

Corporate Social Responsibilities in Micro Insurance Services

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ABSTRACT

"Corporate social responsibilities encompasses the economic, legal, ethical and philanthropic expectations placed on organization by society at a given point in time" This concept was established by the four-part model of corporate social responsibility proposed by Archie Carroll (1979), and which was refined in later publications (Carroll,1991;Carroll and Buchholtz, 2000). This paper covers the impact, criticisms, and future prospective of corporate social responsibilities in Micro insurance services and argues that when firms in financial services engage in corporate social responsibility (CSR) it is primarily for strategic motives rather than moral motives. Furthermore, it also emphasizes on the impact that CSR activities may have on financial institutions. The results of the study demonstrate that although CSR is said to be aiming the welfare of society, it is being used as a tool to attract customers and achieve financial performance. The paper also states the impact of technology on micro insurance.

Keywords: Corporate Social Responsibility, Criticisms, Future prospective, Micro Insurance Services, Technology.

I. INTRODUCTION

What is Corporate Social Responsibility?

Corporate social responsibility is a phenomenon, where various organizations find means to improve the society or community around them. CSR is not only a way to undertake socio-economic challenges but also a way to legitimize the existence of organizations. As Burke and Logsdon (1996) advocated, CSR can be a strategic means for organizations to get benefits by giving them visibility in the society. It is known that the purpose of using CSR is not of profit making nature but in fact, to create a bond with members of the society. Nevertheless, it can be advantageous for an organization since it helps the latter to make itself known of the public and eventually have an impact on its financial performances (Sen and Bhattacharya, 2001). According to Waddock and Graves (1997) CSR positively affects profitability and at the same time profitability has a positive impact on CSR.

Moreover, another definition of CSR can be the concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis (Commission of the European Communities' Green Paper, 2001).

Why Banks undertake Corporate Social Responsibility?

The banks undertake corporate social responsibility programs for the betterment and welfare of the society that is based on moral perspective. To this regard, (Holmes,1976 ;Moir,2001,p.23) cited in his study of executive attitude to social responsibility, found that the strongest response was that < in addition to make profit, business helps to solve social problem whether or not business helps to create those problems even if there is probably no short-run or long-run profit potential.

What is Micro insurance?

Micro insurance is the protection of low-income people (those living on between approximately \$1 and \$4 per day against specific perils in exchange for regular premium payment proportionate to the likelihood and cost of the risks involved. This definition is exactly the same as one might use for regular insurance except for the clearly prescribed target market: low-income people. The target population typically consists of persons ignored by mainstream

commercial and social insurance schemes, as well as persons who have not previously had access to appropriate insurance products.

Definition of micro insurance

Micro insurance is insurance with low premiums and low caps / coverage. In this definition, "micro" refers to the small financial transaction that each insurance policy generates. "General micro insurance product means health insurance contract, any contract covering the belongings, such as, hut, livestock or tools or instruments or any personal accident contract, either on individual or group basis, as per terms stated in Schedule-I appended to these regulations"; and "life micro insurance product" means any term insurance contract with or without return of premium, any endowment insurance contract or health insurance contract, with or without an accident benefit rider, either on individual or group basis, as per terms stated in Schedule-II appended to these regulations as those within defined (low) minimum and maximum caps. The IRDA's characterization of micro insurance by the product features is further complemented by their definition for micro insurance agents, those appointed by and acting for an insurer, for distribution of micro insurance products (and only those products).

Micro insurance product

Micro insurance, like regular insurance, may be offered for a wide variety of risks. These include both health risks (illness, injury, or death) and property risks (damage or loss). A wide variety of micro insurance products exist to address these risks, including crop insurance, livestock/cattle insurance, insurance for theft or fire, health insurance, term life insurance, death insurance, disability insurance, insurance for natural disasters, etc.

The draft paper arranged by the Consultative Group to Assist the Poor (CGAP) working group on micro insurance characterizes micro insurance as — **“the protection of low income households against specific perils in exchange for premium payments proportionate to the likelihood and cost of the risk involved”**.

II. LITERATURE REVIEW

Brown and Dacin (1997) found that corporate associations, which include corporate ability and CSR, affected consumers product and overall corporate evaluations.

