IC Value 2016 : 61.33| SJIF Impact Factor(2018) : 8.003| ISI Impact Factor (2017):1.365 (Dubai)

Research Paper | Volume - 6, Issue- 11, November 2018 |e-ISSN : 2347 - 9671| p- ISSN : 2349 - 0187

EPRA International Journal of Economic and Business Review - Peer Reviewed Journal

EMPLOYEE STOCK OPTION SCHEME (ESOP) AND ITS EFFECT ON PRODUCTIVITY: A COMPARATIVE STUDY IN THE INDIAN INFRA SECTOR

Parviz Hajizadeh *Department of Accounting, Payame Noor University, Iran*

Azra Hajizadeh *Research Scholar, Department of Commerce, University of Mysore, Mysore, Karnataka, India*

KEYWORDS:
Employee Stock Option Scheme, Employee Productivity, Indian Infrastructure sector

ABSTRACT

Employee Stock Option Plans (ESOPs) have been utilized by many successful companies across the world. A Research on the relation between ESOPs and productivity has attracted considerable attention in this study. This study analyzed the ESOP utilized by L&T and Hindustan Construction Company (HCC) operating in the construction business. The results from both the companies shall be analyzed to detail out the ESOPs as a powerful tool for achieving corporate efficiency and growth. Studying and analyzing data from the annual reports of both L&T and HCC, it was claimed that ESOPs play a positive role in enhancing employee productivity.

INTRODUCTION

Employee stock option plans (ESOP) are considered as means that increase wealth by reinforcing management behavior and pushing managers towards making better decisions for their companies in best interests of the shareholders. It is believed that utilization of ESOP by companies can have a large impact on productivity of the employees. Hence, the effects of productivity are being noticed worldwide. Many studies have ascertained that in U.S., the companies evidenced a correlation between ESOPs and elevated productivity levels (Hallock et al., 2004; Kumbhakar and Dunbar, 1993; Robinson and Wilson, 2006; Kramer, 2008; Sesil et al., 2007; Kim and Ouimet, 2009). Panel data analysis was used by Jones and Kato (1995) in order to analyze production operations and stated that the advent of ownership of employees on an average resulted in productivity to increase to 4-5% in Japanese firms. The impact of profit and gain sharing, employee ownership, turnover, broad-based stock options (shared capitalism) on employee attitudes, and performance of 100 American companies by Kruse et al. (2011) and found that shared capitalism has a positive impact on intentions of employees improve firm performance.

A few studies also exhibited no direct relation between utilization of ESOPs and productivity (Pugh et al., 2000; Dunbar and Kumbhakar, 1991; Bryson and Freeman, 2004; Bakan et al., 2004) and also studies ascertained that the relationship between employee productivity and ownership was conditional. Ohkusa and Ohtake (1997) determined that productivity would not be incentivized when ESOPs are offered as a part of pension plan and do not take into account the performance of the employee. A similar link when a profit-sharing scheme was in place was found by Bryson and Freeman (2004) between productivity of labor and ownership of the employee and this effect was found to be proportional to the percentage of employees covered by the scheme.

While, in industries ESOPs were a common event since they were in trend since 1990's in the developing markets (Aggarwal, 2001). Therefore, ESOP became one of the most significant forms of wavering pay package. Also, ESOPs are the most standard method to maximize firm performance and incentivize employees (Jones & Kato, 1995; Kruse, 1993; Park & Song, 1995; Ichniowski, *et al.*, 1997; Blasi, *et al.*, 1996; Cui & Mak, 2002). However, it results in the vulnerability of the interests of the shareholders.

The studies aforementioned have been conducted in developing countries which determine if a relationship existed between productivity and ESOPs. In many developed countries including the U.S., ESOPs act as substitutive pension plans which consider complex governance problems including tax deductions; however ESOPs in India were solely brought in as incentive schemes for employees. The taxability of capital gains in India depends upon the holding period of the shareholder. The calculation of the holding period is done after considering the exercise date and date of sale. Sometimes, when equity shares are listed on a recognized stock exchange, the shares are held for more than a year (long-term) and Securities Transaction Tax (STT) is paid on sale. The securities are considered short term if they are sold within 1 year. Presently, short term capital gains are taxed at 15% and the taxes on long term gains are tax free.

