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Evaluating the Factors Influencing Corporate Social Responsibility in the Nigerian Insurance Industry

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ABSTRACT: This study examines the factors influencing corporate social responsibility (CSR) in the Nigerian insurance industry. Previous research studies have shown that corporate social responsibility can be used as a corporate strategy by companies to gain competitive advantage. The population of study covered five major insurance companies in Nigeria and purposive sampling technique was adopted to select ten (10) respondents from each company totalling fifty (50) respondents in all. Multiple regression analysis was used to analyse the data with the aid of the Statistical Package for the Social Sciences (SPSS) version 22. The result from the analysis indicated financial capacity, public opinion, government regulation and socially responsive management do not significantly influence the adoption of corporate social responsibility in the Nigerian insurance industry.

Keywords: CSR, competition, charity principle, stewardship principle, philanthropy, volunteerism.

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INTRODUCTION

Corporate social responsibility (CSR) refers to the social performances that organizations undertake in order to show accountability for their actions that affect people, their communities and their environments. The social responsibility function of business is attributable to two distinct features of a modern corporation: (1) the obligations to the various stakeholders, and (2) the immense influence it has on the lives of the stakeholders. (Post, Lawrence and Weber, 1999). Corporations create jobs, enhance community well-being and standard of living, provide tax revenues for local, state and federal services and much of the social infrastructure for use by all members of the society.

Adeyemo, Oyebamiji and Alimi, (2013) see CSR as a major weapon to achieve success in a globally competitive environment. Many reasons can be adduced by firms engaging in socially responsive behaviours such as: to build, maintain or improve corporate reputation (Adams, 2002; Bichta, 2003; Navickaite and Juozas, 2007), or simply to enhance the marketing effort of the corporations goods and services (Solomon and Lewis, 2002). Adams, (2002) hints of internal organization factors affecting corporate social responsibility to include, size of the organization, industry group, financial/ economic performance, share trading volume, share price and risk. The researcher also opines that contextual factors such as country of origin, time, specific events, media pressure, stakeholders, social, political, cultural and economic dimensions equally impact strongly on CSR. As a key to business success, researchers believe that CSR enhances competitive advantage (Adegoyega and Taiwo, 2011; Greening and Turban, 2000; Fombrun, Gardberg and Barnett, 2000).

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There has been growing agitation for compensation and infrastructural development among communities devastated by the activities of multinational corporations in the Niger Delta region of Nigeria. This has drawn the attention of corporate executives and managers as well as other stakeholders in different sectors of the economy as to why businesses need to be more socially responsible. These corporate leaders are however aware that business norms and standards, corporate culture, regulatory frameworks, and stakeholders' demands for corporate social responsibility vary considerably across regions and lines of business (McWilliams, Siegel and Wright, 2006). Corporate social responsibility consists of the economic, legal, ethical and discretionary responsibilities of companies towards their different stakeholders (Maignan and Ferrell, 2000).

Statement of the problem

Most research efforts carried out in Nigeria on corporate social responsibility (CSR) have tended to focus on the activities of multinational oil corporations and the manufacturing sector. Such theoretical and empirically oriented studies have concentrated on the relationship between CSR and corporate financial performance (Campbell, 2007; Rowley and Berman, 2000). There has been no serious attention paid to the factors influencing corporate social responsibility as well as corporate performance (Galbreath, 2010). Moreover, research efforts in the Nigerian insurance industry have generally focused on industry financial performance without much attention paid to corporate social responsibility. This research is therefore intended to fill this gap by examining the factors that drive corporate social responsibility (CSR) in the Nigerian insurance industry.

Aim and Objectives of the Study

The aim of this research is to evaluate the major factors that influence corporate social responsibility in the Nigerian insurance industry. But specifically, the study intends to:

a. examine if financial performance influence corporate social responsibility in the Nigerian insurance industry;
b. identify the extent to which government regulation drive corporate social responsibility in the insurance;
c. determine how public opinion influences corporate social responsibility in the Nigerian insurance industry;
d. examine if socially responsive management is driving corporate social responsibility in the insurance industry;
e. to identify the factor that contributes the most to corporate social responsibility in the Nigerian insurance industry.

Research Questions

To address the research objectives, the following research questions were asked:

a. Does the insurance industry's financial performance influence any form of corporate social responsibility?
b. Is there any evidence that government regulation of the insurance industry influences corporate social responsibility?
c. To what extent does public opinion affect corporate social responsibility in the Nigerian insurance industry?
d. Is socially responsive management driving corporate social responsibility in the Nigerian insurance industry?
e. Which attribute of CSR (financial performance, government regulation, public opinion and socially responsive management) contribute the most to CSR in the Nigerian insurance industry?