Mohr et al. (2001) found that consumers desired moderate to high levels of CSR from companies.

Strandberg (2002) found that CSR progress will be slow over the next ten years, but will become increasingly mainstreamed by business. Increasing social and environmental crises will continue to drive this paradigm shift or modest business reform, depending on one's view of this trend.

Drumwright, and Braig (2004) found that CSR initiatives may result in (1) corporate benefits, including increased actual purchase behavior and more favorable evaluations, and (2) increased benefits, in the form of consumer donations, for nonprofits involved in CSR initiatives. The benefits occur both directly and indirectly through customers' identification with the corporation.

Mohr and Webb (2005) maintained that within the domains of philanthropy and the environment, CSR had a positive impact on company evaluation and purchase intentions.

Kivivirta (2010) found that how corporate social responsibility (CSR) has defined in the financial services industry and study whether CSR is built into management control systems (MCS) in the financial services industry in Finland, and if so how.

Duggal and Chetan attempt to look at how technology has revamping industrial structure for financial services. They discuss the latest offerings by banks in terms of financial services like Bill Payment, online railway/air ticket booking, mobile phone recharging, Card to Card Funds Transfer, Community Banking Services. **Lentner et al.** This paper discusses corporate social responsibility (CSR), an attitude putting ethical norms in the spotlight. The CSR pyramid distinguishes various layers of responsibilities. The first at the bottom has economic responsibility, serving as the foundation for the pyramid; however, companies also need to comply with legal norms. Ethical responsibility has the obligation to conduct in a fair way and to do the right thing

III. OBJECTIVE

- 3.1 To study the status of Corporate Social Responsibilities in India.
- 3.2 To explore the role of Corporate Social Responsibilities in Micro Insurance Services.

IV. SCOPE

The scope of the study is restricted to Corporate Social Responsibilities in Micro Insurance Services. It covers only impact, critics and future prospective in the related field.

V. RESEARCH METHODOLOGY

This research paper is an attempt of exploratory research, based on the secondary data Sourced from journals, magazines, research paper, articles and Annual reports of the companies And Web sources are used which are recorded and enumerated.

VI. IMPACTS OF CSR ON MICRO INSURANCE SERVICES

The insurance industry's share of societal responsibility

A way of developing the field of insurance ethics could start with the point that insurance is fundamentally about risk and responsibility sharing in large groups or pools. We could then ask if what the specific ethical responsibilities of insurers and other parties should be in relation to such risk pools. As mentioned in the introduction, sharing responsibility for wise handling of risky technologies for instance, or poverty or sustainable development or crime prevention could be examples where wise and proactive insurance thinking could make a difference. The India First Life family constantly strives to channel the efforts of its employees, agents and distributors into community development programs

Helping the mass market with micro insurance

For insurance to reach the masses, India needs a financial inclusion model that is fair, transparent, cost effective, regulated and which leverages the existing infrastructure. India First Life Insurance have embarked on a journey to provide fairly priced, simple, comprehensive and efficiently serviced insurance to the mass market and channeling their efforts to make the insurance industry not only affordable, but also accessible and attractive to the mass market.

Financially inclusive insurance (PMJJBY):

India First Life is an insurance company that participates actively in the financial inclusion scheme promoted by the government of India. PMJJBY is a bank account which is linked to a group term assurance cover, with a fixed premium of INR 330 and cover of INR 200,000. The company offers this scheme through its bank partners, using technology that has a completely integrated and low-cost distribution model. Nearly 25 lakh lives were insured in one year under.

Spreading insurance to remote rural communities

As part of India first Life's micro and mass market insurance strategy, it has tied up with 'IFMR Rural Channels', to distribute India first Life Insurance policies in the remote rural districts of India. India first Life will offer life insurance policies through Kshetriya Gramin Financial Services (KGFS), in four centers serving five districts across Tamil Nadu in India.

How our employees help their communities

During the festive season, we as Indians spread smiles through our gifts. By arranging for NGOs to set up stalls in the India first Life premises, we ensure that our employees' celebrations are enhanced. India first Life employees spread cheer to their loved ones by not only generously purchasing gift articles for themselves and their families but by also ensuring a donation in the form of clothes, bags, toys, books, newspapers etc. for the welfare of the destitute and needy. CSR at India first Life is a continuous investment that ensures the involvement of all, thus percolating a sense of pride, not just for the organization, but to all associated with the company. As the saying goes, 'charity begins at home.' India first Life focuses on supporting and giving back to society, be it through monetary benefits or by just lending a helping hand.

