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Corporate Social Responsibility in Life Insurance

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ABSTRACT

CSR activities started in India by late 1990's and today have become a medium for most Indian corporate to inclusive growth of Indian society. Life insurance sector of India has also made momentous contribution towards corporate social responsibility. Aviva, a life insurance firm have launched 'STREET TO SCHOOL' to educate the underprivileged students. LIC has initiated CSR schemes like Micro insurance, Gift Drishti, Janshree Bima Yogna, Shiksha Sahyog, Golden jubilee foundation e.t.c, as part of their corporate social responsibility drive. Likewise, CSR initiatives viz, Swabhiman scheme of HDFC, Udaan of HSBC, Mobile Medicare (MMU) of India first insurance, Pan India immunization of Max life insurance have noticeably contributed to the welfare of Indian society. The aim of present paper is to study the conceptual framework of corporate social responsibility. The paper as well highlights the CSR initiatives undertaken by the different life insurance companies operating in India. The paper is based on secondary data collected from different sources and websites. The paper concludes that life insurance sector of India has taken a number of initiatives for corporate social responsibility, LIC, being the prominent initiator.

KEYWORDS : Corporate social responsibility, CSR initiatives, Life insurance

Introduction

Corporations around the world are struggling with a new role, which is to meet the needs of the present generation without compromising the ability of the next generations to meet their own needs. Organizations are being called upon to take responsibility for the ways their operations impact societies and the natural environment. They are also being asked to apply sustainability principles to the ways in which they conduct their business. *Sustainability* refers to an organization's activities, typically considered voluntary, that demonstrate the inclusion of social and environmental concerns in business operations and in interactions with stakeholders (van Marrewijk & Verre, 2003). It is no longer acceptable for a corporation to experience economic prosperity in isolation from those agents impacted by its actions. A firm must now focus its attention on both increasing its bottom line and being a good corporate citizen. Keeping abreast of global trends and remaining committed to financial obligations to deliver both private and public benefits have forced organizations to reshape their frameworks, rules, and business models. To understand and enhance current efforts, the most socially responsible organizations continue to revise their short- and long-term agendas, to stay ahead of rapidly changing challenges. In addition, a stark and complex shift has occurred in how organizations must understand themselves in relation to a wide variety of both local and global stakeholders. The quality of relationships that a company has with its employees and other key stakeholders—such as customers, investors, suppliers, public and governmental officials, activists, and communities—is crucial to its success, as is its ability to respond to competitive conditions and corporate social responsibility (CSR).

Objectives:

1. To develop the conceptual framework of corporate social responsibility.
2. To emphasize the importance of corporate social responsibility.
3. To elucidate the attitude of companies towards the corporate social responsibility.
4. To highlight CSR initiatives by life insurance sector in India.

Evolution of definitional construction

The concept of Corporate Social Responsibility (CSR) evolved in the 1920s; however, due to the Great Depression and World War II, it botched to become a serious topic amongst business leaders until the 1950s. CSR found itself in the limelight in 1951 when Frank Abrams, chairman of the board for Standard Oil of New Jersey, published an article in *Harvard Business Review* where he stated that is was business' obligation: to conduct the affairs of the enterprise to maintain an equitable and workable balance among the claims of the various stakeholders, a harmonious balance among stockholders, employees, customers, and the public at large (Frederick, 2006). In 1953, Howard Bowen made the first momentous scholarly contribution by publishing the book, *The Social Responsibilities of the Businessman*. Here he proposed the CSR definition as "the obligations of business to pursue those policies, to make those decisions or to follow those lines of action which are desirable in terms of the objectives and values of our society (Bowen, 1953)." Carroll (1979) developed the corporate social performance (CSP) model whereby CSR, social issues and corporate social responsiveness were considered the leading philosophy for corporations to behave in a socially responsible manner. Archie Carroll is widely appreciated amongst CSR scholars for his contribution of a four-part definition of CSR. First, consistent with the capitalist economic view, a corporation must generate profits in order to operate. The corporation must also abide by the laws within the countries that it operates. Carroll believed that operating legally was not sufficient and that corporations have an obligation to society to act ethically as well. The fourth part of the definition also relates to the importance of societal impacts, which he referred to as discretionary responsibilities such as philanthropy. Yet even with the definition Carroll proposes, he realizes that it is ambiguous (Masaka, 2008). During the 1980's, the role of stakeholders rose to prominence in the CSR debate due to contributions by leading academics such as Peter Drucker (Lee, 2008). The view that stakeholders' importance to corporations compared to shareholders was a contradiction to Nobel laureate Milton Friedman's philosophy that "there is only one responsibility of business, namely to utilize its resources and engage in activities intended to increase its profits (Friedman, 1970)." The International Standards Organization (ISO) has produced an international standard for the social responsibility of private (corporate) and public sector organizations. ISO 26000 establishes seven core subjects of social responsibility, all of which are parts of most current CSR definitions:

