ISSN 2320 – 2939 (Print) Vol 2 No.1
Acme Intellects International Journal of Research in Management, Social Sciences & Technology
& Department of Studies and Research in Business Administration, Tumkur University, Tumkur.
National conference On 'Indian Insurance Sector: Innovation, Sustainability and Social Impact' held on 22nd Nov 2014
Reforms through Research

Corporate Social Responsibility Initiatives of Insurance Companies-An Empirical Study

By

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Abstract

Social responsibility represents a relatively recent concept within the business communities, which promotes the idea of the companies' voluntary involvement in activities that are not immediately intended to make a profit. Thus, we should underline here the voluntary character of the trading companies' participation in a series of cultural, sports, economic, or other types of actions that all bring benefits to different categories of the population, and not immediate gains to those who performed them. Consequently, those social activities that are implemented and developed because of some external pressure (a court order, for example), do not fit into the category of "social responsibilities". Another important aspect regarding the phenomenon of the companies' social responsibility refers to the necessity that, before taking major decisions, the managers also analyze the social consequences of such decisions, in order to minimize the negative impact, and to maximize the positive results. More specifically, the analysis and decision-taking procedures should value as much as possible as many social aspects as possible.

Currently the experts on the matter have contradicting opinions of what the process of the companies' social responsibility exactly implies, and what, in fact, the roles of a trading company are: are they exclusively some economic entities whose only purpose is to generate profit for their shareholders, or rather social-economic entities that should also apparently selflessly contribute to the wellbeing of society in general.

Keywords: CSR, Corporate Social responsibility, companies, insurance

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1. Introduction: The Dictionary of Business and Finance states that "Insurance is a form of contract or agreement under which one party agrees in return for a consideration to pay an agreed amount of money to another party to make good for a loss, damage, or injury, to something of value in which the insured has a pecuniary interest as a result of some uncertain event". Thus, insurance is a contract whereby one party, in consideration of certain sum of money, called premium, undertakes to indemnify another party against any loss or to pay to that party an agreed sum of money on the happening of a certain event. Insurance, in Law and Economics, is a form of risk management primarily used to hedge against the risk of a contingent loss.

Insurance is nothing but the equitable transfer of the risk of a potential loss, from one entity to another, in exchange for a premium. Any asset has a value for its owner and also for those who are benefited with the existence of that asset. Insurance is concerned with the protection of economic value of the assets. Examples-A house, a car, life has value. Assets are insured, as they are likely to be lost or made non-functional through an accidental occurrence. Insurance does not protect the assets. It only compensates, may not be fully, the economic or financial loss resulting to the asset from such damage or destruction. Every asset has normally an expected lifetime. During this period, it is expected to perform and provide income to the owner. The owner, being aware of this, plans the things in such a way that by the time the expected lifetime of the asset expires, he is ready with the funds required for its replacement. In this way, he ensures that the value or income from the asset is not lost. (Sahoo,2009)

People express risk in different ways. To some, it is the chance or possibility of loss, to others, 'its may be uncertain situations or deviations or what statisticians call dispersions from the expectations. Different authors on the subject have defined risk differently. However, in most of the terminology the term risk includes exposure to adverse situations. The indeterminateness of outcome is one of the basic criteria to define a risk situation. Also, when the outcome is indeterminate, there is a possibility that some of them may be adverse and therefore need special emphasis. (Gupta, 2008)

Definition of the Corporate Social Responsibility:

a) According to classical economic thinking (which first appeared around the 18th century), short-term profit should represent the trading companies' only concern. And, of course, this could have only be accomplished, in most cases, if the products and services of one company or another had met the society's needs to a sufficient extent. According to Adam Smith, the father of classical economic thinking, that "invisible hand" that promoted public wellbeing was at work here; more specifically, Smith considered that general welfare was a final state that was implicitly attained under the conditions of a competitive economy, within which every company exclusively attempts to look after its own interests (i.e. making a profit). In conclusion, according to this concept, making short-term profits and the companies' social responsibility are one and the same.

b) A different approach is suggested by the so-called social-economic model, according to which the companies represent a sub-system, along with many others, within a complex social-economic system. The supporters of this opinion consider that besides a company's shareholders (who are mostly interested in the company's profits), there are many other categories or groups of people with different (sometimes divergent) expectations from the business environment; here we may include current and former employees, company's creditors, suppliers, competitors, public institutions, nonprofit organizations, that is the entire society. Thus, there are companies (which especially operate in the area of goods production) that periodically perform complex analyses of all the entities that might be affected (positively or negatively) by the respective company's operations, also studying the actual impact that every situation would have.

2. Literature Survey:

Imperativeness of corporate social responsibility: Business, which historically has traded in financial and human capital, suddenly found itself as the chief repository of social capital (Hanifan, 1916; Putnam, 2000)—the connection, reciprocity, and trust that bind society rather than separate it through power, hierarchy, and competition (Kohn, 1986). It is not clear that it was a job that the corporate world wanted or ever knowingly signed on for (Marchand, 1998), although there are many cases of corporations and other business organizations assuming the role with a variety of motives. Today no CEO worth his or her salt would fail to recognize the moniker corporate social responsibility (CSR), or business social responsibility, and most have a plan for it. And yet the paradoxical, even oxymoronic quality of this assignment for social stewardship remains.(May, 2007)

Deetz (1992) is one of many who argue that the corporate sector has become the "primary institution in modern society, overshadowing the state in controlling the direction of individual lives and influencing social development" (p. 17). This "colonization" of the contemporary life world (see, e.g., Boggs, 2000; Deetz, 1992; Habermas, 1984, 1987; Morgan, 1986; Perrow, 2002; Schiller, 1995) has replaced "religious, familial, educational, and community institutions in the production of meaning, personal identity, values, knowledge, and reasoning" (Deetz, 1992, p. 17).

