

Relationship between employee share ownership plan and financial performance of listed companies in Sri Lanka

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Abstract

The globally popular Employee Share Ownership Plan concept started to attract many firms, since it seems as the best motivating tool of the employees to enhance financial performance of business firms. Although this concept has spread worldwide about 60 years ago the adoption level of the concept in Sri Lankan firm is limited. The aim of the study was to investigate the relationship between Employee Share Ownership Plan and financial performance of listed companies in Sri Lanka. Employee Share Ownership Plan is considered as independent variable of the study and it was measured by shares under Employee Share Ownership Plan as a percentage of total number of share of the selected companies. Financial performance was the dependent variable and it was measured using earning per share and return on equity and also used two control variables, which are firm size and inflation rate. The research was conducted using secondary data. Eleven listed companies were selected as a sample which has already adopted the Employee Share Ownership Plan concept. Data were collected using six year period from 2010 to 2015. Descriptive analysis, correlation analysis and independent sample t-test and regression analysis were used in data analysis. The result of independent sample t-test indicates that there is no significant improvement of Employee Share Ownership Plan adoption level in Sri Lanka in the period from 2010 to 2015. Correlation and regression analysis reveal that there is a significant positive relationship between Employee Share Ownership plan and financial performance of the select companies. Thus, Employee Share Ownership plan helps business firm to enhance their financial performance.

Keywords: *Employee Share Ownership plan, financial performance, listed companies in Sri Lanka.*