- Organizational governance
- Community involvement and development
- Human rights
- Labor practices
- The environment
- Fair operating practices
- Consumer issues

Concept of corporate social responsibility

"Social responsibility (is the) responsibility of an organisation for the impacts of its decisions and activities on society and the environment

through transparent and ethical behaviour that is consistent with sustainable development and the welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behaviour; and is integrated throughout the organisation." Working definition, ISO 26000 Working Group on Social Responsibility, Sydney, February 2007 Corporate social responsibility (CSR) is also known by a number of other names. These include corporate responsibility, corporate accountability, corporate ethics, corporate citizenship or stewardship, responsible entrepreneurship, and "triple bottom line," to name just a few. As CSR issues become increasingly integrated into modern business practices, there is a trend towards referring to it as "responsible competitiveness" or "corporate sustainability."

Carroll's Pyramid of Corporate Social Responsibility

One way to view corporate social responsibility is through Carroll's pyramid, which he claims presents the concept such that social responsibility will be accepted by a conscientious business person. There are four kinds of social responsibility—economic, legal, ethical, and philanthropic which can be depicted in a pyramid, as presented in Figure 1.0. Carroll contends that all of these responsibilities have always existed to some degree, but ethical and philanthropic responsibilities have become significant only in recent years. Economic responsibilities relate to business's provision of goods and services of value to society. Profits result from this activity and are necessary for any other responsibilities to be carried out. It is assumed that corporations will be as profitable as possible, maintain a strong competitive position, and maintain a high level of operating efficiency. These are responsibilities that the corporation "must do" and the key stakeholders are shareholders, creditors, and consumers.

Fig.1.0



Source: This article was published in *Business Horizons* journal, July/August 1991 by Archie Carroll, "The Pyramid of Corporate Social Responsibility,"

Significance of Corporate Social Responsibility

"We are committed to creating economic value, but we are not indifferent to how we do it. ... Progressive businesses are gaining competitive advantage by responding to societal signals. ... We prosper by helping society to prosper."Idar Kreutzer, CEO Storebrand, 2005

"We believe that the leading global companies of 2020 will be those that provide goods and services and reach new customers in ways that address the world's major challenges including poverty, climate change, resource depletion, globalization, and demographic shifts." Niall Fitzgerald, former CEO & Chairman, Unilever.

Businesses are an integral part of the communities in which they operate. Good executives know that their long-term success is based on continued good relations with a wide range of individuals, groups and institutions. Smart firms know that business can't succeed in societies that are failing—whether this is due to social or environmental challenges, or governance problems. Moreover, the general public has high expectations of the private sector in terms of responsible behaviour. Consumers expect goods and services to reflect socially and environmentally responsible business behaviour at competitive prices. Shareholders also are searching for enhanced financial performance that integrates social and environmental considerations, both in terms of risk and opportunities. Governments, too, are becoming aware of the national competitive advantages to be won from a responsible business sector. At the same time, leading industry associations, such as the World Business Council for Sustainable Development, have also suggested that countries as well as companies might gain a competitive advantage from corporate social responsibility.