Research Hypotheses

In line with the research questions the following hypotheses were formulated:

a. Financial performance of an insurance company does not significantly affect its corporate social responsibility activities.

b. Government regulation of the insurance industry has no significant influence on its corporate social responsibility.
c. Public opinion is not a significant determinant of corporate social responsibility in the Nigerian insurance industry.
d. Socially responsive management is not significant in determining corporate social responsibility in the Nigerian insurance industry.
e. There is no relative contribution of the predictors (financial performance, government regulation, public opinion, and socially responsive management) to the criterion variable (Corporate social responsibility).

Conceptualizing Corporate Social Responsibility

The concept of corporate social responsibility has no single universally accepted definition. Many researchers on the subject have defined it in line with what they believe constitute a firm's social responsibility (Kenneth, Bongo & Olufemi, 2010). Baron (2001) maintains that CSR is an ill and incompletely defined concept. For instance, Magnan and Ferrel, (2000) define corporate social responsibility as actions of firms carried out to meet the economic, legal, ethical, and discretionary responsibilities that are imposed on them by their stakeholders. Carol (1979) argues that CSR is a construct with four main components: economic responsibility to the investors and consumers, legal responsibility to the government, ethical responsibility to the society, and discretionary responsibility to the community. In a similar manner, McWilliams and Siegel, (2001) define corporate social responsibility as an action that is performed to further some social good beyond the interest of the firm above that which is required by law. Dahlsrud (2008) however conducted an analysis of different definitions and concluded that CSR is the practice through which a firm tries to improve its actions concerned with the five organizational dimensions: stakeholders, social, economic, voluntariness, and environmental.

Principles of Corporate Social Responsibility

Corporate social responsibility (CSR) is predicated on two major principles which are the charity and stewardship principles. The charity principle is tantamount to philanthropy or the idea that wealthier members of the society should be charitable towards the less fortunate ones (Post et al., 1999). This principle usually takes the form of rendering assistance to needy members of society and may include medicare for the elderly or sick persons who cannot afford medical bills, home for the homeless, jobs or financial assistance for the jobless and food for the hungry. Corporate philanthropy recognizes that business and society are intertwined and therefore, owes a duty to assist vulnerable members of society. The stewardship principle on the other hand is based on the agency theory which sees corporate executives as trustees or stewards who act in the general public's interest. This principle holds that apart from making profits for shareholders, the organization owes the society a duty of care and must therefore use part of the vast resources at their disposal for the benefit of the society. The stewardship principle, therefore, believes that business, acting as a public trustee, should consider the interests of all persons affected by the activities, policies and decisions made by the organization.

Corporate Social Responsibility in the Nigerian Insurance Industry.

The Nigerian insurance industry has not performed much in terms of corporate social responsibility as most of the policies and strategies of industry players do not incorporate CSR activities. Many Nigerian companies implement CSR programmes as mere window dressing (Adeyemo *et al*., 2013). Moreover, most Nigerian citizens do not even know that

Table 1: Historical Development of Corporate Social Responsibility

Period	Source	Concept	Focus
Early 1920s	Sheldon,1924	"The cost of building the kingdom of heaven will not be found in the profit and loss account of industry, but in the record of every man's conscientious service".	Ethical Management
Late 1930s	Bernard, 1938	"Analysis of the economic, legal, social, moral and physical aspects of business environment".	Multiple aspects
Mid 1940s	Simon, 1945	"Organizations must be responsible to community values"	Community relations
1950s	Drucker, 1954 & Selznik, 1957	"Corporate responsibilities as an obligation to pursue those policies, to make decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society"	Social obligation
1960s	Davis, 1960	"Social responsibilities of businesses arise from the amount of social power that they have"	Corporate constitutionalism
	Friedman, 1962	The social responsibility of business is to increase its profits	The shareholder
1960s	Walton, 1967	"Social responsibility recognizes the intimacy of the relationship between the corporation and society and realizes that such relationships must be kept in mind by top managers as the corporation and the related groups pursue their respective goals.	Elements of CSR
1970s	Friedman, 1970	CSR is indicative of self-serving behaviour on the part of managers, and thus conflicts to shareholder benefits	Agency theory
1980s	Jones, 1980	CSR as "the notion that corporations have an obligation to constituent groups in society other than shareholders and beyond that prescribed"	Social obligation
1990s	Fombrum & Shanley, 1990	Companies should consider CSR as an element of corporate strategy	Strategic CSR
	Costin, 1999	CSR as the basic expectations of the company regarding initiatives that take the form of protection of public health, public safety, and the environment	Initiative view
21st C	Matten & Crane, 2005	"Corporate citizenship describes the role of the corporation in administering citizenship rights for individuals"	Corporate citizenship
	Lindfelt & Tornroos, 2006	At corporate level, ethics includes issues on the sustainability of finances, the environment and society	Sustainability
	Meehan et al., 2006	Three elements are: ethical and social commitments, connection with partners in the value network, and consistency of behaviour overtime to build trust.	3C-SR Model

Source: Lei (2011)

companies need to give back to society hence anytime they do something that looks 'big' for the society, the company is eulogized as being caring and philanthropic (Fombrum, 2005). In the same vein, Osemene (2012) believes that most CSR activities undertaken by Nigerian firms are mere marketing campaigns to promote brand image. Olowokudejo, Aduloju and Oke (2011) in their research finding establish a positive relationship between CSR activities and organizational effectiveness in the Nigerian insurance industry.

