
**RELATIONSHIP BETWEEN EMPLOYEE SHARE
OPTION SCHEME & CORPORATE
PERFORMANCE IN FINANCE & BANKING INDUSTRY**

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ABSTRACT

This study attempts to examine the relationship between Employee Share Options Scheme and Corporate Financial Performance with the particular reference to companies listed under the finance and banking industry on the KLSE. A sample size of 40% and financial statement of a 3 year period prior to and 3 year after the implementation of ESOS.

Using the financial ratio which comprised of Liquidity Ratio, Efficiency Ratio, Profitability Ratio & Leverage Ratio and share price ratio which consist of EPS & DPS. This is to determine the performance of companies before and after the implementation of ESOS. Then the average of each ratio for the sample size are being tested using the Matched Pairs Experiment (Paired T-Test) in order to determine the significant impact of ESOS on corporate financial performance.

The empirical result from this study revealed that there is no direct significant relationship between ESOS and the overall corporate financial performance except for ROA, ROE, EPS and DPS.

Therefore it can be concluded that , ESOS does not have direct impact on the overall financial performance in the finance and banking industry in Malaysia. ROA, ROE, EPS and DPS positive, due to an increase in returns to an increase in number of shares after the implementation of ESOS. This contrast to the US environment which shows that ESOS can influence corporate financial performance.

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