for providing intellectual property rights or value addition.

Generally, ESOP is based on the last 6 months high low pricing and any grant vested has to be exercised within 3 years from the date of such grant or superannuation whichever is earlier. It is difficult for the junior level employees for mobilizing such huge funds unless there is a huge jump in market price of these shares. SE(SE) is granted at the price AT PAR or Rs. 10/- which is a very nominal price. Normally S E is issued by startup companies in their infant stage wherein the cash flows may not be adequate and these shares are unlisted shares. ESOP is not applicable for the Promoters as the name its spells out that it is for employees and it has a lock-in period of 3 years or 2 years as the case may be for exercising the option. The alternative form of SE & ESOP are cash incentives and bonuses. The pioneers who founded the concept of SE in India is Infosys Limited.

SE is taxable in the hands of the employer or promoter. ESOP is also taxable as perquisite at the time of exercising the option at the rates applicable as per the Income Tax slab of the employee. In SE, the shares issued at a discounted rate to promoters or Director are void and is a punishable offence as per the Indian Companies Act, 2013.

As per the Regulator, SEBI the ESOP are divided into three categories viz., Employee Stock Option Scheme (ESOS), Employee Stock Purchase Scheme (ESPS) and Share Application Rights or Phantom Shares (SAS).

The difference between ESOS and ESOS is, ESOS allows employees to own stock in the company without having to purchase shares, whereas ESPS is purchase of shares by the employees below market price.

#### Eligibility of ESOP and SE

Sl. No	ESOP - Eligibility	SE- Eligibility
1	ESOPs are given in the nature of Incentive and retention plan these can be issued to employees and officers. ESOPs cannot be issued to Promoter or person belonging to the promoter group.	SE Shares are issued as consideration for creation or transfer of Intellectual property rights to the company or as other value addition these can be issued to employees, Officers and Directors of the Company.
2	Permanent employee working in India / outside India	Permanent employee working in India / abroad at least for one year
3	Whole Time Director or Director of the Company	Whole Time Director or Director of the Company
4	Employee-Director of Subsidiary company	Employee-Director of Subsidiary company
5	Directors holding more than 10% of paid up share capital prior to ESOP are not eligible	Directors holding more than 25% of paid up share capital at any given point of time is not eligible

ESOP is issued after approval of shareholders in the Annual General Meeting. Vesting is the date of exercising

the option by the employee and the gap between the allotment and exercising the shares is called the vesting period. ESOP is a kind of monetary and non-monetary investment in order to control attrition rate and retention of talented manpower in Infrastructure, Telecom, Make in India industry etc.

As per the Finance Budget 2020, it is announced that SE of startup companies are exempted up to 5 years from vesting instead of 3 years and tax holiday.

There are subtle differences between SE and ESOP which are furnished hereunder:-

#### **Differences between ESOP and SE**

SI No	ESOP	SE
1	Taxable in the hands of the employee at the time of exercising the options	Always taxable and paid by the employer / promoter.
2	Purchased at 6 month high low and vested on a price.	Purchased at a lesser price than market price at a determined price.
3	Issued to employees alone. This cannot be issued to Promoter and Directors.	Issued to Promoters, Directors, employees
4	Motivating talents through financial outcomes.	Non-financial rewards to motivate through intangible benefits.
5	Minimum lock in period of 1 year	Minimum lock in period is 3 years
6	Funding is a problem as prices are high according to market price of 6 month high low.	Funding is not a problem as shares are issued at very low price.
7	These are cash rewards and hence startups cannot issue such shares.	Beneficial for startup companies to reduced attrition through non-cash rewards', Makemy trip, Paytm, Facebook etc.,
8	Liquidity problem is a bigger constraint	Liquidity problem is not a constraint.
9	No such challenge as ESOPs are issued by listed companies.	No such challenge as ESOPs are issued by listed companies.
10	Valuation of shares is based on FMV to compensate employees commensurate to contribution towards Knowhow & IPR	Valuation is done for accounting and taxation purposes.
11	AGM sanction of shareholders required.	EGM and Internal Byelaws are sufficient.
12	If 25% of paid up capital is held, the issue of shares can be up to 15% or Rs. 5 crore.	No maximum cap in ESOP.
13	The consideration can be partly cash and partly IPRs/value addition or fully noncash consideration.	The consideration has to be paid in cash.