MATERIALS AND METHODS

Research Design

A quantitative design was adopted based on the positivist philosophy and a survey strategy was applied. A cross-sectional system of data collection was used for the purpose of this study as there was no attempt to manipulate the variables of the research.

Population of the Study

The population of the study is the employees of all insurance companies in Nigeria. Asika (1991) posits that the population of any research is the census of all items or subjects that possess the characteristics or that have knowledge of the phenomena being studied.

Sample Size/Sampling Technique

For the purpose of this study, convenience sampling technique was employed to choose five insurance companies in Lagos. Fifty (50) members of staff in senior management positions who were deemed to be familiar with issues relating to corporate social responsibility were selected from the five insurance companies. Ten members of staff were selected from each of the five companies using purposive sampling technique to reach those that the researcher felt were the ideal respondents for the study questionnaire.

Data Collection Instrument

Primary data were obtained by using a structured questionnaire to gather relevant data from respondents. The data collected relate to how financial performance, government regulations, public opinion, and socially responsive behaviour influence CSR. Rating questions were used to collect data from senior executives relating to their knowledge, opinion and participation in CSR activities in their respective organizations. Rating questions most often use the Likert- style rating in which the respondent is asked how strongly he or she agrees or disagrees with a statement (Saunders, Lewis, & Thornhill, 2012; Dillman, 2009).

Method of Data Analysis

Data were analysed using frequency distribution and percentages to obtain relevant data for correlation and multiple regression analysis. SPSS version 22 software was used for data analysis.

The equation for multiple regression analysis for the study is given thus:

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + e$$

where Y = Corporate social responsibility, X_1 = financial performance, X_2 = government regulation, X_3 = public opinion, and X_4 = socially responsive management.

α represents the intercept which predicts the value of Y if X = 0.

$\beta1 - \beta5$ represent the regression coefficients.

e is the error term or the part of Y not explained by X.

RESULTS

Table 2a shows the model summary of the regression analysis. A strong positive relationship exists among the variables of the study as indicated by R= .615 and R^2 = .378 shows the amount of variability in the dependent variable explained by the predictor variables. Durbin-Watson of 2.26 is indicative of the appropriateness of the model though the significance level (p =.190) indicates that the independent variables of study probably do not influence the adoption of corporate social responsibility in the Nigerian insurance industry.

Table 2b is the Pearson Correlation matrix showing the *rs* between all the variables. For instance, corporate social responsibility (CSR) is strongly positively correlated with public opinion (PO) at r =.53 and p < .05.; weakly positively correlated with financial capacity (FC) at r = .13 and p> .05; but negatively correlated with socially responsive management (SRM) at r = .50, p> .05; negatively correlated with government regulation (GR) r = -.25, p >.05

Socially responsive management (SRM) is positively correlated with government regulation (GR) r =.511, and significant (p< .05). However, SRM is negatively correlated with financial capacity (FC) (r = -.313 and p > .05). SRM is also negatively correlated with public opinion (PO) at r = -.501 and p < .05). SRM is negatively correlated with corporate social responsibility (CSR) at r = -.504 and p < .05.

Financial capacity (FC) is weakly positively correlated with CSR; r =.13, p >.05; GR; r = .10 and p> .05; PO; r = .20, p>.05.

Public opinion (PO) is positively correlated with CSR at r=.53, p<.05; weakly positively correlated with FC, r = .20 and p>.05; GR at r = .07, and p> .05; negatively correlated with SRM, r = -.50 and p< .05.

Government regulation (GR) is positively correlated with SRM r = .511, and Sig. =.02; positively correlated with FC, r = .10 and p>. 05; PO at r = .07, and p>.05; negatively correlated with CSR at r =.- 29, and p <.05.

Table 2c shows the regression coefficients with only public financial capacity with positive β =.452 and .007 respectively. Both government regulation and socially responsive management show negative β as -.189 and -.179 respectively. All four variables display no significance as determinants of corporate social responsibility as the all have p >.05.

With the level of significance exhibited by all predictor variables in the regression analysis in Table 2c, p>.05 it is therefore inferred that all hypotheses from one to five are accepted. This means that the predictor variables, financial performance, public opinion, government regulation and socially responsive management do not influence the adoption of corporate social responsibility in the insurance industry.

