

**“CSR as a dimension of Corporate Governance in Private Sector Insurance Companies-An analysis of stakeholders’ perception in Mysore City.”**

By  
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**Abstract**

*Insurance is the business which covers the risks through indemnification. This business thrives better on keeping differences between premia and claim. Insurers are the businessmen who are looked high because they pitch in at the time of distress to the needy at the right time. Indeed they enjoy public esteem. Yet, the socio-economic, political and legal environment envisages for spending of certain amount of profit by these companies on CSR. Moreover, the corporate governance model has more significant dimension in CSR. To keep all stakeholders satisfied, the private insurance companies in Mysore are making moderate efforts through CSR initiatives. Adoption of schools, distribution of uniforms, and rehabilitation of underprivileged are few traceable initiatives of these companies. The survey conducted by researches by taking 264 sample respondents in Mysore city has explored that private insurers are good at initiating CSR activities but not so good at implementing and following up.*

*Key words: Private Insurers, Stakeholders, CSR, Underprivileged, Mysore city.*

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**1. Introduction**

Corporate governance model is the conduit through which business houses get connected with the society, besides, enriching their own self socio-economic interests. The governance model of business houses is geared up thoroughly in delivering products and services to the maximum advantage of all stakeholders. Management of business houses exhibit their multi-faceted skills in discharging service with utmost duty consciousness. The Companies Act of 2013 has made it obligatory to the companies to spend 2% of the net profit to their Corporate Social Responsibility (CSR) activities as included in schedule VII of the Act. All CSR activities fall under corporate governance. The primary stakeholders in CSR are the general public. As the beneficiaries of CSR, they perceive differently about the companies, owing to individualistic differences and absence of standard, implementation tools and measurement of outcomes. Private insurance companies have transformed the monopoly market to oligopoly as such there is very close and keen competition between few players. In the process of outsmarting the competitors and grabbing higher market share private insurers are giving thrust on CSR. Moreover, insurance as a matter of solicitation thrives better only when there is strong edifice of public confidence. Perhaps CSR is the most potent tool in gaining and sustaining public confidence.

In Mysore city 10 private insurers are operating. They are practicing CSR activities with earnest interest. There are activities like adoption of schools, free supply of uniforms, supply of benches and tables, slum clearing activities, and beggars’ rehabilitation.

## 2. Review of literature

Dahlsrud, (2008): A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.

Gutierrez & Jones (2005): There has been a myriad of CSR definitions by numerous scholars, but there is no universally accepted definition of CSR. One of the primary reasons is that CSR is an evolving concept, which over the years has been used to describe an increasingly wider range of corporate activity (Gutierrez & Jones, 2005).

Campbell (2006): CSR sets a minimum behavioral standard that aims at doing no harm to stakeholders and if it has happened then rectifies it as soon as it is identified.

Garriga and Mele (2004): CSR as an obligation of the firm to use its resources in ways to benefit society, through committed participation as a member of society, taking into account the society at large, and improving welfare of society independently of the direct gains of the company.

Matten and Moon (2008): There are two distinct elements to CSR—the implicit and the explicit. Explicit CSR refers to the corporate policies that assume and articulate responsibility for some societal interests. They normally consist of voluntary programs and strategies by corporations that combine social and business value and address issues perceived as being part of the social responsibility of the company. "Implicit CSR" refers to corporations' role within the wider formal and informal institutions for society's interests and concerns. Implicit CSR normally consists of values, norms, and rules that result in mandatory and customary requirements for corporations to address stakeholders' issues and that define proper obligations of corporate actors in collective rather than individual terms.

European Communities (2001): Companies depend on the health, stability and prosperity of the communities in which they operate. Therefore, an organization has to be responsible for the welfare and development of the community around it self

In referring to CSR, Holme and Watts (2000), use the following definition: "Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large."