When taxability of ESOPs is considered, employees are not required to pay taxes on the contributions to the ESOP;

but only pay the distribution of their accounts, and then pay taxes at potentially favorable rates. The employees have the option to roll over their distributions in an Individual Retirement Arrangement (IRA) or other retirement plan or pay current tax on the distribution, with any gains accumulated over time taxed as capital gains.

This study focuses on ESOP in Indian companies operating in the infrastructure sector, Larsen and Toubro (L&T) Ltd and Hindustan Construction Company (HCC) Limited, to analyze ESOP's effects on productivity. This paper desires to study the literature with respect to the effects of ESOPs on productivity.

REVIEW OF LITERATURE

It is not clear today if enough evidence existed before the 1990's that worked in developing the incentive-based compensation plans. A research was conducted by Marsh and McAllister (1981) in companies which offered the ESOP to their employees and ascertained that during the late 1970s, productivity was way higher than the national average. Further, Rosen and Klein (1983), Conte, Tannenbaum, and McCulloch (1981) and Rosen and Quarrey (1987) also stated that there existed relationship between profitability and productivity of firms that offered ESOPs to their employees.

Blasi et al. (1996) determined that firms during 1980 – 1990that utilized stock options in the same industry having same size showed higher profitability levels, however importantly higher Return on Assets, profit margin and Price/ Earnings Ratio was found in companies that adopted ESOPs rather than those companies that did not adopt ESOPs. Therefore, it was stated that there was a positive relationship between profitability growth and employee stock option in small companies and no relationship between productivity and stock options were found. Sesil and Kroumova (2005) on similar lines analyzed the broad-based stock option plans of small and large firms and measured its effect on operational efficiency, the productivity of labor, total shareholder return and financial performance. Small firms were found to perform well in terms of productivity, stock returns, profit margin and Return on Assets. Lin and Tsai (2010) examined the effect of employee performance when ESOP were offered to the employees by companies that were listed on the Taiwan stock exchange which ascertained that the companies which had restricted free cash flow (FCF) their performances after ESOPs were issued by them which aided the FCF theory Jensen (1986) proposed.

Jensen and Meckling, 1976 opined that modern firms featured separation of ownership and control giving rise to agency cost. The main usage of ESOPs since many years has been a compensation package with an aim to lessen agency costs and related problems. The theory propounded that the managers were motivated to perform better in the firm when a right to buy shares at a price lower than the market price was offered to them. As, firm performance is characterized by the income and wealth of the employee, even employee ownership has been viewed as a tool to improve performance and productivity by solving labor-management conflicts and motivating the efforts of the employees, information sharing and cooperation. Besides, a productive corporate culture is created by ESOPs as employee participation and group cooperation is fostered, reinforcing positive firm performance (Craig, 1993; Weitzman and Kruse, 1990; Kim and Ouimet, 2009). William (1985) propagated that the stock options encouraged the employees to focus their holdings in the firm.

Quarrey and Rosen (1987) recommended that firms offering ESOP to their employees grow at a faster pace as employees equally take part in the decision making process showing an yearly growth in employment by 1.21%. Winther (1995) also found an association between corporate productivity, stock options and profitability. It was stated that employee ownership enhanced firm performance by reducing labor-management conflicts and supporting as a collective incentive to improve co-operation in the workplace. Malon (1999) mentioned that during 1988 to 1994 whichever companies offered ESOPs to their employees experienced growth in employment and improvement in productivity.

Contradictorily, many researchers did not find significant relationships between firm performance and stock options (Jensen and Murphy 1990). On the same lines, Conyon *et al.* (1995) found sensitivity with respect to low pay and performance in the UK. The stock options cynic brought to light the costs associated with it. Stock options were found to be complex compensation plans which helped employees and were not understood and utilized to its fullest by the managers and the owners. Plans obtain easy approval from the members of the board, whereas the stock option exercising decision vests with the executives who possessed the capacity to impact the prices of the stocks (Hall and Liebman 1998). Additionally, financial reporting of the costs incurred with respect to the stock options in the financial statements of the company is not sufficient (Duffhues *etal.* 1999; Matsunaga 1995). Profits being overstated by the companies that granted stock options were largely found (Murray *et al.,* 1998). Moreover, stock options because of lack of understanding were mystery for managers that made it responsible for a need for hedging (Duffhues 2000).

