**Abstract**

 Due to the effect of globalization of Indian business, ESOP idea spreads across corporate India. Financial Sectors also began looking at ESOPs as an attractive tool to hire and retain employees after SEBI ESOS & ESPP Guidelines 1999. This study is an attempt to identify and analyze the macro trends of ESOP phenomenon in Indian Financial Services Industry. The present paper makes an empirical study on the sample of 20 pharmaceutical companies listed in Indian stock market which has adopted employee stock option plan and analyze its impact on firm performance.