## II LITERATURE REVIEW

The Review of Literature will be able to give a fair view of how the literature covers the overview relating to the researches already conducted in various research studies relating to employee motivation and rewards and will pave a way for identifying the research gap.

**Amitabha Mukherjee** (2015) in his article “ESOP effect on Security Premium” had explained that Face value is Rs. 10/- per share is par value and any shares issues par is premium which is called as Security premium. He stated that Grant option can also be on par or at a premium. He further stated that issuance of shares at a discount to Promoters or Employers or Directors in case SWEAT EQUITY are void and is a punishable offence which may be Rs. 1 lac or Rs. 5 lacs penalty. He concluded that Security Premium may also be applied for Writing off preliminary expenses, Issuer of fully paid Bonus shares, Purchase of own shares, Premium payable on redemption of Redeemable Preference shares and Writing off discount or Commission on issue of shares or debentures.

**Rajeev Ranjan** (2014) in his thesis “Aligarh Muslim Organisations in India: An Empirical Study” had found that there was no study done in respect of Non-profit organization and classified Voluntary and Non-Voluntary turnover. He further found that Voluntary factors are classified into dysfunctional turnover of valued employees and functional turnover of substandard performances. He also classified dysfunctional into avoidable and unavoidable. He concluded that gender, experience in current position, overall experience, age of employees had an influence on job content factors. He further concluded low organization knowledge, low customer satisfaction, high training cost, low employee morale are some of the factors affecting employee turnover.

**Biju Varkkey**<sup>et al</sup> (2013) in their research paper “Exploring Job Satisfaction in India using Paychk India” and found that Job satisfaction is a measure of content and derive of job of an employee with his job. They further found that job satisfied workers have increased pay whereas the percentage of such employees are low. They concluded that there is little change in satisfied employees whereas the dissatisfied employees are more due to personal factors like job and education level, occupational hierarchy, work on Saturday and Sunday and evening times. They further concluded that aged respondents are job satisfied with their content whereas the young employees are more dissatisfied due to competition, expectation, performance pressure and insecurity.

**Gaurav Kumar** (2013) in this article “ESOP vs SE– EMPLOYEE RETENTION MECHANISM- INSTRUMENTS UNDER COMPANIES ACT 2013” had found that SE is a non-monetary instrument that owners and employees contribute to a business venture. He further found that startups often use the form of capital to fund their business and compensating their employees other than cash towards risk and rewards. He concluded that such ESOP may also be offered to Promoters who work as employees or Whole Time Directors of startups like SE in order to benefit their future.

**Kavita Jain**<sup>et al</sup> (2013) in their article “Job satisfaction: comparative study of public and private banks” had stated that Job satisfaction is an internal feeling of employees which are a They concluded that good remuneration, promotional opportunities, working conditions and job security have an impact on the job satisfaction.

**Brijesh Kumar Goswami**<sup>et al</sup> (2012) in their article “Attrition and retention challenges of employees” found that lack of career mobility and challenges, high level of stress, lack of work life balance, lack of confidence, salary paid and environment, lack of role clarity and proper feedback were considered to be direct and indirect impact. They concluded that issue of employee stock option, stock appreciation rights, SE and bonus shall have effective retention.

### **III RESEARCH GAP**

It has been inferred that various researches have been done and articles relating to job satisfaction and rewards of bonus, incentives, issuance of ESOP, SE, bonus shares, Rights shares, Preference shares were published. But it was found that no research has been conducted on the mechanism of issuance of ESOP or SE to the deserved and further it was noticed that even those who got those, has been found to get those are not based on any internal mechanism of audit by the Statutory Auditors or by any Regulatory Norms resulting to undue favoritism at the cost and deprivation of those who have really contributed to the growth of the organization. Hence to establish this observation a study has been conducted with the following objectives.

