

SHAREBASED PAYMENT – A COMPARATIVE STUDY OF EMPLOYEE STOCK OPTIONS SCHEMES AMONG THE TOP 5 IT COMPANIES IN INDIA

Ponnappa A. M^{1*} and Prof. B. Mahadevappa^{2*}

¹Research Scholar, Department of Studies in Commerce, Hemangotri Campus, Haasan, University of Mysore, Karnataka, India.

²Former Senior Professor, Department of Studies in Commerce, Hemangotri Campus, Haasan, University of Mysore, Karnataka, India.

***Corresponding Author:**

ABSTRACT

Employee Stock Ownership Plans (ESOPs) have gained importance as a form of compensation in the Indian information technology sector, especially after the implementation of Ind AS 102 - Share-based Payment. This study aims to conduct a comparative study of ESOP schemes and ESOP utilisation in the top five listed companies in the IT sector in India for 2017-18 to 2024-25. The specific objectives are to investigate the evolution, growth, and characteristics of ESOPs, as well as trends in options that can be exercised, exercised, forfeited, and not exercised as such, and determine whether there are statistically significant differences between companies.

This study is solely based on secondary data collected from annual reports, notes on accounts, ESOP scheme documents, and regulatory filings. Descriptive trend analysis was tested using One-Way ANOVA tests. The results show widespread variations in ESOP design, such as plan type, vesting periods, eligible shares, and pricing method. However, firms in India report fair value accounting based on the Black-Scholes model, in accordance with Ind AS 102. ESOP intensity, that is, the number of schemes and exercisable options, is highest in Tech Mahindra Ltd. and Wipro Ltd. While Infosys Ltd., HCL Technologies Ltd., and LTIMindtree adopted a more conservative approach to ESOPs.

The ANOVA results show significant differences ($p < 0.001$) in the number of schemes introduced among the companies, as well as in the level of exercisable, exercised, forfeited, and vested but not exercised options. This suggests that ESOP implementation practices are company-specific rather than sector-wide practices. The study reveals that unexercised options dominate exercised and forfeited options and are relatively large in later years, highlighting the potential issues associated with market conditions, taxation, attrition, employee awareness, and other factors. The research finds that while ESOPs are used as retention and alignment tools, their effectiveness is critically dependent on scheme design, communication, and operations, which have significant utility for policymakers, boards, and human resource managers.

KEYWORDS : ESOP, Employee, Employee Stock Option Scheme, Share-based payment, IT Companies.

INTRODUCTION

The success of any organisation is determined by the quality of its workforce. Employees of any organisation are considered its vital assets. The biggest challenge faced by modern organisations is retaining a quality workforce. With the advanced growth in the number of corporate organisations, employees currently looking beyond their salaries. Employers often find it challenging to retain an efficient workforce by solely providing salaries. Every organisation tries a number of permutations and combinations in designing the compensation package for its employees for attracting a fresh, talented workforce as well as retaining the existing talent pool. Out of a number of perks and incentives, Employee Stock Option Plans (ESOPs) stand at the top and play a dominant role in retaining and attracting the talent pool. Hall and Murphy [2003] defined Employee Stock Options (ESOs) as “contracts that give the employee the right to buy a share of stock at a pre-specified 'exercise' price for a pre-specified term.” Employee stock options can be defined as an agreement between the employer and employee in which the employee is entitled to receive a certain number of shares of the company. According to CimplyFive [2020], the concept of ESOP has an ancient history dating back 2000 years to the Arthashastra. Chanakya, the author, laid down the principles for remunerating cowherds by classifying the herds into three categories, along with three distinct compensation structures. San Francisco lawyer and economist Louis O. Kelso can be considered the father of the ESOP. Louis O. Kelso created the first Employee Stock Ownership Plan (ESOP) in 1956 for the transition of ownership of Peninsula Newspapers, Inc. from its two founders to their chosen successors (Menke, 2011). Today, several multinational companies offer ESOP as part of their compensation structure. In India, Wipro was the first company to introduce ESOP in 1985, but it was Infosys that adopted ESOP through public disclosure in 1990. Although ESOP schemes were implemented with the intention of attracting and retaining employees, they faced backlash due to internal manipulations, and companies followed rules and regulations convenient to them. With the effective implementation of IFRS in 2005 by the International Accounting Standards Board (IASB), India subsequently aligned its accounting framework with global standards through the introduction of Ind AS 102, Share-based Payment, in 2016, issued by the Ministry of Corporate Affairs (MCA, 2016), Government of India. This development established a robust foundation for Indian companies to adopt and account for Employee Stock Option Plans (ESOPs) in accordance with the principles of Ind AS 102. Although there has been a huge growth in the number of companies adopting Employee Stock Options, limited study has been conducted in this area pertaining to Indian IT industry. This study aims to shed light on the adoption and implementation of Employee Stock Option (ESOP) schemes by the top five IT companies in India during the study period of 2017–18 to 2024–25.

LITERATURE REVIEW

The concept of performance-based remuneration has deep historical significance. (Chanakya's Arthashastra, 1909) laid one of the earliest foundations for linking compensation to performance and asset quality. It classified herds into three categories and prescribed distinct compensation systems for each. Fixed remuneration was offered for superior breeds to prevent exploitation, shared returns were provided for middling breeds, and proportional income distribution was done for inferior breeds. This structure highlighted an early recognition of aligning rewards with the quality of assets and worker's contribution to productivity, forming a primitive basis for performance-based compensation systems. The evolution of employee stock options as a modern compensation mechanism can be traced back to the mid-twentieth century. Historical analysis reveals that stock options existed even before 1950 but were rarely utilized as they were taxed as ordinary income. However, the 1950 amendment to the U.S Revenue Act introduced favourable capital gains tax treatment for stock options, making them a more attractive tool for executive remuneration and long-term employee motivation.

Building on this foundation, (Emanuel, 2005) examined the complexities associated with accounting for share-based payments in his article, "Accounting for Share-Based Payments under NZ IFRS-2. He identified three key issues: (a) payments made through shares or similar instruments; (b) cash payments linked to share values or their fluctuations; and (c) situations where service providers could choose between cash and share payments. Emanuel concluded that while the fundamental accounting treatment for share-based remuneration is relatively straightforward, challenges were faced in accurately determining the fair value of instruments and estimating the number of options that will ultimately vest, both of which relied heavily on management judgment and valuation sophistication.

Further expanding on the development and application of employee stock ownership, (John D. Menke, 2011) explored how ESOPs first emerged in 1956 as a strategic solution to business succession challenges in his article "The Origin and History of the ESOP and Its Future Role as a Business Succession Tool." Over the subsequent decades, ESOPs evolved into a critical element of corporate governance and succession planning which enable ownership transition by fostering employee participation and commitment. Menke highlighted that ESOPs have significantly contributed to wealth creation, economic security, and overall stability in the U.S. economy.

Ruhaya Atan, Nur Syuhada Jasni, and Yousef Shahwan (2010) examined the effect of IFRS 2 compliance among Malaysian firms that provide stock options to employees in their article titled "The Impact of IFRS 2 'Share-Based Payment' on Malaysian Companies." This study investigates the level of compliance of Malaysian publicly listed companies with international standards and assesses the implications of recognizing stock options as expenses. Using a sample of 100 companies categorized across nine sectors, the study found that firms in the trade/service and finance sectors preferred stock options because they did not involve immediate cash outflows. However, the authors observed that the attractiveness of stock options declined once they were required to be recognized as an expense in the profit-and-loss account.

Ravindra Singh and Nisha (2014) analyzed contemporary accounting practices for employee share-based payments and the various valuation methods currently in use in their article "Employee Share-Based Payments – Accounting Practices and Valuation." Their theoretical study concluded that, regardless of the valuation method adopted, firms uniformly treat share-based payments as expenses and record them in the profit and loss account, in accordance with IFRS 2 guidelines. This finding underscores the growing convergence of international accounting practices and the emphasis on fair value-based reporting.