World Economic Forum & CSR

The World Economic Forum has recognised the importance of corporate social responsibility by establishing the Global Corporate Citizenship Initiative. The Initiative hopes to increase businesses' engagement in and support for corporate social responsibility as a business strategy with long-term benefits both for the companies themselves as well as society in general. At the Forum's Annual Meeting 2002, the Initiative launched a joint CEO statement, *Global Corporate Citizenship: The Leadership Challenges for CEOs and Boards*. This joint statement recommends a framework for action that business executives can use to develop a strategy for managing their company's impact on society and its relationships with stakeholders. . This statement was endorsed by the CEOs of over 40 multinational companies, including the CEOs of Accenture,S Deloitte Touche Tohmatsu, Deutsche Bank, Rio Tinto, Siemens, Renault, McDonald's, Infosys Technologies, Coca-Cola, DHL and PricewaterhouseCoopers.

Companies Attitude Towards CSR

It is said that the business environment relies on a "command" that says that "in the long run, those who do not use power in a way that society considers responsible, will tend to lose it"! Thus, the necessities that at present, and especially in the future, the companies operate in a much more responsible way, including from the social point of view, is evident. Another reason for it is that those who do not voluntarily adopt such an attitude eventually will do it, as new laws on the matter will force them. Thoroughly analyzing the economic agents' behaviour, (Tudor B & Dan G, 2005) noticed four main categories of company attitudes towards the phenomenon of social responsibility which are as:

CSR Initiatives by Life Insurance Companies

- **Life Insurance Corporation (LIC) of India**

LIC offers life insurance under Group policies to various groups such as employer, employees, professionals and weaker sections of society. The main features of Group Insurance Schemes are low premium and simple insurability conditions. Some of the group insurance schemes are Group term insurance schemes, Group gratuity scheme, Integrated Rural schemes. LIC also offers insurance coverage to people below poverty line under social security group schemes. A brief detail of these schemes are mentioned as below:

- **SBI Life**

SBI Life undertook the Corporate Social Responsibility (CSR) initiative, aimed at driving the cause to make children read and write. The campaign, "Read India Pledge" sensitized general public towards the cause and urged them to pledge & support the cause monetarily or by devoting time.

- **HDFC Swabhimaan Initiative-**

Swabhimaan, HDFC Life's Corporate Social Responsibility (CSR) initiative- aims to play a positive role by contributing towards the advancement of society and conservation of environment while engaging with their stakeholders. The objective of Swabhimaan is to contribute to improve and enhance the quality of life of communities in which the company operates thereby helping to create an equitable society. HDFC Life is committed to being a socially responsible corporate and its CSR framework is governed by a formal policy. Besides HDFC Life, in a first of its kind initiative, is offering jobs to family members of deceased policyholders apart from paying the claim amount; Max Life is betting on its speedy claim settlement track record to treat customers fairly.

- **ING VYSA –Say No to Plastics initiative**

Say No to Plastics is a very unique initiative from ING Life Insurance that educates the citizens of India on the negative effects of usage of plastics and encourages them to switch to environment friendly materials. Under this program, company's teams have engaged with more than 100,000 households. These teams went door to door and during every

interaction they handedover "Kora Cloth" bags and make people take a pledge towards this noble cause.

- **Aviva Life Insurance**

Aviva Street to School programme received the CRY Child Rights Champion Award. AVIVA corporate responsibility programme 'Street to School' has been recognized yet again for its commitment towards children. AVIVA was also awarded the Bronze trophy at the inaugural CRY Child Rights Champion Awards in recognition of the special focus that they give to most critical and vulnerable stakeholders i.e. children. Till date, they have reached out to more than 80,000 children through projects with NGO partners and more than 500,000 children with the Aviva Great Wall of Education as a part of the Street to School programme. It is pertinent to mention that Aviva India has won the "Corporate Social Responsibility Award" at the prestigious Asia Insurance Industry Awards 2010 for its corporate social responsibility programme – 'Street to School' for demonstrating how corporate social responsibility can be closely and successfully tied with business strategy.