#### **1.1 Objectives of the Study**

- a. To study the Personal and Socio economic profile of the respondents
- b. To assess the Choice of Security of the respondents
- c. To examine the Exercise of Options of Shares among the respondents
- d. To examine the impact of the allocation of ESOP among various levels of management.
- e. To examine whether the allocation of ESOP and SE is based on any internal mechanism of audit by the Statutory Auditors
- f. To find out whether any undue favoritism exists in the allotment of ESOP and SE at the cost and deprivation of others, those who have really contributed to the growth of the organization.

#### **1.2 Significance of the Study**

The respondents are limited as those who are allotted ESOPs and SE alone can be the sample. The awareness of ESOP & SE is prevalent in the Promoters, Directors and Senior Management level. The knowledge or the concept of ESOP & SE are less prevalent in case of manufacturing and FMCG sector compared to Banking, IT & ITES sector etc.

### **IV Limitations of the Study**

- a. The respondents who are ignorant of ESOP & SE are neither willing to listen nor understand as they do not have the access to such data.
- b. The respondents who have not received any ESOP & SE are not in a position to take up with their promoters and management as they will be at risk of job.
- c. The respondents already holding ESOP & SE are not willing to divulge their shares allotted, vested, exercised and sold.
- d. The access to the respondents were randomly taken while on visit as these are confidential and personal information of the employees.

## V HYPOTHESIS

- a. There is no significant impact of ESOP and SE is based on any internal mechanism of audit by the Statutory Auditors.
- b. There is no significant influence of any Regulatory Norms resulting to undue favoritism in allotment of ESOP and SE at the cost and deprival of those who have really contributed to the growth of the organization

## VI RESEARCH METHODOLOGY

The data were collected from 374 respondents and Purposive sampling technique was used. The sampling units are individuals working in Manufacturing, Banking, IT & ITES, Construction / Real Estate and FMCG and the nature of data is Primary & Secondary data.

In order to collect the data, a well structured pre-tested Questionnaire was used. The questionnaire has three parts. The first part of the questionnaire covers the information related to demographic factors like income, age, educational qualification, nature of employment or business and the nature of industry are collected. The second part is for collecting data pertaining to Socio Economic Profile of the respondents viz., Employment Status, Nature of Industry, Annual Income, Number of years' Experience. The third part of the Questionnaire covers the Allotment of Shares, Beneficial aspect of allotment, Review mechanism viz., Internal and Regulatory.

### 6.1 Research Strategy

<b>Research Design</b>	Descriptive research
<b>Study Population</b>	ESOP & SE among Salaried class
<b>Study Area</b>	Chennai, Hyderabad & Rajasthan
<b>Sample Frame</b>	Working and Business Class in various sectors like IT& ITES, Manufacturing, Banking, FMCG, Construction & Real Estate. in the City of Chennai, Hyderabad & Rajasthan based on convenience.
<b>Sampling Unit</b>	Individuals
<b>Sampling Method</b>	PURPOSIVE
<b>Sample Size</b>	374 samples
<b>Nature of Data</b>	Both Primary and Secondary
<b>Sources of Primary Data</b>	Well Structured Pre-tested Questionnaire
<b>Sources of Secondary Data</b>	Newspapers, Journals, Magazines, Previous Research Reports & Websites
<b>Tool used for Data collection</b>	Pre tested Questionnaire

<b>Type of Questions</b>	Close ended & Open ended
<b>Establishing Reliability</b>	Carried out to check Reliability of constructed Questionnaire and Cronbach's alpha value is 0.698

## VII RESULTS AND DISCUSSION

This chapter explicitly provides the analysis of data collected from the 374 respondents totally recorded their responses, analysed and depicted under the following Sections