Freserick Otero (2012) analyzed the financial impact of ESOP adoption using secondary data from company reports and financial statements in his research project submitted to the University of Nairobi titled "The Effect of Adoption of ESOP on Financial Performance of Firms Listed at the Nairobi Securities Exchange." comparing pre- and post-ESOP performance over five years through a paired t-test at the 0.05 level of significance, reported mixed results. He emphasized the need for further research incorporating variables such as ESOP firm size, market share, and macroeconomic performance. The study also noted that ESOPs gained substantial political and economic prominence in the U.S. during the 1950s and the 1960s, particularly under Senator Russell Long's advocacy.

The article "An analysis of the use of share-based payments by the JSE Top 100 companies" by Nardhamuni, Greenslade and van Zijl (2023) investigates the extent and characteristics of share-based payment transactions (SBPT) used by the Johannesburg Stock Exchange's Top 100 companies, addressing a gap in prior research that focused mainly on executive remuneration and limited scheme attributes. The study's objective was to analyse all forms of SBPT, examining scheme participants, stated purposes, settlement types, vesting periods and conditions, and patterns of cancellations or modifications, while exploring whether SBPTs are being used to support South Africa's transformation agenda. The findings reveal that 93% of companies used SBPT, predominantly equity-settled instruments (74%), with average vesting periods of around four years and a high reliance on non-market performance conditions (87%). A striking result was the high frequency of cancellations and modifications (79%), likely due to adverse economic conditions. Although only 7% of the schemes were explicitly BEE-related, more than half targeted general employees rather than only executives, indicating broader distribution objectives. The study concludes that SBPT practices largely align with agency theory and prior research while signalling opportunities for further exploration of transformation-oriented SBPT design. In the Indian context, Satyajee Dhar and Subhrata De (2009), discussed the features and types of ESOPs, including compensatory and non-compensatory plans, fixed and variable price plans, Employee Stock Purchase Plans, Restricted Stock Units, Stock Appreciation Rights, Performance Share Plans, Performance Unit Plans, and Deferred Compensation Plans. The authors analysed the benefits of ESOPs for both companies and employees and compare accounting practices in the U.S. and India. Based on survey data from 2002 to 03 and 2006 to 07 on companies listed on the Bombay Stock Exchange (BSE), the study found significant diversity and lack of uniformity in ESOP accounting disclosures due to the absence of specific standards by the Institute of Chartered Accountants of India (ICAI). They concluded that Indian companies were required to adopt fair value accounting for ESOPs from 2011 onwards with the implementation of the IFRS 2.

Together, these studies reflect the gradual evolution of employee share-based compensation from traditional performance-based systems to globally standardized accounting frameworks. The transition from early reward mechanisms to modern ESOP practices underscores the growing emphasis on aligning employee incentives with corporate performance and ensuring transparency, accountability, and long-term value creation for both employees and organizations.

With the effective implementation of IFRS in 2005 by the International Accounting Standards Board (IASB), the Ministry of Corporate Affairs (MCA), Government of India, introduced IND AS 102 in 2016. This marked a significant milestone in India's journey toward global accounting harmonization, laying the foundation for the consistent and transparent recognition of share-based payments. IND AS 102 aligned Indian corporate reporting practices with international norms, thereby enhancing comparability and investor confidence. Consequently, from 2017–18 to 2024–25—the period under study, India's top IT companies have progressively refined and implemented ESOP schemes in accordance with IND AS 102, aligning employee remuneration more closely with corporate growth, innovation, and long-term value creation.

NEED FOR THE STUDY

Employee Stock Option Plans (ESOPs) is a strategic tools for attracting, motivating, and retaining skilled employees, especially in knowledge-intensive sectors such as Information Technology. Although ESOPs were introduced in India several decades ago, their significance has increased substantially following the adoption of Ind AS 102 in 2016, when Indian accounting practices were aligned with global standards for share-based payments. This major regulatory shift necessitated an in-depth study of how Indian companies particularly IT firms with high employee mobility have adapted their compensation structures in response to it.

Although extensive global research were conducted on ESOP valuation, accounting practices, and financial implications, still there remains a notable research gap regarding the evolution, adoption patterns, and implementation practices of ESOPs within the Indian IT industry after the implementation of IND AS 102. Most Indian studies have focused on conceptual aspects or broad accounting issues, offering limited details into sector-specific adoption trends or the practical impact of new regulatory requirements on corporate compensation strategies.

Simultaneously, Indian IT companies have become some of the largest users of ESOPs, given the sector's reliance on human capital and the constant challenge of retaining top talent in a competitive global market. However, systematic research examining the ESOP practices of leading IT firms during the critical period from 2017–18 to 2024–25 is scarce.

Therefore, this study was conducted to:

- Investigate how ESOP schemes have evolved in India's top five IT companies after implementing Ind AS 102.
- Understand the extent to which these companies have aligned their ESOP practices with global accounting standards.
- Analyse trends in the adoption, valuation, disclosure, and implementation of ESOPs over the eight-year study period.
- Address the existing research gap by providing empirical and sector-specific insights into the use of ESOP in the Indian IT industry.

SCOPE OF THE STUDY

- This study focuses exclusively on the top five IT companies in India based on market capitalisation/revenue.
- The period covered is 2017–18 to 2024–25, representing the post-Ind AS 102 implementation phase.
- This study examines ESOP-related information disclosed in annual reports, financial statements, notes to accounts, and corporate governance reports.
- The scope is limited to the analysis and comparison of ESOP schemes and does not include primary data collection from employees.

OBJECTIVES OF THE STUDY

The primary intention is to achieve the following objectives.

1. To understand the evolution and growth of ESOP in Indian IT industries during the study period.
2. To study the different types of schemes implemented by IT companies.
3. To examine whether there are significant differences across different ESOP schemes.
4. To analyse whether the number of exercisable options varies significantly among companies.
5. To analyse whether the number of exercised options varies significantly among companies.
6. To analyse whether the number of forfeited options varies significantly among companies.
7. To analyse whether the number of Not Exercised options varied significantly among companies.
8. To understand the reasons for forfeiting or cancelling options.

HYPOTHESIS FOR THE STUDY

1. H_0 : There is no significant difference exists across different ESOP schemes.
2. H_0 : The number of exercisable options does not vary significantly among companies.
3. H_0 : The number of exercised options does not vary significantly among companies.
4. H_0 : The number of forfeited options does not vary significantly among companies.
5. H_0 : The number of Not Exercised options does not vary significantly among companies.

POPULATION: The population for the study includes Top 200 listed companies of the Bombay Stock Exchange

SAMPLE: A convenience sample of the top five IT companies was chosen from the top 200 listed companies on the Bombay Stock Exchange. The sample of five IT companies are listed below

1. Infosys Ltd
2. HCL Technologies Ltd
3. Wipro Ltd
4. Tech Mahindra Ltd
5. LTIMindtree Ltd

RESEARCH METHODOLOGY

The study is predominantly quantitative, as it analyses numerical data related to ESOPs, such as the number of exercisable, exercised, forfeited, and not exercised options. It also incorporates qualitative descriptions of various ESOP schemes to understand the differences in design, vesting conditions, and objectives. This study relies entirely on secondary data collected from authenticated and publicly available documents. The major sources included:

- Annual Reports of the selected IT companies
- Notes to Accounts pertaining to Share-Based Payments
- Corporate Governance Reports
- ESOP scheme documents disclosed on company websites
- Financial Statements and Directors' Reports
- SEBI (Share-Based Employee Benefits and Sweat Equity) Regulations
- Ind AS 102 – Share-Based Payment

ANALYSIS AND INTERPRETATION

Although the ESOP was implemented in many Western countries since the 1950s to attract and retain a talented workforce and promote employee ownership, it took almost 40 years for Indian companies to understand its importance. ESOP have been adapted and implemented by various companies in India since the 1990s. The ESOP schemes introduced by Indian IT companies exhibit substantial variability in their structural features, reflecting differences in organizational objectives, talent retention strategies and compensation philosophies. Key components, such as vesting schedules, grant frequency, exercise price determination, performance linkages, and forfeiture conditions, differ markedly across firms. Examining these scheme characteristics is essential to understand how companies design equity-based incentives to align employee performance with long-term corporate value creation.