First, J. Roberts (2003) reminds us that "the corporation is an idea, an imaginary entity, without substance or sensibility and therefore incapable of anything like responsibility. Instead, corporate responsibility will always depend upon people using their frail and vital sentience and following the path that this assigns" (p. 263). Thus, we come to regard organizations, as McMillan and Hyde (2000) argue, by the collective actions that human beings take and the words they make: "Not only do organizations 'act' in ways that character-ize them, we also come to know them by what they say (and do not say)" (p. 38). And this "doing" and "saying" is no small thing in that it constructs a group's legitimacy and ultimately its survival (Katz & Kahn, 1978). The strength of that legitimacy is one thing when prospective customers are deciding to do business with a company or to purchase its product; it is quite another when the company assumes the moral authority to oversee the construction of the "good life" for the planet and its inhabitants (Boyd, 2000; Coombs, 1992; Suchman, 1995). (May, 2007)

3. Research Methodology: An empirical study was conducted through questionnaires and 67 respondents replied to the questions posed. Respondents, as representatives of the general public, were asked regarding the different ways of CSR they expect from the Insurance Companies and their answers elicited were analysed. Insurance Companies here mean Life and Non-life Companies.

The following parameters of CSR were expected by respondents from their Insurance Companies. They are, environmental initiatives, community activities, human resource activities, disaster relief activities, investment initiatives in new sectors, corporate governance initiatives and legal initiatives.

4. Analysis and findings: The tables below exhibit the profile of the respondents.

Table One depicting the age of respondents:

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	< 30 Years	14	20.9	20.9	20.9
	30 -39 years	19	28.4	28.4	49.3
	40-49 years	23	34.3	34.3	83.6
	> 50 years	11	16.4	16.4	100.0
	Total	67	100.0	100.0	

Fourteen respondents are below 30 years, nineteen are between 30 and 39 years, twenty three are between 40 and 49 years and eleven respondents are above the age of fifty.

Table Two depicting the gender of respondents:

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	36	53.7	53.7	53.7
	Female	31	46.3	46.3	100.0
	Total	67	100.0	100.0	

Thirty six respondents are male and thirty one respondents are female.

Table Three depicting the educational background of respondents:

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	< Degree	18	26.9	26.9	26.9
	Degree	33	49.3	49.3	76.1
	Post Graduation	16	23.9	23.9	100.0
	Total	67	100.0	100.0	

Eighteen respondents are not Degree holders, thirty three hold a Degree and sixteen respondents hold a Post Graduate Degree among the respondents studied.

Table Four depicting the work experience of respondents:

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	< 10 years	14	20.9	20.9	20.9
	Between 10 and 20 Years	28	41.8	41.8	62.7
	Between 20 and 30 Years	20	29.9	29.9	92.5
	> 30 years	5	7.5	7.5	100.0
	Total	67	100.0	100.0	

The respondents studied all held different jobs, out of which, fourteen respondents had less than ten years of experience, twenty eight had experience between ten and twenty years, twenty respondents between 20 and 30 years, and five respondents had an experience of more than thirty years.

Analysis of the study:

Reliability Statistics

Cronbach's Alpha	N of Items
.987	7

The Cronbach's Alpha for the seven responsibilities studied was 0.987, and therefore the data collected was considered reliable as it indicated high reliability.

The Hypothesis that "These initiatives of Corporate Social Responsibility are expected to be taken up by the Insurance Companies that they have invested in" tested positive through the Chi Square test. 36.415 was the Table value for a degree of freedom of 24, whereas the calculated value for the Null Hypothesis was 39.43, and therefore the Alternative Hypothesis was accepted. This proved that the respondents expected the Insurance Companies to perform the initiatives mentioned.

Further, the Factor Analysis was initiated. The KMO and Bartlett's Test value was 0.807, indicating the suitability of the factor analysis.

Out of the following factors of environmental initiatives, community activities, human resource activities, disaster relief activities, investment initiatives in new sectors, corporate governance initiatives and legal initiatives, the factor analysis indicated the selection of four activities as more significant than the others. The chosen factors were, environmental activities, community activities, human resource activities and corporate governance activities.

3. Findings:

1) The general public expects Insurance Companies to be active in Corporate Social Responsibility initiatives such as environmental initiatives, community activities, human resource activities, disaster relief activities, investment initiatives in new sectors, corporate governance initiatives and legal initiatives.
2) Out of these initiatives, the most preferred are environmental activities, community activities, human resource activities and corporate governance activities.

4. Conclusion:

Insurance Companies share the risk and the burden of financial responsibility of the general public. Initially the expectations of people, was not surmountable to the premium paid. Currently, it has been found that the general public has expectations of Corporate Social Responsibility from the Insurance Companies.

Therefore the recommendations of this study are that Insurance Companies involve themselves actively in conducting Corporate Social Responsibilty initiatives, especially environmental activities, community activities, human resource activities and corporate governance activities.

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