## 3. Statement of the problem

The concept of corporate governance is multi-dimensional. One of the dimensions of corporate governance is CSR. The theories of corporate governance clearly emphasizes that every business entity is to be managed with utmost honesty and integrity and provide utilities to all stakeholders in an equitable manner. The insurance companies have a unique advantage of touching the social chord of the policy holders. The provision for risk coverage whether life related or property related impresses the policy holders very much. Further, in the present day knowledge society several policy holders look towards insurance as investment portfolio. Hence, they naturally look into commercial principles of investment; liquidity, profitability and security. Measuring up to the diversified expectations of the policy holders is indeed a herculean task. Yet, some shrewd insurers are able to keep the momentum of growth steady. With the consumer awareness increasing and societal expectations about contributions by business units towards public welfare warrants the insurers to incline towards society as well. It is, at this point only, CSR emerges. CSR being a generic activity lacks with specific standards. Some CSR initiatives may not be well received by the community, if they are taken up with no feasibility study and beneficiary analysis. In the process, some CSR activities go unnoticed. In some cases, the conduit carrying the CSR funds becomes

porous and end users gets negligible utility from such initiatives. Ultimately, the stakeholders are likely to have negative perception about CSR activities.

In Mysore city out of 20 private sector insurers and 5 public sector insurers only 15 are operating. Naturally, there is dominance of private sector insurers. These public and private sector insurers are actively involved in CSR. The city of Mysore being heritage city is having, more than 60% of households belonging to bourgeois class. The expectations of majority stakeholders in this city are mainly hover around health, education, sanitation, drinking water, transportation and promotion of art and culture. Any insurer who is able to understand the feelings of stakeholders and act upon it would be a champion in CSR. However, no such champion insurers would be seen in Mysore city.

#### **4. Need for the study**

Perception of stakeholders about CSR activities in private sector insurance companies is studied through empirical analysis. This type of empirical analysis is hardly found on the concurrent issue. The researchers have put earnest efforts in quantifying the opinion of policy holders with the help of a measured scale, about CSR initiatives, intensity of their implementation and efficacy of such initiatives. This research being an original one, has explored new dimensions in CSR and hence this work is claimed to be an addition to the literature on CSR by insurance companies.

#### **5. Objectives**

Following are the objectives of the study:

- 1) To study the brief overview of CSR activities in insurance companies.
- 2) To study the brief profile of CSR activities initiated by insurers in Mysore city.
- 3) To study the stakeholders' perception about CSR initiatives, implementation and efficacy with reference to private sector insurance companies.
- 4) To suggest improvement in CSR programmes to be adopted by insurance companies.

#### **6. Research Methodology**

##### **Hypothesis**

CSR activities in private sector insurance companies are effective.

##### **Scope of the study**

The present study is confined to the city of Mysore in Karnataka state.

##### **Research design**

This is a descriptive cum exploratory study. Secondary data regarding private insurers, their core services and ancillary services are obtained from published and unpublished resources. Web data is also depended upon. Primary data is obtained for exploring perceptions of stakeholders. A structured pilot tested questionnaire was administered to a sample of 264 policy holders in the city of Mysore. Observation method is also adopted to witness the CSR activities kept in motion. Data collected is subjected to analysis by using SPSS 16 package. Tools of analysis are averages, ratios, simple frequencies, percentages and chi square tests. The interpretations are made under inductive basis.

#### **7. Limitations**

- 1) Primary data from the small sample size may not be true representation of population.
- 2) Secondary data used in the study may be inaccurate.
- 3) Interpretations made in this research work cannot be generalized.

## **8. Findings**

### **A BRIEF OVERVIEW OF CSR IN INSURANCE BUSINESS**

Insurance companies are the business houses in the service sector. They render the most important socially useful service of offering social and economic security through coverage of risks. They touch the human chord gently and give soothing effect to the aggrieved persons. They also provide investment portfolios to those who combine social security with economic empowerment. The recent developments in the socio-economic, legal and political environment there is heightened demand for manifestation of societal concern on the part of business houses. The insurers as businessmen need to coexist with the society through serving the society. For this purpose and also under the obligations under the law they are scheming CSR activities. Important CSR activities heralded by insurance companies include education for underprivileged children, support towards underprivileged citizens, promoting health care measures, contributing towards environmental conservation, rehabilitation programmes for beggars, rural development, self defense and health awareness workshops, infrastructure development and contributing towards social causes, sustainable livelihood and the like.