Table No 1: Features of ESOP Schemes implemented by Top 5 IT Companies during the study period

Company	Plan Name	Year of Implementation	Vesting Requirements	Aimed At	Type	Maximum Underlying Share	Maximum Vesting Period	Pricing Formula	Method	Method used to account for ESOS
HCL Technologies Ltd	2004 Stock Option Plan	2004	Service Period/Company Performance	Employees and Directors	Equity-based	4,00,00,000	96	Market Price	Black schole	Fair Value
	Restricted Stock Unit Plan 2021	2021	Service Period/Company Performance	Employees and Directors	Equity-based	1,11,00,000	60	Market Price	Black schole	Fair Value
	Restricted Stock Unit Plan 2024 (RSU Plan 2024)	2024	Service Period/Company Performance	Employees and Directors	Equity-based	84,60,000	60	Market Price	Black schole	Fair Value
Infosys Ltd	INFOSYS LIMITED 2015 INCENTIVE COMPENSATION PLAN	2015	Service Period/Company Performance	Employees and Directors	Equity and Cash Based	2,40,38,883	48	Market Price	Black schole	Fair Value
	Infosys Expanded Stock Ownership Program 2019	2019	Service Period/Company Performance	Employees and Directors	Equity and Cash Based	5,00,00,000	36	Market Price	Black schole	Fair Value
Tech Mahindra Ltd	Employee Stock Option Plan 2000	2000	Service Period/Company Performance	Employees and Directors	Equity-based	14,98,800	36	Market Price	Black schole	Fair Value
	Employee Stock Option Plan 2006	2006	Service Period/Company Performance	Employees and Directors	Equity-based	49,61,270	60	Market Price	Black schole	Fair Value
	Employee Stock Option Plan 2010	2010	Service Period/Company Performance	Employees and Directors	Equity-based	23,00,000	48	Market Price	Black schole	Fair Value
	ESOP-B-2013	2013	Service Period/Company Performance	Employees and Directors	Equity-based	34,03,013	48	Market Price	Black schole	Fair Value
	TML-RSU 2013	2013	Service Period/Company Performance	Employees and Directors	Equity-based	12,82,721	48	Market Price	Black schole	Fair Value

	ESOP-A 2013	2013	Service Period/Company Performance	Employees and Directors	Equity-based	2,42,802	ND	Market Price	Black schole	Fair Value
	TML-ESOS 2013	2013	Service Period/Company Performance	Employees and Directors	Equity-based	30,144	48	Market Price	Black schole	Fair Value
	Employee Stock Option Plan 2014	2014	Service Period/Company Performance	Employees and Directors	Equity-based	40,00,000	48	Market Price	Black schole	Fair Value
	Employee Stock Option Plan 2018	2018	Service Period/Company Performance	Employees and Directors	Equity-based	50,00,000	60	Market Price	Black schole	Fair Value
Wipro Ltd	Wipro Employee Stock Option Plan 2000 (2000 Plan)	2000	Service Period/Company Performance	Employees and Directors	Equity-based	15,00,00,000	84	Market Price	Black schole	Fair Value
	Wipro ADS Restricted Stock Unit Plan (WARSUP 2004 plan)	2004	Service Period/Company Performance	Employees and Directors	Equity and Cash Based	20,00,000	84	Face Value	Black schole	Fair Value
	WIPRO EMPLOYEE RESTRICTED STOCK UNIT PLAN 2005	2005	Service Period/Company Performance	Employees and Directors	Equity-based	6,000,000	84	Face Value	Black schole	Fair Value
	WIPRO EMPLOYEE RESTRICTED STOCK UNIT PLAN 2007	2007	Service Period/Company Performance	Employees and Directors	Equity-based	1,00,00,000	84	Face Value	Black schole	Fair Value
	WIPRO LIMITED EMPLOYEE STOCK OPTION, PERFORMANCE STOCK UNIT AND RESTRICTED STOCK UNIT SCHEME 2024	2024	Service Period/Company Performance	Employees and Directors	Equity-based	20,00,00,000	84	Face Value	Black schole	Fair Value
LTIMindtre Ltd	ESOP scheme 2000	2000	Service Period/Company Performance	Employees and Directors	Equity-based	1,55,62,500	48	Market Price	Black schole	Fair Value
	U.S. Stock Option Sub-plan 2006	2006	Service Period/Company Performance	Employees and Directors	Equity-based	22,86,245	48	Market Price	Black schole	Fair Value
	ESOP scheme 2015	2015	Service Period/Company Performance	Employees and Directors	Equity-based	80,62,500	48	Market Price	Black schole	Fair Value
	ESOP scheme 2021	2021	Service Period/Company Performance	Employees and Directors	Equity-based	20,00,000	48	Market Price	Black schole	Fair Value
	Employee Restricted Stock Purchase Plan 2012	2012	Service Period/Company Performance	Employees and Directors	Equity-based	20,00,000	48	Face Value	Black schole	Fair Value

(Source: Annual reports of the companies)

Analysis of ESOP Features Across Selected Indian IT Companies

Employee Stock Option Plans (ESOPs) have emerged as a widely adopted compensation mechanism within knowledge-based industries, particularly in the Indian IT sector. A comparative analysis of the ESOP features of HCL Technologies Ltd, Infosys Ltd, and Wipro Ltd reveals substantial similarities and noteworthy divergences that reflect each firm's strategic orientation, talent retention priorities, and compensation philosophies.

1. Year of Implementation and Evolution of Scheme Structure

The table indicates that all three companies have periodically implemented ESOPs over the years, reflecting a continuous reliance on equity-based compensation. This is consistent with the prior literature, which suggests that high-technology firms often revise or redesign ESOP structures in response to market cycles, talent shortages and regulatory developments (Chakraborty & Sheikh, 2020). The regular introduction of new schemes—particularly visible in Infosys, with multiple schemes between 2018 and 2025—demonstrates an adaptive approach aimed at maintaining competitiveness in employee reward systems.

2. Vesting Requirements and Performance Orientation

A comparison of vesting requirements shows that companies predominantly use a combination of service periods and performance metrics, aligning with standard global ESOP practices. According to (Bhattacharya et al. 2021), hybrid vesting conditions reduce free-riding behaviour and strengthen the alignment between individual employee performance and firm growth. This is evident in schemes where both company performance and individual service tenure determine vesting eligibility, thereby enhancing employee commitment and reducing turnover risk.

3. Target Groups and Scheme Type

All companies aim their ESOPs at employees and directors, demonstrating the recognition of the strategic role played by managerial and knowledge workers. The ESOP literature widely documents the effectiveness of broad-based schemes in high-skilled sectors, where human capital is a core resource (Kruse, Blasi & Freeman, 2019). The classification of schemes as equity-based aligns with international practices, offering employees direct financial participation in the firm's value appreciation.

4. Maximum Underlying Shares and Vesting Period

The maximum number of shares allocated under these schemes signals each firm's commitment to stock-based compensation. For instance, high share allocation figures indicate substantial employee ownership potential, contributing to long-term wealth creation and enhanced psychological ownership (Pierce & Jussila, 2011). Meanwhile, vesting periods—often stretching up to 96 months—reflect long-term retention strategies, consistent with the emphasis on employee stability and knowledge continuity in the IT industry.

5. Pricing Formula: Predominance of Market Price

The use of market price-based pricing formulas aligns with SEBI guidelines and is prevalent in Indian ESOP design. Market-linked pricing ensures transparency and mitigates agency risks by allowing option exercises at fair valuations. The literature indicates that market-based ESOP pricing reduces financial manipulation and aligns employee incentives toward sustainable long-term performance (Weitzman & Kruse, 1990).

6. Accounting Methodology: Fair Value and Black-Scholes

Across companies, ESOP accounting predominantly uses the fair value method, with the Black-Scholes model widely applied. This is consistent with Ind AS 102 requirements and reflects the transition from intrinsic value to more rigorous valuation standards in share-based payments. Prior studies, such as (Nnadi & Upadhyay 2020), emphasize that fair value measurement enhances the accuracy of compensation cost recognition and improves the transparency of financial reporting.

