**Abstract**

Due to the effect of globalization of Indian business, ESOP idea spreads across corporate India and corporate began looking at ESOPs as an attractive tool to hire and retain employees after SEBI ESOS & ESPP Guidelines 1999. Despite the sociological importance of employee stock ownership to altering traditional patterns of wealth distribution the phenomenon has received little academic attention in India. The present paper throws light into ESOP practices and ESOP impact on corporate financial performance in technology intensive and people driven sectors such as software and pharmaceuticals. These sectors are increasingly becoming the engine of growth in our Indian economy. The study empirically analyses pre- and post- financial performance of 80 ESOP companies listed in BSE India. This study is first of its kind in India examining the financial impact among firm’s pre-ESOP and post-ESOP allotment using financial measures as a means of assessing organizational performance in software and pharmaceutical sectors with unexplored Indian data.