### **CSR BY PRIVATE INSURERS IN MYSORE CITY**

Mysore city with a population of 9.65 lakhs as per 2011 census is the second largest city in Karnataka district. This city was the capital city of Mysore state for quite sometime before naming Bangalore as capital city. During pre-independence period it was the capital city of wodeyars of Mysore. It has larger population belonging to middle class. It has well known educational institutions like University of Mysore, the second oldest University in Karnataka, Global Training Center of Infosys, Mysore Medical College, JSS Educational Institutions, Karnataka State Open University, Central Institute of Indian Languages, All India Institute of Speech and Hearing. There are eminent research institutes like Central Food Technology Research Institute, Defense food research laboratory, central sericulture research and training institute. Central Government institutes like RBI Printing Press, Rare Material Project (RMP) and post of nationalized bank branches are operating in Mysore city. Major industry houses like JK tyres, Falcon tyres, Automotive Axels, Triton walls, Reid and Taylors, TVS Motors are also working in the city and its peripheries. There is ample scope for private business houses to carry out CSR activities in the city. Some private business houses are making genuine efforts towards CSR. Donating to schools and colleges, supply of uniforms and books to children, development and maintenance of parks, contributing to road safety measures are ostensible in the city. The private insurers are showing their meek presence in this endeavor.

Demographic Profile: The demographic profile of the respondents is summarized and analyzed in table 1

TABLE:1 DEMOGRAPHIC PROFILE						
SL.NO	STATEMENTS					TOTAL
01.	Gender	Male	Female			264
	Frequency	186	78			
	%	70.5	29.5			
02.	Age	26-35	36-45	46-55		264
	Frequency	110	110	44		
	%	41.7	41.7	16.7		
03.	Education	PUC	Degree/ Diploma	Professional Course	Post Graduation	264
	Frequency	22	155	11	76	
	%	8.3	58.7	4.2	28.8	
04.	Occupation	Service	Professionals	Businessmen	Other	264
	Frequency	22	132	99	11	
	%	8.3	50.0	37.5	4.2	
05.	Time Period	1-5 years	6-10 years	11-15 years		264
	Frequency	110	133	22		
	%	41.7	50.4	8.0		

Sources: Primary Data

Highlights of demographic profile

2. Majority of the respondents are male comprising 70.5%
3. Majority of the respondents belong to the age group of 26-35 and 36-45 years.
4. Majority of the respondents comprising 58.7% have degree or diploma as their educational qualification
5. Half of the respondents comprising 50.0 % are professionals.
6. Majority of the respondents have 6-10 years insurance policy

### Perception analysis

The research team has made attempts to analyze the perceptions of general public through survey. Assertive statements enlisted below were included in the questionnaire and responses are recorded in measured scale using Likert's method for quantitative analysis. The statements are as under:

Statements:

- S1: Insurers are consciously discharging CSR activities.  
 S2: CSR activities of insurers are schemed properly.  
 S3: CSR activities are genuinely society oriented.

- S4: CSR activities are perceivably followed up after initiation.  
 S5: CSR activities are carried out with the co-participation of local community.  
 S6: End users of CSR are satisfied about the utilities there from.  
 S7: Local community won't hesitate in collaborating with insurers in CSR activities.  
 S8: There is no mismatch between CSR activities portrayed in media and actual scenario.  
 S9: Funding for CSR activities is never been complaint by the volunteers of the company at this site..  
 S10: Work progress in the direction of CSR stands testimony to the social commitment of the company.

Perception Analysis: The perception analysis of the respondents is summarized and analyzed in table 2

TABLE:2 PERCEPTION ANALYSIS												
STAT MEN TS	SA	%	A	%	NS	%	DA	%	SD	%	TOT AL	P VALUE
S1.	11	4.2	187	70.8	nil	nil	55	20.8	11	4.2	264	0.000
S2.	198	75.0	nil	nil	22	8.3	44	16.7	nil	nil	264	0.000
S3.	12	4.5	186	70.5	11	4.2	55	20.8	nil	nil	264	0.000
S4.	22	8.3	99	37.5	nil	nil	99	37.5	44	16.7	264	0.000
S5.	23	8.7	208	78.8	nil	nil	33	12.5	nil	nil	264	0.000
S6.	33	12.5	99	37.5	33	12.5	55	20.8	44	16.7	264	0.000
S7.	33	12.5	186	70.5	23	8.7	22	8.3	nil	nil	264	0.000
S8.	11	4.2	78	29.5	22	8.3	87	33.0	66	25.0	264	0.000
S9.	22	8.3	165	62.5	55	20.8	22	8.3	nil	nil	264	0.000

Sources: Primary Data-Survey and analysis.