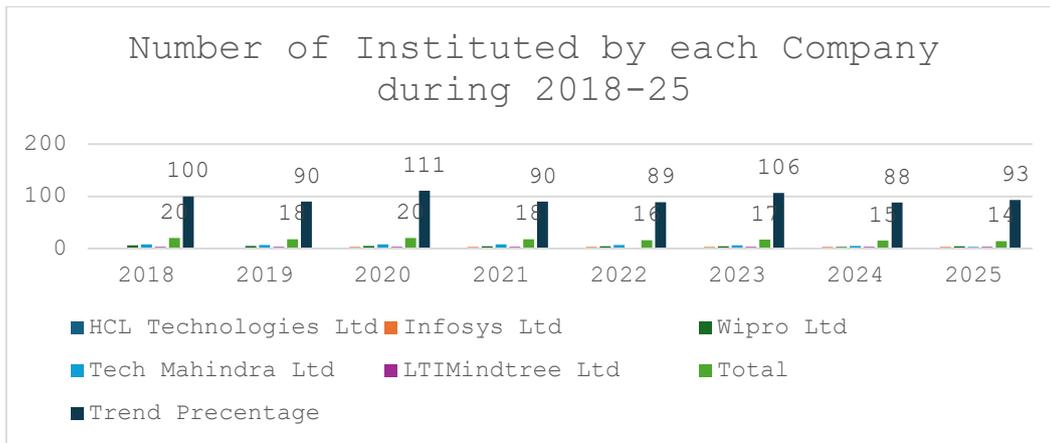
Overall, the analysis suggests that ESOP designs in Indian IT companies largely harmonize with global best practices, although variations exist in share limits, vesting periods, and the frequency of scheme issuance. Companies with numerous and frequently updated schemes (e.g., Infosys) appear more proactive in using ESOPs as a continuous engagement tool, whereas others tend to revise their schemes less frequently.

The literature supports the view that consistently updated equity incentive structures contribute to higher employee motivation and stronger organizational commitment (Liu et al., 2022). The comparative assessment of ESOP features across the selected IT firms reveals a sophisticated and strategically driven utilization of stock option plans by the firms. Backed by regulatory compliance, performance orientation, and modern accounting practices, these ESOPs play a pivotal role in talent retention, employee motivation, and long-term alignment between employee efforts and value creation. The observed trends are consistent with the theoretical and empirical literature on equity-based compensation in high-technology sectors.

Table 2: Number of Schemes Granted by each Company Year Wise

Number of Schemes instituted by each Company Year Wise									
Company	2018	2019	2020	2021	2022	2023	2024	2025	Total
HCL Technologies Ltd	1	1	1	0	1	1	1	1	7
Infosys Ltd	2	2	3	3	3	3	3	3	22
Wipro Ltd	6	5	5	4	4	4	3	4	35
Tech Mahindra Ltd	8	7	8	8	7	6	5	3	52
LTIMindtree Ltd	3	3	3	3	1	3	3	3	22
Total	20	18	20	18	16	17	15	14	138
Trend Percentage	100	90	111	90	89	106	88	93	

Graph No 1: Number of Instituted by each Company during 2018-25



The assessment of Employee Stock Ownership Plan (ESOP) distributions across five major Indian IT companies from 2018 to 2025 reveals significant strategic variability, rather than uniform industry behaviour. Tech Mahindra consistently offered the highest number of ESOP schemes, maintaining eight schemes annually between 2018 and 2020, before exhibiting a continuous decline to three schemes by 2025, indicating a strategic contraction in the post-pandemic period. Wipro showed a similar but more moderate downward trend, suggesting a gradual shift in equity-based reward policy. In contrast, Infosys and LTIMindtree maintained stable patterns, consistently offering approximately three schemes per year, reflecting sustained long-term ESOP frameworks rather than reactive adjustments. HCL Technologies reported the lowest and most uniform distribution, providing one scheme annually with a single deviation in 2021, which is indicative of a conservative equity allocation strategy. At the aggregate level, ESOP activity peaked in 2020, with 20 schemes, corresponding to heightened employee retention needs and engagement pressures during the COVID-19 crisis. The subsequent decline to 14 schemes by 2025 aligns with the existing literature asserting that ESOP intensity often fluctuates in response to business cycles and strategic compensation restructuring (Rosen et al., 2017; Blasi et al., 2018; Chakraborty & Chawla, 2021). Overall, the evidence suggests that ESOP practices in the Indian IT sector are dynamic, strategically motivated, and shaped by organizational priorities and macroeconomic conditions rather than standardized industry norms.

Table 3: Number of Exercisable Options Available Company Wise (Includes Opening Balance and Granted During the Year) during 2018-25

Number of Exercisable Options Available Company Wise (Includes Opening Balance and Granted During the Year)									
Company	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Total
HCL Technologies Ltd	1,83,915	1,23,645	69,210	0	79,56,616	84,91,955	80,65,903	1,16,45,483	3,65,36,727
Infosys Ltd	6,93,12,06	13,77,53,44	16,85,46,39	12,54,18,39	16,58,83,21	17,95,98,68	2,20,91,358	22,18,18,40	12,89,24,415
Wipro Ltd	3,28,15,923	4,19,30,240	4,30,57,753	3,47,57,668	4,08,03,442	3,96,65,590	4,22,29,777	8,07,62,616	35,60,23,009
Tech Mahindra Ltd	2,60,88,258	2,08,46,270	1,90,28,253	1,65,65,895	1,43,82,041	98,85,910	76,30,858	5,17,20,24	11,95,99,509
LTIMindtree Ltd	52,60,045	39,55,187	22,83,550	1,60,90,45	92,78,91	1,52,74,41	12,38,988	9,07,275	1,77,09,422
Total	7,12,79,347	8,06,30,686	8,12,93,405	6,54,74,447	8,06,58,311	7,75,30,764	8,12,56,884	12,06,69,238	65,87,93,082
Trend Percentage	100	113	101	81	123	96	105	149	

Graph 2: Number of Exercisable Options Available Company Wise during 2018-25



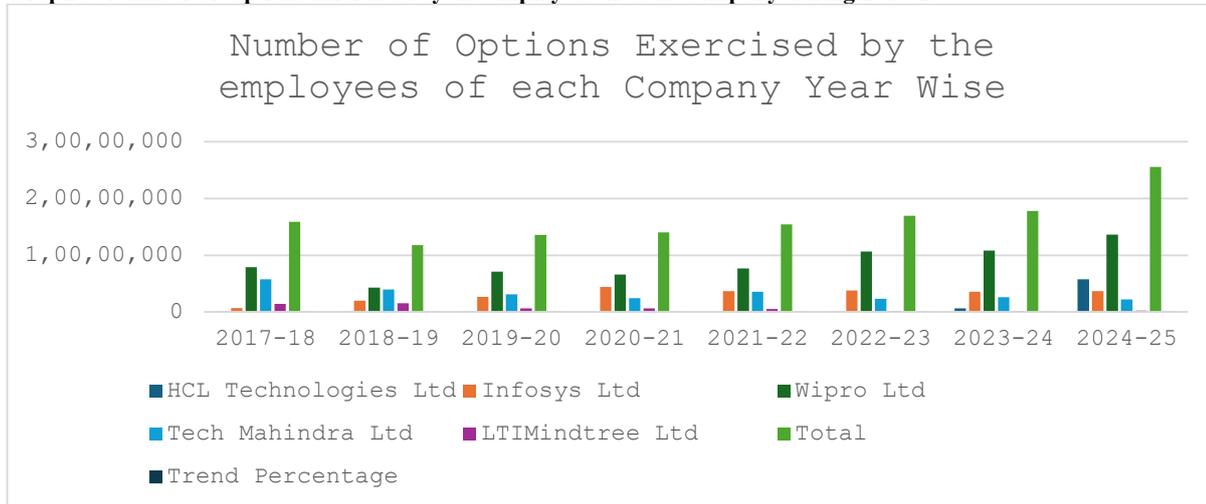
The data on exercisable ESOP options across five IT companies from 2017–18 to 2024–25 reveals substantial fluctuations in equity-based compensation strategies. The total number of exercisable options across the sector shows a notable upward trend overall, beginning at 7.13 crore options in 2017–18 and peaking sharply at 12.07 crore options in 2024–25. The highest annual growth occurred during 2024–25, reflected by a trend percentage of 149%, indicating aggressive expansion in equity offerings likely aimed at strengthening employee retention in a highly competitive post-pandemic talent market. Conversely, the sharp decline in 2020–21 to 6.55 crore options (81%) marks the lowest point in the period, coinciding with the uncertainty and restructuring effects of the COVID-19 pandemic.