Jones et al. (2010) believed in a fixed-effect approximation deploying panel data analysis of Finland's listed firms during 1992-2002 and no association between productivity and stock options for employees was found. Cheng and Farber (2008) and Brick et al. (2006) stated similar results. 917 sample American manufacturing firms were examined during 1992 to 2003 by Bulan et al. (2010) and hence it was concluded that stock option compensations and accounting performances had no relationship between one another. Liu, et al., (2014) recently utilized a longitudinal dataset pertaining to a period of 1997–2008analyzing Taiwanese high-tech firms and the dilution impacts of broad-based stock plans were found to have a negative effect on eroded share return and profitability.

ESOP IN INDIA

ESOP is a scheme where companies provide shares to their employees making them shareholders and thus hold a certain small level in the ownership of the company. ESOPs are given by the companies to the employees thereby, giving them the following rights:

- Right to purchase a certain number of shares in the company-at a pre-determined price after a predetermined period.
- It helps the employer in retaining the company and assuring a good level of performance in the work.

Key terms related to ESOP:

- **ESOP** – Employee Stock Option Plan permits an employee to hold equity shares of the company where he is an employee since some period of time. There is a consensus required between an employee and employer.

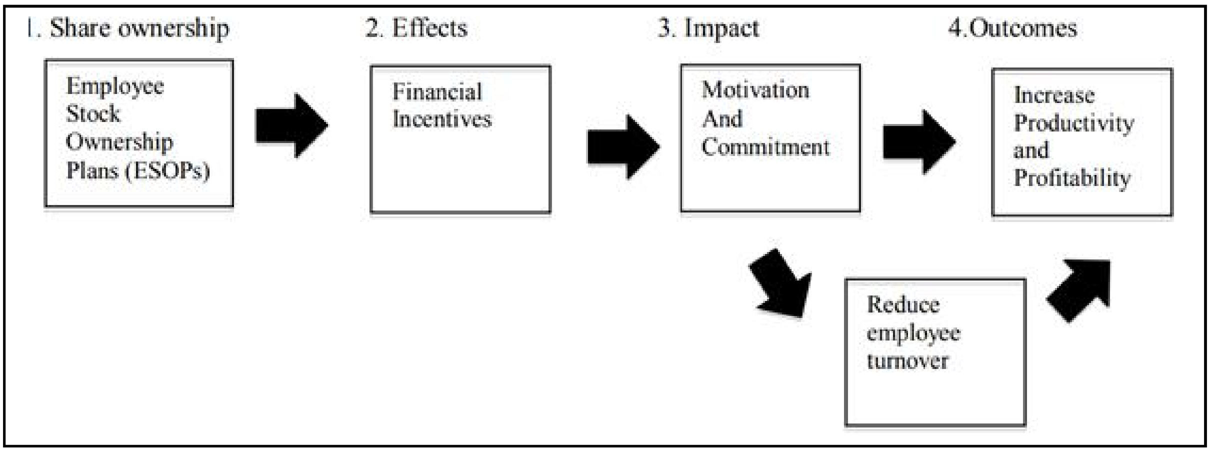
- **Grant Date** – The date of agreement between employee and employer to provide an option to hold shares in the company (at a later date).
- **Vesting Date** –The date on which the employee can rightfully buy the shares, after agreeing to the conditions and fulfilling them. The vesting date is also accepted on the grant date.
- **Vesting Period** – The time period that prevails between the grant date and vesting date.
- **Exercise Period** – Stocks once 'vested' gives the employee a right to buy and not an obligation on the shares for a stipulated time period called as the exercise period.
- **Exercise Date** – The date on which the option is exercised by the employee.
- **Exercise Price** – The price at which the option is exercised by the employee. This price is lower than the stock's existing Fair Market Value (FMV). An employee and employer on the grant date show consensus on the terms of ESOP. These options are vested once the employee has satisfied the prerequisites or the stipulated time period has elapsed. It is at the discretion of the employee to exercise the option or buy them. Before the buying option can be exercised, the employee is given some time and if the decision to buy is confirmed, the stock options are allotted to the employee at an exercise price. The employee has an option to not exercise his right making him not liable to pay any tax.