### *7.1 : Personal Profile of the respondents*

The details of Personal Profile of the Respondents viz. Gender, Age, Education, and Marital Status are furnished in the below mentioned Table 7.1:

<b>Particulars</b>	<b>Classification</b>	<b>Number of respondents</b>	<b>Percentage</b>
<b>Gender</b>	<b>Male</b>	<b>291</b>	<b>77.80</b>
	<b>Female</b>	<b>83</b>	<b>22.20</b>
		<b>374</b>	
<b>Age</b>	<b>21-30</b>	<b>16</b>	<b>4.28</b>
	<b>31-40</b>	<b>99</b>	<b>26.48</b>
	<b>41-50</b>	<b>165</b>	<b>44.11</b>
	<b>51-60</b>	<b>85</b>	<b>22.72</b>
	<b>&gt; 60 yrs</b>	<b>9</b>	<b>2.41</b>
		<b>374</b>	
<b>Education</b>	<b>Diploma</b>	<b>0</b>	
	<b>Graduate</b>	<b>101</b>	<b>27.00</b>
	<b>Post Graduate</b>	<b>157</b>	<b>41.98</b>
	<b>Professional</b>	<b>116</b>	<b>31.02</b>
		<b>374</b>	
<b>Marital Status</b>	<b>Single</b>	<b>41</b>	<b>10.96</b>
	<b>Married</b>	<b>333</b>	<b>89.04</b>
		<b>374</b>	

### Source: Primary data

From the above Table 7.1, it could be inferred that majority of the respondents ( 77.8% )are male and (21.2%.) are found to be females.

With regard to Age,. it is observed identified that majority of the respondents i.e., 44% are in the age group of 41-50 years, followed by 26% of the respondents, are in the age group of 31-40 years, next by 23% respondents are in the age group of 51-60 years, followed by 4% of the respondents., are in the age group of 21-30 years and 2% of the respondents are in the age group of above 60 years.

Further the data on the Educational status reveals that majority of the respondents viz., 42% are Post Graduates, followed by 31% of the respondents are Professionals, and next 27% of the respondents are Graduates

Regard to marital status it could be seen that majority of the respondents ie., 89% are married and balance 11% of the respondents are single.

### 7.2 Socio Economic Profile of the Respondents

The Socio Economic Profile of the respondents viz., Employment Status, Nature of Industry, Annual Income, Number of years Experience are shown in the Table 7.2 below :

<b>Particulars</b>	<b>Classification</b>	<b>Number of respondents</b>	<b>Percentage</b>
<b>Employment Status</b>	<b>Promoter</b>	<b>0</b>	
	<b>Director</b>	<b>16</b>	<b>4.28</b>
	<b>Sr Management</b>	<b>166</b>	<b>44.39</b>
	<b>Middle Management</b>	<b>155</b>	<b>41.44</b>
	<b>Junior Executive</b>	<b>37</b>	<b>9.89</b>
			<b>374</b>
<b>Nature of Industry</b>	<b>Manufacturing</b>	<b>27</b>	<b>7.22</b>
	<b>Banking/Paytm/Gpay</b>	<b>208</b>	<b>55.61</b>
	<b>IT/ITES</b>	<b>124</b>	<b>33.16</b>
	<b>Construction / Real Estate</b>	<b>12</b>	<b>3.21</b>
	<b>FMCG</b>	<b>3</b>	<b>0.80</b>
			<b>374</b>
<b>Annual Income</b>	<b>&lt; Rs 5 lacs</b>	<b>0</b>	
	<b>Rs. 5 lacs - Rs. 10 lacs</b>	<b>111</b>	<b>29.68</b>
	<b>Rs. 11 lacs - Rs. 20 lacs</b>	<b>148</b>	<b>39.57</b>
	<b>Rs.21 lacs - Rs.50 lacs</b>	<b>93</b>	<b>24.87</b>
	<b>&gt; Rs. 51 lacs and above</b>	<b>22</b>	<b>5.88</b>
		<b>374</b>	