Company-wise distribution shows dominant contributions from Wipro, which consistently maintained the highest exercisable stock option volume across the period, culminating in 35.60 crore total options, far exceeding its peers. Infosys follows with a total of 12.89 crore options, displaying overall steady growth despite moderate fluctuations. Tech Mahindra and LTIMindtree contributed significantly smaller portions, with total exercisable options of 11.96 crore and 1.77 crore respectively, reflecting more restrained ESOP strategies. HCL Technologies exhibits the most irregular pattern, including a zero value in 2020–21, but subsequently rises sharply to 1.16 crore options in 2024–25, resulting in a cumulative 3.65 crore options. The sector-level pattern underscores the strategic relevance of ESOPs: organizations increased option availability during periods of talent volatility (2021–22 and 2024–25 showing 123% and 149% trend indices, respectively), while reductions aligned with global disruptions and financial uncertainty (2020–21 at 81%). These movements reinforce the view that ESOP intensity operates as a dynamic tool influenced by economic cycles, workforce mobility, and competitive compensation restructuring, rather than a uniform industry standard.

Table 4: Number of Options Exercised by the employees of each Company during 2018-25

Number of Options Exercised by the employees of each Company Year Wise									
Company	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Total
HCL Technologies Ltd	57,870	49,515	69,210	0	0	19,847	62,5574	57,63,771	65,85,787
Infosys Ltd	700629	1981860	2666014	4392904	3674152	3801344	3562710	3656893	2,44,36,506
Wipro Ltd	79,11,374	42,80,900	7106697	6626031	7643046	10641519	10826522	1,36,28,596	6,86,64,685
Tech Mahindra Ltd	57,79,328	39,49,002	31,00,702	24,10,703	35,79,112	23,13,996	26,11,048	22,35,189	2,59,79,080
LTIMindtree Ltd	14,28,150	15,10,821	6,16,685	6,23,839	5,19,548	207911	202353	263847	53,73,154
Total	1,58,77,351	1,17,72,098	1,35,59,308	1,40,53,477	1,54,15,858	1,69,84,617	1,78,28,207	2,55,48,296	13,10,39,212
Trend Percentage	100	74	115	104	110	110	105	143	

Graph 3: Number of Options Exercised by the employees of each Company during 2018-25



The number of Employee Stock Options (ESOPs) exercised by employees across major Indian IT companies over the eight-year period from 2017–18 to 2024–25 reveals significant variations in employee participation, organizational ESOP policies, and market dynamics. The data show a substantial growth trajectory in exercised options during the period, reflecting the increasing importance of equity-based compensation in talent retention strategies within the Indian IT sector.

Across the five companies considered—HCL Technologies Ltd, Infosys Ltd, Wipro Ltd, Tech Mahindra Ltd, and LTIMindtree Ltd—there is a marked upward shift in the total number of exercised options from 1.58 crore in 2017–18 to 2.55 crore in 2024–25, culminating in a cumulative total of 13.10 crore options exercised. This trend indicates rising employee engagement with ESOP schemes, likely driven by favourable stock market performance and the growing adoption of ESOPs as a strategic compensation component.

Among the companies, Wipro Ltd emerged as the leading contributor, accounting for 6.86 crore exercised options, which is markedly higher than its counterparts. This suggests a broader or more attractive ESOP grant policy, higher employee participation, and stronger financial motivation associated with stock performance. Infosys Ltd follows with 2.44 crore options, demonstrating consistent growth, especially during the years 2020–21 to 2022–23, which corresponds with the surge in digital transformation demands and improved profitability in the IT sector post-pandemic.

Conversely, Tech Mahindra Ltd. and LTIMindtree Ltd. exhibit relatively lower participation, with 2.59 crore and 53.7 lakh options, respectively, indicating conservative ESOP frameworks or comparatively weaker motivation to exercise options. LTIMindtree showed a notable decline after 2018–19, possibly influenced by integration and restructuring following the merger. HCL Technologies Ltd displays an irregular pattern, with minimal numbers between 2020 and 21 and 2022–23 before experiencing a sharp rise to 57.63 lakhs in 2024–25, signalling possible policy revision, recovery in stock performance, or renewed interest in ESOP utilization.

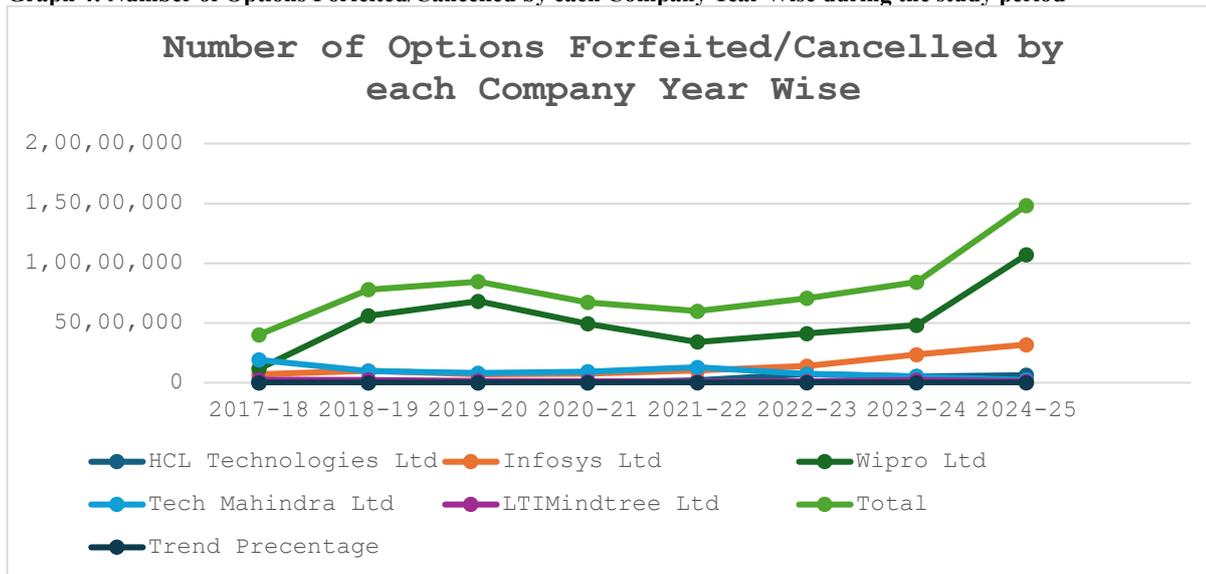
From a year-wise perspective, the data indicate relatively moderate exercise levels during the initial part of the period; however, from 2021–22 onwards there is a significant escalation, peaking in 2024–25. This upward shift aligns with industry-wide talent retention challenges and increased competition during the post-pandemic digital expansion phase. Companies appear to have leveraged ESOPs more strategically to retain high-performing employees amid rising attrition rates.

Overall, the analysis underscores the growing relevance of ESOPs in compensation strategies within leading Indian IT organizations. The increasing exercise rates demonstrate increasing employee confidence in organizational performance and equity-based rewards. The variations across companies highlight the differences in ESOP design, financial conditions, and employee perceptions of value. Further statistical analysis could help establish whether the differences among companies are significant and identify the primary drivers of ESOP exercise behaviour.