The traditional stock option plans gave the employees an option to own shares in the company. However, it was at the discretion of the employees that no obligation to buy shares existed on them and they were free to reject the offer if they wished to.

These offers vest until certain conditions are fulfilled such as:

- Continued employment for a stipulated period; or
- There could be plans based on performance where the employees meet certain performance levels as prescribed by the Company.

Figure 1: Linkages between ESOPs, impacts on employees and firm performance



New Regulations with respect to ESOP

When Companies Act was introduced in 2013, SEBI limited the scope of ESOPs application by constraining the buyback of shares (own) by the listed Companies from the secondary market. This constraint was brought into existence as this could lead to fraudulent practices resulting in fluctuations in the price of the securities.

Since, there an upheaval regarding the grey areas pertaining to ESOPs, SEBI reviewed the guidelines with respect to ESOP. A proposal to replace the guidelines of ESOP was made along with rules and regulations assuring a better reinforcement. An effective regulatory framework was prescribed for schemes relating to employee benefits, to address the issues with respect to the formation of employee welfare trusts, disclosures, etc. and to ensure safe transactions while trading in the secondary market. The proposal was further accepted by SEBI in 2014 and accordingly SEBI issued new ESOP Regulation on 28th October, 2014.

OBJECTIVES OF THE STUDY

1. To understand the Employee Stock Option Plan (ESOP) in India
2. To determine a relationship between ESOP and effect on employee productivity.

HYPOTHESIS OF THE STUDY

H0: There is no significant relationship between ESOP and effect on employee productivity.

H1: There is significant relationship between ESOP and effect on employee productivity.

PROFILES OF L&T AND HCC AND THEIR RESPECTIVE ESOPs

Larsen &Toubro (L&T)

Larsen &Toubro Ltd (L&T) was established in 1938 in Bombay, Bombay Presidency, British India, presently headquartered in Mumbai, India. Its primary business interests are construction, engineering, manufacturing goods, financial services and information technology and it operates all over the world. L&T is one of the largest companies in India's infrastructure sector. Its financial data during the period 2014 to 2018 is as follows:

Table 1: L&T's financial data from 2014 to 2018 [unit (Rupees): Crores]

Year	Total assets	Sales	Operating profit	Operating Margin	Net Profit
2018	115,610.02	74,462.76	7,428.72	9.97%	5,387.30
2017	102,238.44	65,723.86	6,481.01	9.86%	5,453.74
2016	97,069.71	59,779.61	6,170.78	10.32%	5,311.46
2015	86,903.76	57,017.41	6,487.87	11.37%	5,056.18
2014	78,304.58	56,598.92	6,667.02	11.77%	5,493.13

Source: Annual Report 2014-2018

ESOP in L&T during the year 2018:

L&T is a private company operating in the construction sector. The number of participating employees as at 31st March 2018was42,924. During 2018, the Company allotted 16,38,898 equity shares of Rs. 2/- each upon exercise of stock options by the employees who were eligible to avail the ESOPs. The ESOP utilized by L&T was in compliance with *Securities and Exchange Board of India (Share Based Employee Benefit) Regulations, 2014 ("SEBI Regulations").*

The grant of options to the employees of L&T under the stock option schemes was given on the basis of their performance and other eligibility criteria. The options were vested equally over a period of 4 years, subject to the discretion of the management and fulfillment of certain conditions. Options could be exercised anytime within a period of 7 years from the date of grant and would be settled by way of issue of equity shares. Management possessed the discretion to modify the exercise period.

Returns of holding L&T shares

Table 2: Details of returns on holding L&T shares

Year	Owner's Equity	Return on Net worth	Dividend per share	Number of shares	Total Dividends	Total Employees	Adjusted Equity growth
2018	49,017.49	10.99	16.00	140.13	2242.08	42,924	1.14
2017	45,859.54	11.89	14.00	93.29	1306.06	41,466	1.10
2016	40,718.33	13.04	18.25	93.15	1699.98	43,354	0.93
2015	37,084.58	13.63	16.25	92.95	1510.43	44,081	0.84
2014	33,661.83	16.32	14.25	92.69	1320.83	54,579	0.61

Source: Annual Report 2014-2018

As is shown in the table 2, the value of owners' equity in L&T increased from 33,661.83crores in 2014 to 49,017.49crores in 2018. And the adjusted equity growth saw an increase of 87% from 2014 to 2018. Also, Return on Net Worth decreased from 16.32% in 2014 to 10.99%in 2018. Each year, L&T's employees gained huge amount of dividends as the company was able to generate profits from its operations.