<b>No of years experience</b>	<b>1-5 years</b>	<b>71</b>	<b>18.98</b>
	<b>6-10 years</b>	<b>151</b>	<b>40.37</b>
	<b>11-20 years</b>	<b>103</b>	<b>27.54</b>
	<b>21-30 years</b>	<b>33</b>	<b>8.82</b>
	<b>&gt; 30 years</b>	<b>16</b>	<b>4.28</b>
		<b>374</b>	

**Source: Primary data**

From the above Table 7.2 that majority of the total respondents (44.39% ) are falling under the category of senior management and next comes middle management which accounts for 41.44 % of the respondents, followed by 9.89% respondents who are Junior Executives and next by 4.28% of the respondents holds the position Directors. Regarding the nature of employment status it could be seen he above table that majority of the respondents (55.61%) are working in the banking/Paytm/Gpay industry, followed by 33.16% of the respondents working in IT/ITES and next by 7.22 % of the respondents employed in Manufacturing followed by 3.21% of the respondents employed in Construction / Real Estate industry and next 0.80% of the respondents..employed in FMCG industry It may be seen from the table for the income level that majority of the respondents. (39.57%) are in the earning category of Rs. 11 lacs-20 laces per annum, followed by 29.68% of the respondents in Rs 5 lacs-10 lacs category and next by 24.87% of the respondents are in Rs. 21 lacs-50 lacs category and followed by 5.88% of the respondents are in above Rs. 51 lacs earning category per annum.

Analysis of data with regard to experience from the above Table 7.2, it may be seen that that majority of the respondents ( 40.37% ) are possessing in 6-10 years experience followed by 27.54% of the respondents are having 11-20 years experience and next 18.98% of the respondents are in 1-5 years experience followed by 8.82% of the respondents possessing 21-30 years experience and next by 4.28% of the respondents possessing above 30 years experience.

### 7.3 Choice of Security

The Choice of Security is the option to the respondents who have chosen SE and ESOP which are shown in the Table 7.3 below:

<b>Particulars</b>	<b>Number of respondents</b>	<b>Percentage</b>
<b>SE</b>	<b>137</b>	<b>36.63</b>
<b>ESOP</b>	<b>237</b>	<b>63.37</b>
<b>Total</b>	<b>374</b>	

**Source: Primary Data**

From the above Table 7.3, it is inferred that 63.37% respondents of the total respondents have opined that if given an option they will prefer to opt for ESOP in their career and 36.63% respondents will prefer to take SE.

### 7.4 Exercise of Options

The Exercise of Options is available to those who have been allotted ESOP and respondents who have not allotted

shares as shown in the Table 7,4 below:

<b>Particulars</b>	<b>Number of respondents</b>	<b>Percentage</b>
<b>Alloted</b>	<b>301</b>	<b>80.48</b>
<b>Not Alloted</b>	<b>73</b>	<b>19.52</b>
<b>Total</b>	<b>374</b>	

**Source: Primary data.**

It is identified from the above Table 7.4 that if given an option, majority of the respondents 80.48% respondents have been allotted either ESOP or SE in their career. The remaining 19.52% of the respondents are neither allotted ESOP nor SE.

The Table 7.,5 below depicts of the percentage of respondents who have considered SE vs ESOP beneficial, Allotees Grade and Designation, Impact of Appraisal and Allotment and Review Mechanism.

**Table 7.5 Respondents Opinion on Allotment and Regulatory perspective**

<b>Sl no</b>	<b>Respondents - Opinion percentage</b>	<b>Strongly Agree</b>	<b>Agree</b>	<b>Neutral</b>	<b>Disagree</b>	<b>Strongly Disagree</b>
1	SE- most beneficial	25	32	45	6	1
2	ESOP are much beneficial than SE	16	38	46	4	6
3	Procedure of allocation of ESOP is simple	17	52	23	11	7
4	ESOP considered for employees contributing for organisation growth	17	44	25	16	8
5	ESOP granted only for senior management	21	31	22	30	7
6	Number of shares allocated is based on grade & designation	23	47	23	7	11
7	Appraisal is transparent for grant of ESOP	10	43	26	17	13
8	Favouritism in grant of ESOP	12	24	41	24	9
9	Review mechanism in organisation for merit based granting of ESOP	13	60	21	10	6
10	SEBI as regulator has mechanism to review granting of ESOP based on favouritism by head office / reporting managers	3	43	34	17	13