Table 5: Number of Options Forfeited/Cancelled by each Company Year Wise during the study period

Number of Options Forfeited/Cancelled by each Company Year Wise									
Company	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Total
HCL Technologies Ltd	2,400	4,920	0	0	1,90,825	7,18,540	519,362	622,108	20,58,155
Infosys Ltd	700,629	989,110	697,938	764,293	1,021,412	1,394,438	2,346,685	3,175,294	1,10,89,799
Wipro Ltd	11,61,498	5,595,087	6,820,360	4,930,228	3,405,822	4,114,022	4,816,360	10,710,899	4,15,54,276
Tech Mahindra Ltd	1,905,660	980,075	797,156	924,076	1,286,075	726,167	523,235	223,942	73,66,386
LTIMindtree Ltd	2,36,108	2,24,476	1,41,470	1,02,600	82,428	1,11,414	2,15,752	1,02,357	12,16,605
Total	40,06,295	77,93,668	84,56,924	67,21,197	59,86,562	70,64,581	84,21,394	1,48,34,600	6,32,85,221
Trend Percentage	100	195	109	79	89	118	119	176	

Graph 4: Number of Options Forfeited/Cancelled by each Company Year Wise during the study period



The table presents the number of Employee Stock Options (ESOPs) forfeited or cancelled across five leading Indian IT companies from 2017–18 to 2024–25. ESOP forfeiture typically occurs when employees fail to meet vesting conditions, resign before vesting completion, or when companies revise their compensation structures due to financial or strategic changes. The total forfeiture across the period amounts to 6.32 crore options, indicating significant variability in employee retention and ESOP policy implementation among the organizations.

From a trend perspective, the data exhibit fluctuations across the years, with forfeiture levels increasing from 40 lakh options in 2017–18 to a peak of 1.48 crore options in 2024–25. The trend percentage reveals a surge from a baseline index of 100 in 2017–18 to 176 by 2024–25, suggesting rising cancellation rates over time. This trend aligns with the increased attrition observed in the Indian IT sector, particularly during and after the COVID-19 pandemic, referred to by industry analysts as the “Great Resignation” (NASSCOM, 2022).

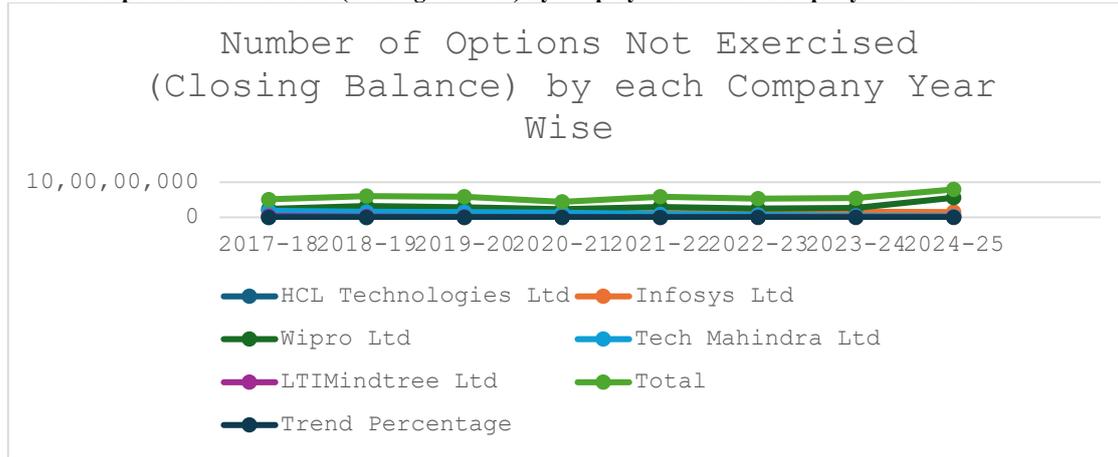
Wipro Ltd. reports the highest forfeiture volume with 4.15 crore cancelled options, indicating large-scale stock compensation distribution but also reflecting significant attrition or non-fulfilment of vesting obligations. Infosys Ltd records the second-highest forfeitures (1.10 crore), demonstrating an otherwise stable workforce but vulnerable retention phases during high attrition cycles in FY 2021–22 and 2022–23. Tech Mahindra Ltd. and LTIMindtree Ltd. report comparatively lower cancellation figures (73.66 and 12.16 lakhs, respectively), possibly reflecting smaller ESOP pools, lower attrition, or stricter grant structures with phased vesting.

HCL Technologies Ltd. exhibited a unique pattern, showing negligible forfeiture until 2020–21 and large increases thereafter, peaking in later years.

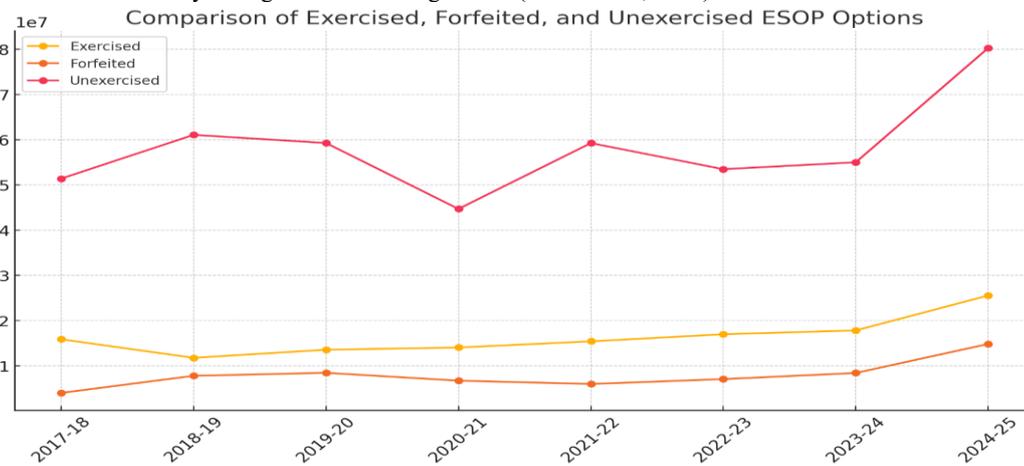
Table 6: Number of Options Not Exercised (Closing Balance) by the employees of each Company Year Wise

Number of Options Not Exercised (Closing Balance) by the employees of each Company Year Wise									
Company	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Total
HCL Technologies Ltd	1,23,645	69,210	0	0	77,65,791	77,53,568	69,20,967	52,59,604	2,78,92,785
Infosys Ltd	55,29,948	1,08,04,374	1,34,90,687	73,84,642	1,18,92,757	1,27,64,086	1,61,81,963	1,53,49,653	9,33,98,110
Wipro Ltd	2,37,43,051	3,20,54,253	2,91,30,696	2,32,01,409	2,97,54,574	2,49,10,049	2,65,86,895	5,64,23,121	24,58,04,048
Tech Mahindra Ltd	1,84,03,270	1,59,17,193	1,51,30,395	1,32,31,116	95,16,854	68,45,747	44,96,575	27,12,893	8,62,54,043
LTIMindtree Ltd	35,95,787	22,19,890	15,25,395	8,82,606	3,25,915	12,08,116	8,20,883	5,41,071	1,11,19,663
Total	5,13,95,701	6,10,64,920	5,92,77,173	4,46,99,773	5,92,55,891	5,34,81,566	5,50,07,283	8,02,86,342	46,44,68,649
Trend Percentage	100	119	97	75	133	90	103	146	

Graph 5: Number of Options Not Exercised (Closing Balance) by Employees of Each Company Year Wise.