Hindustan Construction Company Limited

Hindustan Construction Company (HCC),head quartered in Mumbai, India is a public-private company. The businesses of the company are in the sectors of Engineering & Construction, Infrastructure, Real Estate, Urban development & Management. The company persistently pursues its legacy of innovation by reaching new milestones. There are projects taken by HCC have defined the country's progress. Opportunities are created for everyone through the company's involvement in different sectors and revolutionary projects. Its financial data during the period 2014 to 2018 is as follows:

Table 3: HCC's financial data from 2014 to 2018 [unit (Rupees): Crores]

Year	Total assets	Sales	Operating profit	Operating Margin	Net Profit
2018	11,226.23	4,575.08	643.88	14.07%	77.53
2017	11,203.98	4,195.94	753.63	17.96%	59.41
2016	10,013.74	4,190.89	808.39	19.28%	94.76
2015	9,638.64	4,134.80	781.77	18.90%	81.65
2014	8,595.87	4,042.52	629.91	15.58%	80.64

Source: Annual Report 2014-2018

ESOP in HCC during the year 2018

As on March 31, 2018, the number of options granted which were yet to be vested were outstanding at a number of 3,00,000 in aggregate. The exercise price wasRs.31.15 per stock option and it was mandated to be approvedby the shareholders of the company for amendment of the existing Scheme, in line with *SEBI (Share Based Employee Benefits) Regulations, 2014*.

Each option, when exercised, as per the exercise schedule, would entitle the holder to subscribe for one equity share of the Company of face value Rs.1 each. During 2018, no options were vested and exercised by the eligible employees of the Company.

Returns of holding HCC shares

Table 4: Details of returns on holding HCC shares

Year	Owner's Equity	Return on Net worth	Dividend per share	Number of shares	Total Dividends	Total Employees	Adjusted Equity growth
2018	2,774.94	2.79	0.00	140.13	0.00	1,581	1.75
2017	2,689.98	2.20	0.00	93.29	0.00	1,900	1.41
2016	1,803.32	5.25	0.00	93.15	0.00	1,673	1.07
2015	1,387.45	5.88	0.00	92.95	0.00	1,729	0.80
2014	1,263.40	6.46	0.00	92.69	0.00	626	2.01

Source: Annual Report 2014-2018

As is shown in the table 4, the value of owners' equity in HCC increased from 1,263.40 crores in 2014 to 2,774.94 crores in 2018. And the adjusted equity growth saw a decrease of 12.93% from 2014 to 2018. Also, Return on Net Worth of the company decreased from 6.46% in 2014 to 2.79% in 2018. Each year, the employees of HCC gained no dividends as the company had restructured its debt and desired to optimize its resources in order to promote the growth of the company. This could create a negative impact on the employees as they do not get the desired returns from the company.

CHANGES IN PRODUCTIVITY IN L&T AND HCC

The data in this study is compiled from L&T's annual reports and HCC's annual reports from 2014 to 2018. All past sales were adjusted and shown to account for inflation. The measures used to analyze the relationship between ESOP and productivity was:

L&T's productivity was duly compared with HCC's productivity. The comparisons between the two companies were done as both L&T and HCC are large companies in the infrastructure sector. Both the companies have implemented international strategies with respect to their operations and they have been one another's major competitors. As both companies have the policy of provided ESOP to their employees, a direct combination of their schemes and their effect on productivity was done.

Firstly, an absolute indicator - Total Asset Turnover wasconsidered for the purposes of measuring productivity as shown in table 5. Total asset turnover is defined as sales divided by the total book assets. This ratio measured the firm's ability to use the total assets productively (Dhiman, 2009; Borstadt and Zwirlein, 1995; Kala and Poornima, 2012).