From the above Table 7.5 with regard to SE, it is identified that majority of the respondents viz., 45% have stated that SE is most beneficial are showing neutral by majority as many of them have not been in Startup companies allocating SE.

Further, it may be inferred from the table 7.5 above , ESOP is considered to be beneficial by 46% of the respondents as the Startup companies only are permitted to issue SE. Further ESOP were not allotted to 20% of the respondents. As much as 52% of the respondents have indicated that ESOP allocation is a simple procedure. There is a mixed response of 44% who agree and 25% are neutral that ESOP allocation is based on who contribute to the organizational growth. From the table it is clear that 31% agree and 30% did not agree that the allotment of ESOP is based on Grade and Designation which will have impact to the Senior Management as they are called as Tactical Managers and not on lower level management even though they contribute to the growth of the organization. The Appraisal mechanism for grant of ESOP is agreed by majority viz 43 % of the respondents and Neutral by 26% of the respondents as this is questionable if ESOP is allotted to a non-performer. The favoritisms in Grant of ESOP is neutral by 41% of the respondents and 24% disagree as this will have impact on the job security. The above table clearly shows that there is internal review mechanism shows agreed by 60% of the respondents and 20% of respondents being neutral as allotment of ESOP or SE is based on the discretion of the management. Regulatory Review Mechanism had been agreed by 43% of the respondents and 34% of the respondents being neutral regarding allotment of ESOP and SE shows that there is no regulatory perspective and it is the disclosure of allotment of shares to which employee and not based on the contributions to the growth of the organization.

**Table 7.6 One-way analysis on review and allocation of ESOP.**

One-way analysis is used to find out whether the review mechanism plays any significant role in the allocation of ESOP and towards this objective a Null Hypothesis H0: There is no significant difference among Internal review mechanism and ESOP allocation was framed . To test the above hypothesis one-way analysis of the variance is used.

Table 7.6.1 displays the results of influence of Internal Review mechanism regarding allotment of ESOP among the respondents in the State of Chennai, Hyderabad and Rajasthan.

**Table 7.6.1 ANOVA**

REVIEW INTERNAL					
	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	81.303	4	20.326	26.717	.000
Within Groups	280.732	369	.761		
Total	362.035	373			

**Source: Primary data**

- a. It is found from the above Table 7.6.1 that there is significance at 5% level Internal review mechanism of ESOP. Hence the impact of ESOP and SE is based on any internal mechanism of audit by the Statutory Auditors and the Null hypothesis and H0 There is no significant difference among Internal review mechanism and ESOP allocation is rejected.