VII. CRITICS

Good or false intentions?

CSR doesn't mean to be responsible in respect of society and environment, and it doesn't mean self-sacrifice and managers don't do much than the requirement of the law. But they think more than this because they see their long term benefit which they can get in the future. They have realized now that by mixing together the impacts of economics, society and environment and by making a suitable corporate policy they will not just get benefits for themselves but also for all stakeholders. They have also realized that CSR is "good for business". CSR not only give them the spot

benefit but also for long term. If company spends its resources and money on CSR they believe that they will not only get economic benefit but also positive reputation and recognition from the society, Government and also from other stakeholders. It is compulsory for the company to be socially responsible if they want to remain competitive. It must also issue its CSR report and publicize it through electronically or on paper. One company gave the reason about the issuance of CSR report is that in 2001 UK Government said to every company that if they issue CSR report then they will be encouraged. UK Government officially started encouraging those companies which were taking active interest in their social responsibility.

In that time there was not a regular specified format of the CSR reporting. Every company made it voluntarily and without a proper format and was not checked or verified by any external examiner before it comes to stakeholders.

Challenges of CSR action

A major challenge of CSR action is that the field is constantly changing and not established. Albeit the trend is towards action taking into consideration all three aspects, environmental, social and economic, even the field of the environmental aspect is not stable. Carbon cost accounting and whether to use environmental audits, internal and/or external, are issues debated both among academics and in the field. Stakeholders demand taking variable matters into account and it is hard to distinguish which aspects to prioritize and how vast CSR action to implement. Moving an organization towards sustainability involves at a minimum a systematic reduction of ecological footprint, systematic attempts to take care of any possible social disadvantage in organizations' sphere of influence as well as decreasing the disparity of economical distribution. As one can understand this is not costless and will in almost every likelihood lead to organization's unpopularity with most conventional financial participants (Gray, 2006, 808-809). Gray (2006) questions whether CSR action really leads to value creation – he continues that the answer is yes but the concept of value need to be understood in wider terms than in monetary terms. Gray (2006) also mentions value of life, value of society and value of quality. Even though Gray's opinion is quite radical it needs to be borne in mind that these other values are appreciated by customers and this way may lead to monetary value creation.

A lot of people are criticizing the corporate legislation in India that requires certain companies to spend 2% of their profit (PBT) on CSR. Two common questions being raised on this topic are the following:-

- Companies are already discharging their obligations by paying taxes to the government. Still we have power cuts, broken roads, bad government schools and hospitals etc. So is our government abdicating its own fundamental responsibilities?
- The profit earned by a company is shareholders' money. So why that should be used for CSR? If the promoters / directors of the company want to spend on CSR, they should use their personal wealth. And then examples of Bill Gates, Shiv Nadar, Azim Premji etc are used to justify that argument.

Why is it selfish to criticize CSR?

- Example 1: Why do we have pollution control norms for factories and vehicles in our country? Shouldn't the companies be allowed to ruin the environment by pumping out poisonous smoke, or by contaminating water resources around them, because they pay taxes to the government and make profits for the shareholders?
- Example 2: Companies spend huge amount of time and money on their location strategy. Let's take the example of Bangalore where I live – a city once popularly known as "City of Gardens" or "Pensioners' Paradise". It has witnessed an explosion in the population which has more than doubled in the last two decades, resulting in severe issues related to traffic, water, sanitation, garbage, pollution etc., and also a huge economic divide between the haves and have-nots. Why, because hundreds of large companies from all over the world found this city as a preferred destination because of the availability of good talent, excellent climate, cosmopolitan culture, safe location (no flood, earthquake, tsunami) etc., which in turn triggered massive immigration of people from other parts of the country. Now when the city is choking to death (forget its gardens!) – if we say that we owe nothing because we pay tax to the government, are we being fair to our future generations?

Criticism against corporate social responsibility

Micro insurance has become a macro business for insurers and service providers, and poverty reduction is not only the interest of governments anymore. Private sector has taken it as an opportunity for business growth rather than a corporate social responsibility.

