Assurance service and performance. Effect of CEO characteristics

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Abstract

Purpose – The purpose of this study is to investigate the impact of the choice of an assurance service provider on financial and social performance in an emerging economy. The study also examines whether the chief executive officer's (CEO) characteristics influence the choice of an assurance service provider.

Design/methodology/approach – This study uses descriptive statistics, ordinary least square and probit regression to examine the 800 firm-year observations for the period 2010–2019 and with the Indian stock market as a testing ground.

Findings – The study shows that the engagement of assurance service providers reduces financial performance (stock price returns and Tobin's *q*). The study also shows that consulting firms and auditing firms improve the social performance disclosure of the firm in an emerging economy. However, consulting firms outweigh auditing firms in improving social performance disclosure. Also, the implementation of mandatory reporting may slightly impede instead of an increase in social performance disclosure in an emerging economy. The study also shows that ageing CEOs prefer consulting firms over auditing firms in assurance service provision. Finally, the study shows that an extended stay in office by a CEO improves the choice of consulting firms, but the effect has a near-neutral significance.

Originality/value – The choice of CEO characteristics as an independent variable adds to the factors or drivers that cause the choice of an assurance service provider in an emerging economy. Also, the measurement variable of stock price returns and Tobin's *q* expands the financial performance measurement in the relationship with assurance service providers.

Keywords Financial performance, CEO tenure, Resource dependency theory, Social performance disclosure, Assurance service providers, CEO age

Paper type Research paper

1. Introduction

The debate on sustainability and corporate social responsibility (CSR) reporting has globally gained political and economic attention (KPMG, 2011; Ministry of Corporate Affairs, 2013; Sustainable Development Goals, 2019). Consequently, different studies and authors have and are still examining the effect of sustainability and CSR reporting to the society and the firm within the framework of mandatory and voluntary CSR policy (Mobus, 2005; Ackers and Eccles, 2015; Fatima *et al.*, 2015; Arena *et al.*, 2018; Khan *et al.*, 2019). India, as a global player, passed a mandatory CSR policy reporting in 2013, which mandates large firms headed by chief executive officers (CEOs) or managing directors to submit sustainability reports as a part of its yearly reporting to stakeholders and investors (Ministry of Corporate Affairs, 2009, 2013). However, the guidelines for submitting

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