**Table 7.6.2 Post Hoc Tests**

**Homogeneous Subsets**

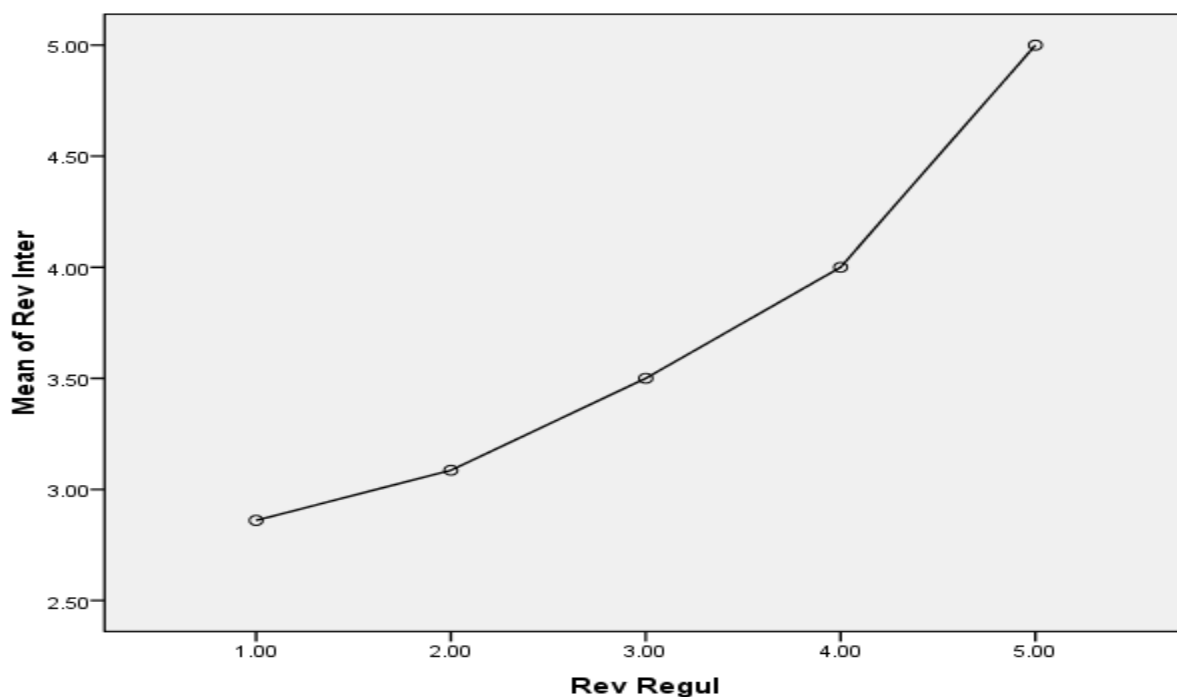
**Regulatory Review mechanism**

Duncan

Review Regulator	N	Subset for alpha = 0.05			
		1	2	3	4
1	43	2.8605			
2	58	3.0862	3.0862		
3	116		3.5000		
4	148			4.0000	
5	9				5.0000
Sig.		.317	.067	1.000	1.000

Means for groups in homogeneous subsets are displayed.

**Table 7.6.3 Means Plots**



Based on the result generated, the significant value is 0.000 and it is lower than 0.05, Hence Regulatory Norms resulting to undue favoritism in allotment of ESOP and SE at the cost and deprival of those who have really contributed to the growth of the organization and hence the null hypothesis. There is no significant influence of any Regulatory Norms resulting to undue favoritism in allotment of ESOP and SE at the cost and deprival of those who have really contributed to the growth of the organization is rejected ..

By using Duncan method the review mechanism is separated in two groups based on Internal Review mechanism and Regulatory Review mechanism.

In the mean plot when the allotment of ESOP is low, the Internal Review mechanism is lower and the allotment of ESOP is high, the Internal Review Mechanism and Regulatory Review Mechanism are higher.

## **VIII SUMMARY OF FINDINGS**

### **a. Personal profile of the respondents**

- i. Majority of the respondents (77.8%) are male and balance (21.2%) are females.
- ii. 44% of the respondents are in the age group of 41-50 years, 26% are in 31-40 years, 23% are in 51-60 years, 4% are in 21-30 years and 2% are in above 60 years.
- iii. 42% of the respondents are Post Graduates, 31% are professionals and 27% are Graduates.
- iv. 89% of the respondents are married and 11% are single.