Table 5: L&T and Hindustan Construction Company's productivity

L&T	Sales	Total Assets	Total Asset Turnover	HCC	Sales	Total Assets	Total Asset Turnover
2018	74,462.76	115,610.02	64.40	2018	4,575.08	11,226.23	40.75
2017	65,723.86	102,238.44	64.28	2017	4,195.94	11,203.98	37.45
2016	59,779.61	97,069.71	61.58	2016	4,190.89	10,013.74	41.85
2015	57,017.41	86,903.76	65.60	2015	4,134.80	9,638.64	42.89
2014	56,598.92	78,304.58	72.28	2014	4,042.52	8,595.87	47.02
Average	**62,716.51**	**96,025.3**	**65.628**	**Average**	**4,227.85**	**10,135.69**	**41.992**

Source: Annual Report 2014-2018

As evident from table 5, L&T's average Total Asset Turnover measure stayed fairly constant at around 65.628 or 0.65628, while HCC's Total Asset Turnover measure stayed fairly constant around 0.41992, and the average productivity of infrastructure companies in India was about 11.73%. The above analysis showed that L&T had consistently maintained higher employee productivity than HCC. Second, a relative indicator - sales per employee (sales / employees) to measure productivity and the analysis is shown in the table below.

Table 6: L&T and HCC's productivity growth (unit (Rupees): Crores)

L&T	Total Employees	Sales	Adjusted Productivit y Growth	HCC	Total Employees	Sales	Adjusted Productivity Growth
2018	42,924	74,462.76	1.73	2018	1,581	4,575.08	2.89
2017	41,466	65,723.86	1.58	2017	1,900	4,195.94	2.20
2016	43,354	59,779.61	1.37	2016	1,673	4,190.89	5.25
2015	44,081	57,017.41	1.29	2015	1,729	4,134.80	5.88
2014	54,579	56,598.92	1	2014	626	4,042.52	6.46
Average	**-21.35%**	**+31.56%**	**+73%**	**Average**	**+152.55%**	**+13.17%**	**-55.26%**

Source: Annual Report 2014-2018

As seen in table 6, L&T's productivity growth saw an increase of 73% from 2014 to 2018, while HCC's productivity growth (sales/employees) saw a decrease of 55.26% from 2014 to 2018. The sales of L&T grew by 31.56% in 2018 in comparison to 2014 which meant that the company generated profitable incomes through timely sales. L&T's productivity grew at a faster rate over the years and every year, HCC's productivity was gradually declined and stood at 2.89 in 2018. The total employees in L&T decreased over the years by 21.35% and HCC saw a manifold increase of 152.55% from 2014 to 2018. It can be clearly observed that the employee productivity in L&T was better than HCC's employee productivity even though the number of employees has reduced over the years.

It can hence be concluded that providing ESOP facility to the employees of companies has a great impact on the employee productivity. The performance of the employee increases manifold when the company provides incentives and benefits which in turn reduces employee turnover and increases the firm's profitability and productivity. Owing to the analysis, the null hypothesis is rejected and alternative hypothesis is accepted.

CONCLUSION

Employee Stock Option Plans (ESOPs) are designed to motivate management along with employees and co-align interests in order to take decisions in the best interests of the shareholders and enhance the firm's productivity and performance. The use of stock options also helped in employee retention, conserving cash and attracting fresh talent. A comprehensive examination of conceptual and empirical studies on the stock option plans of L&T and HCC found empirical consensus on their effect on firm performance. The adjusted productivity growth of L&T showed a clear signal that due to effective ESOP policies and regular payment of dividends increased the company's performance rejecting the null hypothesis. HCC retained its profits for future investments and growth prospects and did not pay dividends to its employees who exercised the ESOP scheme which could be the probable reason for a negative adjusted productivity growth of the company. Hence, it can be concluded that rendering stock options to employees are acceptable as they impact firm and employee performance. Also, it has been stated that firm characteristics play a major role in the success of stock options, importantly the organization's size, which means that as per the free-rider theory, large sized firms have an advantage over the small sized firms. Based on the in-depth existing review of literature, it is important that broad-based stock options are granted to employees with an aim to function in the long-term though the stock option adoption improves the firms' productivity. If the companies build effective ESOP policies and analyze optimum ESOP strategies for implementation, the companies and employees can incur economic breakthroughs.