- **MaxIndia-**

A helping hand, A caring attitude Often, the underprivileged do not have access to quality medical facilities simply because of lack of easy access. Max India Foundation, in partnership with Chinmaya Mission, is running a health centre in New Delhi'sSunlight Colony to serve the needy and disadvantaged in this area Free Artificial Limbs for Underprivileged Max India Foundation works with Manav Seva Sannidhi to provide free artificial limbs and polio callipers to people with disability. The unique feature of this program is the emotional and psychological support provided to help each patient cope with their handicap, ensuring a high rate of success. Max India Foundation and Max Life Insurance Co. Ltd. in partnership with local NGOs reach out to underprivileged in remotest areas for providing vaccinations to children between 0-12 years of age for deadly diseases like Hepatitis B, DPT, MMR, and Measles. It's a special initiative where in employees from Max Life Insurance Co. Ltd. along with an empanelled doctor volunteer for the program. The program was launched on 12th July 2008. To date company has covered 17397, 36042 shots through 286 camps in 81 locations. MIF has also made a small film on Oral Health and Hygiene awareness. It is screened at the camps for the patients awaiting their turn to be checked.

- **MIF in Ladakh –**

From 2nd august to 7th august 2010 MIF planned health camps in the remote areas of Ladakh in association with the Army located there.

- **Assuring cancer patients**

Cancer patients and their families need support and reassurance to cope with the long-drawn out treatment and its side-effects. Max India Foundation has partnered with Can Support to offer palliative care to advanced cancer patients, from disadvantaged backgrounds.

Adoption of Government School, Rail Majra Teach a child and you create a better world. In the same spirit, Max India Foundation with Max Speciality Products has adopted the local government high school at Rail Majra village near Ropar, Punjab. The foundation provides books, stationery and clothes to the children.

- **Life Line Expres Project**

Max India Foundation through Max Healthcare has set up a hospital for the underprivileged of Madhya Pradesh on board the Lifeline Express in partnership with Shrimant Madhavrao Scindia Swasthya Seva Mission. In addition, Max Life Insurance has come out with an initiative called 'Claims Guarantee' by ensuring to pay all claims on policies that have completed three continuous years of coverage, unless obtained with fraudulent intentions.

Conclusion

The concept of corporate social responsibility has gained immense importance throughout the world. The overseas corporate houses as well as Indian corporate sector has realised the importance of CSR activities for attaining the persistent dominance in the marketplace. Though, the concept of CSR evolved in 1920's but in India, the concept was recognized only in 1990's after the liberalisation of the economy. It can be articulated that on the advent of globalisation, the Indian corporate were inclined towards CSR activities because of the increased competitive pressures. More recently, the companies Act 2013 made a landmark development in the CSR history of India. To be implemented w.e.f, 2014-15, certain class of profitable companies are required to spend some portion of their profits on social welfare activities. Today, numbers of industries have started CSR activities for enhancing their reputation and brand value and the life insurance sector is no exception to it. LIC is one of the oldest and leading life insurance company in India has been contributing impressively in various socio-economic development projects through, CSR schemes like Janshree Bima Yojna, Aam Admi Bhima Yogna and many more. Realising the importance of social welfare activities, the private life insurance sector has not lagged behind in CSR activities. It is worth to be mentioned that number of social welfare schemes by private life insurance companies have noticeably contributed for the welfare of the society. It can be concluded that CSR activities are symbiotic in nature leading to the welfare of all i.e., customers and the common people. Therefore, in this era of high competition companies need to pin their attention on social welfare projects besides caring for their economic health.

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