Table 2c shows the beta coefficients for each predictor. The standardized coefficients are used because they present a fair view of the weights. Financial capacity (FC) is .007; Public opinion (PO) is .452; Government regulation (GR) =-.189 and socially responsive management (SRM) = -.179.

Table 2a: Model summary of the regression analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.615[a]	.378	.170	14.946	.378	1.821	4	12	.190	2.262

a. Predictors: (Constant), Socially responsive management, Financial capacity, Public opinion, Government regulation
b. Dependent Variable: Corporate social responsibility
Source: SPSS V. 22 (Author's computation, 2017).

Table 2b: Correlations among variables

		Corporate social responsibility	Financial capacity	Government regulation	Public opinion	Socially responsive management
Pearson Correlation	Corporate social responsibility	1.000	.134	-.248	.530	-.504
	Financial capacity	.134	1.000	.100	.198	-.313
	Government regulation	-.248	.100	1.000	.070	.511
	Public opinion	.530	.198	.070	1.000	-.501
	Socially responsive management	-.504	-.313	.511	-.501	1.000
Sig. (1-tailed)	Corporate social responsibility	.	.304	.168	.014	.020
	Financial capacity	.304	.	.352	.223	.110
	Government regulation	.168	.352	.	.395	.018
	Public opinion	.014	.223	.395	.	.020
	Socially responsive management	.020	.110	.018	.020	.
N	Corporate social responsibility	17	17	17	17	17
	Financial capacity	17	17	17	17	17
	Government regulation	17	17	17	17	17
	Public opinion	17	17	17	17	17
	Socially responsive management	17	17	17	17	17

Table 2c: Coefficients of the regression analysis

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
1 (Constant)	20.936	14.502		1.444	.174	-10.660	52.532
Financial capacity	.011	.422	.007	.027	.979	-.907	.930
Government regulation	-.229	.379	-.189	-.605	.556	-1.054	.596
Public opinion	.436	.283	.452	1.538	.150	-.182	1.053
Socially responsive management	-.213	.442	-.179	-.483	.638	-1.175	.749

a. Dependent Variable: Corporate social responsibility

The regression equation is therefore given as:

Y (CSR) = .007 (FC) - .189 (GR) + .452 (PO) - . 179 (SRM).

DISCUSSION

The purpose of this study was to determine the factors that influence the adoption of corporate social responsibility in the Nigerian insurance industry. The correlation analysis indicated a strong positive relationship between corporate social responsibility and public opinion $r = .53$ and with $p < .05$. Thus only public opinion tends to induce CSR activity in the Nigerian insurance industry. CSR in also weakly positively correlated with financial capacity $r = .13$ and $p > .05$. But CSR is negatively correlated with government regulation and socially responsive management.

In line with the findings of previous studies (Olowokudejo *et al*., 2011, Osemene, 2012, Adeyemo, et al, 2013), most Nigerian firms only conduct CSR as a mere window dressing or brand image laundering. This phenomenon is worse among the insurance industry practitioners where corporate social responsibility is relatively unknown. Even a company like Staco Insurance Plc that feigns CSR is actually more into image laundering by joining other companies in sponsoring football tournaments as an opportunity to place advertisements that are likely to be seen by a large audience. This is neither corporate philanthropy nor stewardship. In a nutshell, the insurance industry in Nigeria has contributed little or nothing to corporate social responsibility. The little effort they appear to make in this direction is mere window dressing and not CSR in the real sense.

CONCLUSION AND RECOMMENDATIONS

Findings from this study indicate that the insurance companies in Nigeria are not engaged in corporate social responsibility in the real sense. Instead, the sponsorship of events which some of the companies occasionally engage in is mere window dressing or brand image laundering. It is noteworthy that officials of some of the companies that were sampled for the study do not even understand the concept of CSR.

Public opinion and financial capacity which are the only factors that tend to influence CSR do not even appear significant enough in the Nigerian insurance industry. Other factors such as government regulation and socially responsive management show negative influence on CSR in the Nigerian insurance industry. This appears to imply that the government does not take the issue of corporate social responsibility seriously. Consequently, captains of insurance industry pay lip service to issues of CSR.

Recommendations

Based on the findings of this research, the following recommendations are made.

i. That the Nigerian insurance industry should tap into the non-monetary benefits of CSR to improve their image and performance
ii. The issue of corporate social responsibility should be included as part of corporate strategy so as to give back to society part of the profits it generates from the society.
iii. Government should make social responsibility compulsory for corporate bodies employing more than two hundred staff.
iv. Tax incentives should be used to encourage corporate social responsibility.

Suggestion for Further Research

This study was limited to only five insurance companies in Nigeria. More research that will involve more insurance companies needs to be carried out to validate or reject the result of this study.

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