REFERENCES

1. *Aggarwal, S. C. (2001). Stock options as a system of reward: theory and evidence. Indian School of Political Economy< Poona>: Journal of Indian School of Political Economy, 13(4), 595.*
2. *Blasi, J., Conte, M., & Kruse, D. (1996), Employee stock ownership and corporate performance among public companies, ILR Review, 50(1), 60-79.*
3. *Brick, I. E., Palmon, O., & Wald, J. K. (2006), CEO compensation, director compensation, and firm performance: Evidence of cronyism?, Journal of Corporate Finance, 12(3), 403-423.*
4. *Bulan, L., Sanyal, P., & Yan, Z. (2010). A few bad apples: An analysis of CEO performance pay and firm productivity. Journal of Economics and Business, 62(4), 273-306.*
5. *Craig, B. (1993). The objectives of worker cooperatives. Journal of Comparative Economics, 17, 288–308.*
6. *Cui, H., & Mak, Y. T. (2002), The relationship between managerial ownership and firm performance in high R&D firms, Journal of Corporate Finance, 8(4), 313-336.*
7. *Cheng, Q., & Farber, D. B. (2008), Earnings restatements, changes in CEO compensation, and firm performance, The Accounting Review, 83, 1217–1250.*
8. *Conte, M., Tannenbaum, A. S., & McCulloch, D. (1981), Employee ownership.*
9. *Conyon, M., Gregg, P., & Machin, S. (1995). Taking care of business: Executive compensation in the United Kingdom. The Economic Journal, 105(430), 704-714.*
10. *Hall, B. J., & Liebman, J. B. (1998). Are CEOs really paid like bureaucrats?. The Quarterly Journal of Economics, 113(3), 653-691.*
11. *Hallock, D. E., Salazar, R.J., & Venneman, S., (2004), —Demographic and attitudinal correlates of employee satisfaction with an ESOP , British Journal of Management, 15, 4, 321-333.*
12. *Ichniowski, C., Shaw, K., & Prennushi, G. (1997), The effects of human resource management practices on productivity: A study of steel finishing lines, The American Economic Review, 291-313.*
13. *Jensen, M. C., & Murphy, K. J. (1990), Performance pay and top-management incentives. Journal of Political Economy, 98(2), 225-264.*
14. *Jensen, M. C. (1986), Agency costs of free cash flow, corporate finance, and takeovers, The American economic review, 76(2), 323-329.*
15. *Jensen, M. C., & Murphy, K. J. (1990), Performance pay and top-management incentives. Journal of Political Economy, 98(2), 225-264.*
16. *Kumbhakar, S.C., & Dunbar, A.E., (1993), —The elusive ESOP productivity link: Evidence from U.S. firm-level data , Journal of Public Economics, 52, 273-283.*
17. *Kruse, D. L. (1993), "Profit sharing: Does it make a difference?", Books from Upjohn Press.*
18. *Kramer, B., (2008), —Employee ownership and participation effects on firm outcomes , A dissertation submitted to the Graduate Faculty in Economics in partial fulfillment of the requirements for the degree of Doctor of Philosophy, The City University of New York, 126 pp.*
19. *Kim, E. H., & Ouimet, P. (2009), "Employee capitalism or corporate socialism?", Broad-based employee stock ownership, Discussion Papers, US Census Bureau Center for Economic Studies.*
20. *Kala, K.N., & Poornima, S., (2012), —A study on the impact of ESOP on corporate productivity , International Journal of Research in Management, Economics and Commerce, 11, 614-621.*
21. *Marsh, T. ,& McAllister, D. (1981). ESOP tables: Asurvey of companies with ESOPs. Journal of Corporation Law, 6, 551-624.*
22. *Murray, D. Smithers, A., and Emerson, J. (1998). USA: The impact of employee stock options. 'Smithes Report', Report No.l 17. London: Smithers & Co. Ltd.*
23. *Rosen, C., & Klein, K. (1983), Job-creating performance of employee-owned firms, Monthly Lab. Rev., 106, 15.*
24. *Sesil, J. C., & Kroumova, M. K. (2005), The Impact of Broad-Based Stock Options on Firm Performance: Does Firm Size Matter?*
25. *Weitzman, M., Kruse, D., & Blinder, A. (1990), Profit sharing and productivity, 1990, 95-142.*
26. *Annual Reports of Larsen & Toubro Limited from years 2014 to 2018.*
27. *Annual Reports of Hindustan Construction Company Limited from years 2014 to 2018.*
28. *www.moneycontrol.com*
29. *www.investopedia.com*