

Does employee volunteerism contribute to financial performance? Effect of third-party assurance and financial performance of listed firms in emerging economies

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Abstract

Purpose – *Studies on employee volunteerism have inconsistency in results. This study aims to examine whether employee volunteerism contributes to financial performance, and if employee volunteerism creates community benefit for firm legitimacy.*

Design/methodology/approach – *The data covers 80 companies (640 firm-year observations) and uses the Indian stock market for the period 2010-2017 as a testing ground. Canonical correlation analysis, panel regression and panel probit regression are used in this study.*

Findings – *The first findings of the study show employee volunteerism through employee skill contribution, number of hours spent on volunteerism, employee cash contribution and employee material contribution provide the substantive contributions to community benefit and financial performance and also contribute a possible positive reflection on employee commitment. The second findings show that return on asset and return on equity do not improve the practice of employee volunteerism. However, the stock price return (SPR) improves the practice of employee volunteerism. The third findings show that the engagement of third-party assurance (TPA) improves the practice of employee volunteerism. Finally, TPA and SPR are more likely to cause a firm to undertake employee volunteerism.*

Research limitations/implications – *The research study is limited to large firms on the Indian stock market that submit sustainability reports.*

Practical implications – *An implication from the study suggests that the critical driver of employee volunteerism is employee skill contribution, and firms stand to benefit if well managed.*

Originality/value – *TPA and financial performance contribute an increase in employee volunteerism, and therefore deepens the scholarly debate on employee volunteerism. Employee volunteerism–community benefit nexus creates a new dimension to the theory of legitimacy for firms in an emerging economy.*

Keywords *Employee volunteerism, Legitimacy theory, Third-party assurance, Community benefit, Financial performance*

Paper type *Research paper*

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1. Introduction

Different authors have commented on employee volunteerism (EV), but the conclusions are more qualitative than quantitative (Basil *et al.*, 2009; Jones, 2010; Cycyota *et al.*, 2016). Also, most research on EV and financial performance are from advanced economies, and results are also mixed (Wieland and Flavel, 2015; Cycyota *et al.*, 2016). Developing and developed economies all show EV in their mission statements, hence the importance of the concept. However, the concept of EV sometimes is not reflective in public policies of emerging economies (Ministry of Corporate Affairs, 2009, 2013). A re-aliment between

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