

# Global Vs Indian ESOP Structures – What Investors Prefer

Global and Indian ESOP structures differ in their maturity, regulatory design, and investor perception — yet both are converging toward transparency and liquidity-driven models. Globally, ESOPs are established as institutional instruments for employee wealth creation and succession; in India, they have become key to startup talent retention and investor confidence.

Parameter	Global ESOP Model	Indian ESOP Model
Legal Structure	Ownership - based on ESOP Trust Fund and employee cooperatives	Direct equity or option grants under Companies Act & SEBI (SBEB) Regulations
Tax Incentives	Employee-friendly deferrals, corporate deductions (e.g., under US Internal Revenue Code s1042)	Taxable at exercise; reforms under consideration for deferral during liquidity events
Liquidity Options	Mature secondary markets, internal share buyback is common	Rapid rise in startup buybacks (worth ₹4,000+ crore across 2024–25)
Investor Appeal	Proven record of governance stability and employee retention	Emerging ecosystem signaling growth potential and alignment with global practices

## What Investor Prefer

Global investors tend to favor ESOP structures that combine regulatory predictability, liquidity pathways, and tax clarity. India is fast approaching this maturity—it has maintained strong FDI inflows reached USD 81Billion in FY 2024–25, reflecting investor appetite for regulated, ownership-aligned ecosystems. Modern Indian ESOPs are increasingly benchmarked to western models through -

- Cap table management platforms - which provide a digital system to maintain clear record for the shares of employee, investor and founder.
- Structured buybacks, which boost valuation credibility at the pre-IPO stage.

## Finval Insight

For investors, the choice between global and Indian ESOP structures is no longer binary. Global frameworks offer maturity, but India’s evolving model—fortified by SEBI clarity and startup discipline—offers scalability, inclusion, and potential for outsized returns. The future preference leans toward hybrid ESOP systems that blend Indian agility with global governance standards, making ESOPs a central pillar in the next phase of startup value creation.