Note: SA- Strongly Agree, A- Agree, NS- Not Sure, D- Disagree, SD- Strongly Disagree

#### Highlights of the perception analysis

- 70.8% of the respondents opine that insurers are consciously discharging CSR activities.
- 75% of the respondents strongly agree that CSR activities of insurers are schemed properly.
- 70.5% of the respondents agree that CSR activities are genuinely society oriented.
- 78.8% of the respondents agree that CSR activities are carried out with the co-participation of local community.
- 70.5% of the respondents agree that local community won't hesitate in collaborating with insurers in CSR activities.
- 37.5% of the respondents agree that end users of CSR are satisfied about the utilities there from.
- 37.5% of the respondents both agree and disagree that CSR activities are perceivably followed up after initiation.

- 62.5% of the respondents agree that funding for CSR activities is never been compliant by the volunteers of the company.

Chi square statistic P value is 0.000 in all 9 perception variables.

## 1. Discussion

CSR activities pave the way to business houses in reaching out to the inner social circles of the market. The present day market oriented economy advocates for societal orientation as one of the success formulae. Several business houses- both from public and private sector are effectively using this formula to carve out their niche in the market. Yet some business houses are still lagging behind in understanding the importance of CSR. The social political legal environment warrants all business houses to mark their presence in the society through CSR. Under these circumstances the present study was undertaken and focus was made towards exploring CSR activities by private insurers in Mysore. Among business houses in service sector perhaps insurance has occupied coveted position because it touches the human chord in a significant soothing way because there is indemnification of loss. People who get consolation while in distress respect such persons who console them at that time. Therefore the very nature of insurance business commands social significance. Moving one step ahead these insurers are sparing a portion of their profits towards CSR activities. The exploratory study conducted by the researchers has thrown open the perceptions of respondents drawn from the public about the CSR initiatives of private insurers. The primary data clearly reveal that private insurers are not lagging behind in exhibiting beginners' interest. They initiate CSR activities but with the same spirit they are not implementing and following them up. The inferences drawn as per the findings of table 2 uphold this view. Further, chi square test statistic p value maintaining 0.000 all through simply endorse that data are consistent. **Hence, the hypothesis "CSR activities in private sector insurance companies are effective" is partially proved.**

## 2. Suggestions

Following suggestions are made to the insurers' Government and the general public

- Private insurers are advised to decentralized the CSR activities and allocate funds at different centers rather than concentrating on few areas. These private insurers being big corporate are spending money in different place but not in all places. However, they are making profit from all places. Therefore researchers suggest them to reconsider the decisions and do favor in allocating funds for CSR at local levels.
- It is advisable to insurers to collaborate with NGOs and volunteers in carrying out CSR activities
- The enthusiasm shown at initiation stage need to be kept intact in implementation schedules and follow ups on the part of insurers.
- The Government shall coordinate CSR activities between companies NGOs and public.
- Public shall join hands with business houses in taking the CSR activities in a more effective manner.

### 3. Conclusion

Private insurers are in wholesome businessmen. Indeed they aim at making huge profits by keeping difference between premia collected and claims entertained. However, present socio-economic political and legal environment expects these business houses to be active in CSR. Truly, they are in to this programme but perceivably it s not whole hearted endeavor. They initiate CSR activities but lag behind in implementation and follow up. Further, they fail in identifying the real societal needs because most of the employees of private insurance companies maintain aristocracy and tend to remain isolated from society common man. Therefore, the public opinion is obviously moderate towards these companies as much as CSR is concerned. The research team expects positive change among insurance Government and public as per the suggestions noted above to make insurance business really society oriented and successful.

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