The closing balance of Employee Stock Options (ESOPs), which represents the number of options not exercised by employees, is a key indicator of the workforce’s perception of ESOP value, organizational performance, and employee engagement with equity-based rewards. The analysis of unexercised ESOPs across five leading Indian IT companies—HCL Technologies Ltd., Infosys Ltd., Wipro Ltd., Tech Mahindra Ltd., and LTIMindtree Ltd. —from 2017–18 to 2024–25 provides insight into employee behaviour and the effectiveness of equity compensation strategies. Over the eight-year period, a total of 46.44 crore options remained unexercised, showing fluctuations across companies and over time. The trend percentage increased from 100 in 2017–18 to 146 in 2024–25, indicating a notable rise in unexercised options in recent years. This suggests a declining attractiveness of exercise due to market price trends, liquidity constraints, or employee exits. As Ittner, Lambert, and Larcker (2003) note, employees exercise stock options when it is financially advantageous; therefore, high closing balances may indicate a reduced perceived value. Wipro Ltd. reports the highest unexercised balance (24.58 crore), followed by Infosys Ltd. (9.33 crore) and Tech Mahindra Ltd. (8.62 crore), reflecting large ESOP pools and possibly a lower motivation to exercise. HCL Technologies also shows significant growth in unexercised options from 2021–22 onward, while LTIMindtree Ltd, with 1.11 crore options, holds the lowest balance, likely due to smaller grants and post-merger adjustments. Unexercised balances declined between 2018–19 and 2020–21, coinciding with favourable stock performance and pandemic-driven industry growth. This is supported by the Deloitte Compensation Trends Report [2023], which noted increased ESOP exercises during strong market periods. However, balances increased sharply from 2021–22 onwards, peaking in 2024–25 (8.02 crore), a trend linked to higher attrition, delayed exercise due to taxation, and stock price volatility. The EY Global Equity Incentive Report [29,30] highlights market fluctuations as a major reason for employees postponing the exercise of options. Rising unexercised balances also correlate with workforce mobility during the “Great Resignation” (NASSCOM, 2022).



The line graph illustrates the trends in Exercised, Forfeited, and Unexercised (Closing Balance) ESOP options from 2017–18 to 2024–25. Unexercised options consistently remain the highest, indicating that a significant proportion of ESOPs granted to employees are not converted into shares. A sharp rise in 2024–25 suggests reduced exercise behaviour, potentially influenced by market volatility or employee turnover. The Exercised options show a steady upward trend, reaching their peak in 2024–25, reflecting increased employee engagement and favourable stock performance. In contrast, forfeited options fluctuate, with a notable increase in the final year, likely driven by higher attrition or unmet vesting conditions that year. A decline in 2020–21 aligns with greater employment stability during the early pandemic period. Overall, while ESOP exercise activity is improving, the substantial volume of unexercised options highlights the need for companies to strengthen ESOP communication, improve vesting flexibility, and enhance retention.

Major Reasons for Forfeiture, Cancellation, and Non-Exercise of ESOPs

A. Forfeiture / Cancellation of ESOPs

- Employee resignation before the completion of the vesting period** – There is a direct correlation between high attrition cycles and ESOP cancellation rates, as unvested equity is typically forfeited when an employee leaves before their vesting date (Deloitte, 2023; NASSCOM, 2022).
- Performance-based vesting constraints** – The forfeiture of granted options is frequently contingent upon the failure to satisfy predefined Key Performance Indicators (KPIs) or established institutional benchmarks. (Chaplinsky, 2021; Gao & Shrieves, 2017)
- Organizational restructuring, mergers, or layoffs:** The implementation of compensation restructuring or the adoption of post-merger integration policies often necessitates the termination of unvested options. Such strategic realignments ensure that equity-based incentives remain consistent with the revised organizational structure and compensation frameworks. (PwC, 2022).

4. **Disciplinary termination or breach of employment terms** – Disciplinary actions and breaches of employment terms require the mandatory forfeiture of equity incentives. Contractual terminations effectively nullify an employee’s participation in the ESOP, resulting in the cancellation of awarded options (Gibson, 2020).
 - B. Non-Exercise (Unexercised ESOP Options)**
 1. **Decline in market price/underwater options** – For an ESOP to be valuable, the company's stock price must be higher than the price the employee has to pay to buy it. If the stock price drops below that set price, the options are considered underwater. In this situation, employees usually choose not to buy the shares because there is no profit to be made, causing the number of exercised options to drop significantly. (Ittner, Lambert & Larcker, 2003; EY, 2023)
 2. **High tax burden and liquidity constraints:** High tax liabilities triggered at the time of exercise often create a financial burden that discourages employees from participating. This is worsened by a lack of liquidity, as employees may struggle to fund tax payments without a secondary market to sell their shares. Consequently, these combined factors lead to a significant decline in exercise rates and diminish the perceived value of the ESOP (KPMG, 2021)
 3. **Low ESOP awareness or insufficient financial literacy:** Low ESOP awareness and insufficient financial literacy often act as the primary barriers to successful equity participation within an organization. When employees lack a clear understanding of how stock options function, they tend to view them as complex "paper benefits" rather than tangible vehicles for long-term wealth creation. This knowledge gap often leads to **non-exercise**, as the immediate cost of exercising—such as the purchase price and associated tax liabilities—feels like a certain loss in the absence of a well-defined "big picture." (KPMG, 2021; EY, 2023).
 4. **Administrative complexity and procedural barriers:** Administrative hurdles and complex procedures often transform a valuable financial reward into a frustrating chore. When employees face mountain of paperwork, confusing tax rules, and a lack of digital tools, they often feel too intimidated to participate. (EY, 2023).
 5. **Speculative waiting for higher market value:** Employees often delay using their options because they are gambling on the stock price rising even higher in the future. However, this "speculative waiting" is risky because unexpected market drops can suddenly wipe out all potential profits. By waiting for a perfect peak that may never come, many employees turn a guaranteed financial gain into a total loss. (Ittner et al., 2003)
 6. **Preference for cash-based incentives:** Many employees prioritize immediate financial benefits, like salary hikes and cash bonuses, over the long-term potential of equity returns. This is often because cash provides instant security and helps meet current requirements (Gibson, 2020).

Table No 7 One-Way ANOVA Test on Year-Wise Differences in ESOP Schemes, Exercisable Options, Exercised Options, Forfeited/Cancelled Options, and Options Not Exercised Across Companies

H ₀ : There is no significant difference exists across different ESOP schemes.						
H ₀ : The number of exercisable options does not vary significantly among companies.						
H ₀ : The number of exercised options does not vary significantly among companies.						
H ₀ : The number of forfeited options does not vary significantly among companies.						
H ₀ : The number of Not Exercised options does not vary significantly among companies.						
		Sum of Squares	df	Mean Square	F	Sig.
ESOP schemes	Between Groups	142.150	4	35.538	36.854	.000
	Within Groups	33.750	35	.964		
	Total	175.900	39			
Exercisable options	Between Groups	9065602667847782.000	4	2266400666961945.500	34.243	.000
	Within Groups	2316528531976602.000	35	66186529485045.770		
	Total	11382131199824384.000	39			
Exercised options	Between Groups	328110343410569.600	4	82027585852642.400	25.883	.000
	Within Groups	110920825816038.750	35	3169166451886.821		
	Total	439031169226608.400	39			
Forfeited options	Between Groups	138589678596481.840	4	34647419649120.460	19.454	.000
	Within Groups	62335603879302.120	35	1781017253694.346		
	Total	200925282475783.970	39			
Not Exercised options	Between Groups	4292253259764626.000	4	1073063314941156.500	29.924	.000
	Within Groups	1255076356024535.200	35	35859324457843.870		
	Total	5547329615789161.000	39			

1. Number of ESOP Schemes

The ANOVA results demonstrate a statistically significant difference in the number of ESOP schemes offered by the selected companies ($F = 36.854, p < 0.05$). This indicates that firms differ considerably in terms of the frequency and structure of their ESOP launches. Bhattacharyya (2011) asserts that the diversity of ESOP schemes across organizations reflects variations in compensation philosophy, growth strategies, and talent retention needs. Companies with consistent ESOP offerings tend to position equity ownership as a long-term motivational tool that aligns employees' interests with the organisation's performance. The findings of this study suggest that while some firms adopt aggressive equity-sharing policies to attract and retain skilled talent, others follow conservative approaches based on their strategic necessity and financial capacity.

2. Exercisable Options

A significant variation was also observed in the number of exercisable options across companies ($F = 34.243, p < 0.05$). This indicates that the opportunities available for employees to convert granted options into actual share ownership differ widely. Prior studies (Atan et al., 2010; Hall & Murphy, 2003) highlight that exercisable options depend not only on vesting schedules but also on performance-based conditions that reflect the organisation's priorities. The differences observed in the present analysis reinforce the view that companies uniquely structure vesting criteria to encourage employee loyalty, enhance productivity, and secure long-term engagement. Companies providing more exercisable options may foster a stronger ownership culture and build psychological commitment to employees.