### **b. Socio economic profile of the respondents**

- i. 44% of the respondents are in Senior Management, 41% are in Middle Management, 10% are in Junior Executive and 4% are Directors in Board.
- ii. 56% of the respondents are employed in Banking/Paytm/Gpay, 33% are employed in IT/ITES, 7% are employed in Manufacturing, 3% are employed in Construction / Real Estate industry, 1% are employed in FMCG industry.
- iii. 40% of the respondents are in the earning category of Rs. 11 lacs-20 lacs per annum, 30% of the respondents are in Rs 5 lacs- 10 lacs category, 25% of the respondents are in Rs. 21 lacs-50 lacs category and 6% of the respondents are in above Rs. 51 lacs earning category per annum.
- iv. 41% of the respondents are possessing in 6-10 years experience , 28% are in 11-20 years experience, 19% are in 1-5 years experience, 9% are in 21-30 years experience and 4% of the respondents are possessing above 30 years experience.

### **c. Choice of Security :-**

- i. 63% of the respondents have chosen Choice of Security as ESOP and 37% of the respondents have chosen SEAs Choice of Security.

### **d. Exercise of Options**

- ii. 80% of the respondents have been allotted ESOP and 20% of the respondents have not been allotted ESOP.

### **e. Responses on Allotment and Regulatory mechanisms**

- 45% have stated that SEIs most beneficial.
- ESOP is considered to be beneficial by 46% of the respondents
- 52% of the respondents have indicated that ESOP allocation is simple procedure.
- 44% who agree and 25% are neutral that ESOP allocation is based on who contribute to the organizational growth.
- 31% agree and 30% did not agree that the allotment of ESOP is based on Grade and Designation
- Appraisal mechanism for grant of ESOP is agreed by majority viz 43 % of the respondents and Neutral

by 26% of the respondents as this is questionable if ESOP is allotted to a non-performer.

- Favoritisms in Grant of ESOP is neutral by 41% of the respondents
- Internal review mechanism shows agreed by 60% of the respondents
- Regulatory Review Mechanism had been agreed by 43% of the respondents
- Allotment of ESOP is low, the Internal Review mechanism is lower and the allotment of ESOP is high, the Internal Review Mechanism and Regulatory Review Mechanism are higher.

## **IX CONCLUSION**

- a. There is lack of awareness of ESOP among the public and that too in the Middle management and Junior Executives as they feel that they are not entitled for it.
- b. If there is a demand from the Middle management and Junior Executives regarding ESOP/SE, their job will be at stake as there is no Union to support them.
- c. Allotment of ESOP is based on Grade and Designation which will have impact the Senior Management as they are called as Tactical Managers and not on Lower level management even though they contribute to the growth of the organization.
- d. The Appraisal mechanism for grant of ESOP is agreed by majority of the respondents as this is questionable if ESOP is allotted to a non-performer.
- e. The favoritisms in Grant of ESOP is neutral by majority of the respondents and some disagree as any highlighting of this will have impact on the job security.
- f. Internal review mechanism shows agreed by majority of the respondents as allotment of ESOP or SE is based on the discretion of the management.
- g. Regulatory Review Mechanism had been agreed by majority of the respondents and many of the respondents being neutral regarding allotment of ESOP and SE shows that there is no regulatory perspective and it is the disclosure of allotment of shares to which employee and not based on the contributions to the growth of the organization

## **X SUGGESTIONS**

- a. The allotment of SE issued at a very lower price or AT PAR will motivate the efforts of the Junior Executives and Middle Management.
- b. The affordability of ESOP of the Middle Management and Junior Executives is not there as they need to borrow on interest for exercising their options which is offered at last 6 months high low pricing.
- c. The perquisite tax on the ESOP which is 20% or 30% as the case may be is a burden and hence the benefit does not reach 100% to the lower level employees.
- d. The Cash incentives also suffer the Income Tax slab applicable and hence these kinds of ESOP / SE is not much beneficial unless held for a longer time.
- e. The sudden market speculations which create impact on the shares will be a burden on the employee who had already incurred huge cost.
- f. The Regulatory mechanism and Internal mechanism also have to be transparent in order to be eligible for such SE/ ESOP rather than totally on the discretion of the management.

## **XI Scope for further Research :**

There is a possibility that in future researchers can look for any other products like SE in order to facilitate the Middle level Management and Junior level executives to suit their affordability in order ensure retention in growing organizations other than Start ups.

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