3. Exercised Options

The number of exercised options also varied significantly among companies ($F = 25.883, p < 0.05$), illustrating that employees' willingness to exercise ESOPs is influenced by company-specific factors. The literature suggests that employees exercise options primarily when they perceive future financial gains or stability in stock price performance (Core & Guay, 2001; Kedia & Mozumdar, 2000). The findings imply that organizations with strong market reputations and consistent stock returns motivate higher exercise rates, whereas uncertain market performance may discourage employees from converting options. Thus, exercised option behaviour becomes a real-time indicator of employee confidence and organizational goodwill.

4. Forfeited/Cancelled Options

The ANOVA results for forfeited or cancelled options ($F = 19.454, p < 0.05$) indicate significant variations across companies. The literature suggests that forfeitures often occur due to employee turnover, failure to meet vesting requirements, or withdrawal due to personal financial choices (Balsam, 2002; Murphy, 1999). High forfeiture rates may reflect lower job satisfaction or ineffective ESOP design, whereas lower

rates may imply stability and effective HR policies. The findings highlight the need for companies to revisit their vesting conditions, communication strategies, and employee awareness initiatives to reduce forfeiture and enhance ESOP benefits.

5. Options Not Exercised

Finally, significant variation existed in the options not exercised by employees ($F = 29.924, p < 0.05$). The literature indicates that employees may refrain from exercising options due to a lack of awareness, market risk perception, tax implications, or inability to fund the purchase price (Ittner et al., 2003; Rosen, 2000). High non-exercise rates may signal psychological barriers, insufficient financial literacy, or perceived ineffectiveness of the ESOP structure. This finding emphasizes the importance of improved financial education programs and transparent communication to help employees understand the economic value of participating in the ESOP. Overall, the results confirm that ESOP implementation and utilization are highly company-specific and influenced by a mix of financial, behavioural, and structural factors. The statistically significant differences across all parameters reinforce the need for employee-centric ESOP models supported by better awareness, stronger market performance and flexible vesting conditions. This evidence aligns with the existing literature, suggesting that well-designed ESOPs enhance motivation, performance, and retention, whereas poorly structured plans may fail to create real value.

RECOMMENDATIONS

The analysis confirms that ESOP policies and utilisation patterns differ significantly among the selected IT companies. A particularly notable concern is the large proportion of stock options that remain unexercised despite their eligibility. This trend suggests that although companies actively grant equity-based benefits, many employees either do not understand their value or choose not to use them. Similar utilisation gaps have been identified in earlier research on ESOP effectiveness [Hall & Murphy, 2003; Atan et al., 2010; Ittner, Lambert & Larcker, 2003]. Based on the study findings, the following recommendations are proposed to enhance the real-world impact of ESOP.

Overall Recommendations

1. **Enhancing ESOP awareness and simplicity:** A key reason Employees often hesitate to exercise options due to the complexity of valuation, taxation, and market-related decision-making. Prior studies have emphasized that difficult or technical processes discourage participation (Ittner et al., 2003; Core & Guay, 2001). Therefore, organisations should design training sessions, simple explanation booklets, and personalized guidance to help employees make informed choices.
2. **Revisit vesting and exercise structures:** excessively long vesting periods and stringent conditions increase forfeitures. Research indicates that vesting policies aligned with realistic employment tenures improve both retention and exercise rates (Rosen, 2000; Kruse, Blasi & Freeman, 2019) Companies should consider shorter and more flexible vesting cycles to encourage greater utilisation.
3. **Address high levels of unexercised options:** The large quantity of options that finally remain unexercised mirrors international findings, where financial constraints and tax concerns prevent employees from exercising options (Hall & Murphy, 2003; Balsam, 2002). Solutions such as cashless exercise, sell-to-cover features and phased exercise windows can make ESOPs more financially accessible.
4. **Use data analytics to improve policy decisions:** Monitoring patterns of exercise, forfeiture, and employee feedback can guide more effective scheme redesign. The literature highlights that simply increasing the number of ESOP schemes does not guarantee motivation or participation (Ravindra Singh & Nisha, 2014; Nardhamuni et al., 2023). Data-driven adjustments can make the ESOPs more meaningful and equitable.
5. **Target ESOP allocation to strategic talent pools:** Agency theory suggests that equity incentives are most powerful when directed at roles that drive organisational value (Kruse, Blasi & Freeman, 2019; Menke, 2011). Allocating grants based on skill scarcity, performance, or leadership potential can reduce wastage and strengthen retention.
6. **Building trust and transparency in ESOP communication:** Clear communication about the long-term purpose and value of ESOPs helps build a sense of belonging and ownership among employees (Pierce & Jussila, 2011; Rosen, 2000). Storytelling, success examples, and personalised reports can bridge awareness gaps.

Company-Specific Recommendations

1. **Tech Mahindra Ltd.:** The company offers the highest number of schemes and exhibits large unexercised balances. Studies have cautioned that excessive scheme variety can confuse employees (Emanuel, 2005; Dhar & De, 2009). Streamlining scheme design and simplifying processes can help improve the actual exercise rates.
 2. **Wipro Ltd:** Wipro reports very high exercisable and exercised numbers alongside substantial forfeitures, which may indicate complexity or high employee turnover (NASSCOM, 2022; Odero, 2012). A shift from a volume-focused distribution to a utilisation-focused strategy, supported by stronger tax and timing guidance, may improve outcomes.
 3. **Infosys Ltd:** Infosys shows stability in scheme implementation, consistent with the global best practice (Atan et al., 2010; Nardhamuni et al., 2023). The company can strengthen its employer branding around wealth creation and tailor ESOPs for mid-career professionals and lateral hires who value clarity and predictability in their compensation packages.
 4. **HCL Technologies Ltd:** HCL adopts a conservative ESOP structure with recent increases in exercisable and forfeited options. Earlier studies suggest that limited communication can restrict ESOP take-up, even when options are available (Dhar & De, 2009). Benchmarking against peers and improving employee awareness may increase participation.
 5. **LTIMindtree Ltd:** With smaller ESOP pools and a post-merger environment, the company can use ESOPs as a tool to support cultural alignment in the organisation. The literature indicates that ESOPs can foster unity following ownership transitions (Menke, 2011). Harmonizing legacy policies and providing clarity about future directions may strengthen employee commitment.
- These recommendations align with global and Indian research conclusions, emphasizing that ESOPs are most effective when they are simple, transparent, and strategically aligned. When employees clearly understand how ESOPs contribute to personal wealth and long-term career growth, these programs become powerful drivers of retention, engagement, and shared organizational success.

LIMITATIONS OF THE STUDY

1. This study is based solely on secondary data extracted from published annual reports and regulatory disclosures and, therefore, does not incorporate employee perceptions or the real behavioral motivations behind exercising or forfeiting ESOPs.
2. This research focuses only on the top five IT companies, which may limit the generalizability of the findings across other industries or smaller firms.
3. The study captured data related to a limited period of eight years.

CONCLUSION

This study examined how the top five Indian IT companies—Infosys, HCL Technologies, Wipro, Tech Mahindra, and LTIMindtree—designed and utilized Employee Stock Option Plans (ESOPs) after adopting Ind AS 102. The findings show that ESOPs play a significant role in attracting and retaining skilled employees in competitive industries. Although all companies follow fair value accounting and the Black–Scholes valuation model as required by Ind AS 102, there are substantial differences in ESOP structures, including vesting periods, grant volumes, and performance conditions. Tech Mahindra and Wipro demonstrated the highest ESOP intensity, while HCL Technologies and LTIMindtree followed a more conservative approach. The one-way ANOVA results confirm statistically significant differences among companies across all ESOP parameters, indicating that ESOP practices are company-specific rather than uniform across sectors. A key observation is that unexercised options consistently form the largest portion of ESOPs, suggesting barriers such as tax implications, insufficient

awareness, market volatility, and complex procedures. This highlights the need for clearer communication, financial guidance, and employee-friendly exercise mechanisms.

Finally, we can conclude that ESOPs remain a valuable strategic tool, but their success depends on effective design and employee engagement. Future research, including employee perceptions and cross-industry comparisons, could provide deeper insights into ESOP effectiveness and policy improvement.

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