Every good thought has certain critics along with it. Whether it is a concept, a theory or a behavior, without criticism one cannot have the positive aspects of it with clarity and authenticity. Similarly if the criticism on CSR would be accepted than no one would have preferred to follow such an activity. Everything has its pros and cons but if it's still beneficial, one must go for it. Some of the critics raise certain points against corporate social responsibility and

highlight its uselessness but adequate response is available for such critics that make CSR more important in corporate environment.

Arguments

CSR activities are against shareholders' interest

It is a fact that business is run by shareholders money and only shareholders own the business so spending money on CSR activities would be wastage of shareholders' wealth hence will be against their interest.

CSR activities are merely the wastage of precious time

If we look at some of the renowned companies we will come to know that they have been completely uninterested in working on CSR. Even some famous companies owners like bill gates and jack Welch had been working against CSR and had been rigid throughout their business career without considering their social relations and environmental effects of their business work. But still they were among the most successful business people all around the world. Hence CSR is merely wastage of time which the company can use towards more productive directions.

CSR diverts attention from the core and major goals

Big companies have thousands of resources to manage and if the attention is given to the issues other than managing those resources, the company may face the risks that can be harmful for its smooth and profitable working. 7.5.4 7.5.4 Government is to decide for the social welfare and not the companies

It is the responsibility of the government to conduct such actions that are favorable for the society and environment. It is not the duty of businesses or companies to look after its society and environment. Businesses do what they think is good for their existence. For example tobacco companies will stop their production if government bans cigarettes but if government is receiving huge taxes from such companies than their social and environmental impacts are the responsibility of the government.

Profit is more important than CSR

Most of the managers run business in order to seek more and more profit. Their attention towards their impact on the environment is least and they bother not to get into the extra activities like waste reduction and anti-pollution policies. Rather they keep their focus on going out into the markets and making huge profits.

8. Why Business Should Have CSR Policy?

By Adopting CSR, Businesses not only giving objectives to the community and filling out the legal requirements but also the major impact on social environment. Environment is affected by every business either by direct way or indirectly. So companies have to make it CSR policies due to lot of advantages getting after it.

CSR policy helps the businesses by recognize the importance that what they need in what conditions and tell them about the thinking of the people about the company. CSR policy can change the people's thinking from negative to positive. CSR can enable you to recognize locally and internationally and can made you the market leaders. By develop this scheme, since its launch in June 2015.ping a policy you came to know about what is the importance of CSR to your company.

9. Aims and Objectives:

After full consultation, observation and analysis, the aims and objectives of the CSR policy should develop because it is the full infrastructure and route map of the business responsibility of the company. So it is very necessary to keep every single aspect under consideration while making the CSR policy of the company.

VIII. FUTURE PROSPECTIVE

CSR pessimists predict:

Increasing inconsistencies between corporate actions and stated CSR commitments; companies will become astute at shielding their actual performance. CSR will be a technical fix really substantive issues won't be addressed by CSR. It will come to the point where it says there have been great improvements, but what's really changing?

- Most businesses will hold back waiting for the business case to develop - however, they may never be satisfied by the evidence of business case and may use this as an excuse for inaction.
- The business case will not be clear enough for companies to take up en masse, unless it is legislated or there are other incentives,
- CSR will not be on the public's radar screen and there won't be any clarity around what CSR is and why it is important,
- CSR will become too prescriptive and get labeled as needless red tape increasing the cost of business.
- Companies that once embraced CSR will lose interest and pursue other objectives.

- Those engaged in CSR shift to minimal CSR activities, never moving beyond baseline CSR.
- Pressures on business to cater to shareholders at expense of all other stakeholders will continue if not increase; the imbalance of power will not change unless the membership on company boards changes to include stakeholder interests or until government legislation is brought to bear.

CSR optimists believe that the pessimists are only looking at the gap of where we are and where it need to be, without acknowledging that mindset change takes time and recognizing that the slow incorporation of these ideas is underway in business. They believe that the disillusionment is a function of the hope for too much too quickly.

CSR optimists believe that:

- In the future a significant number of companies will be convinced it's in their strategic interest to incorporate CSR substantively into their operations.
- There is a crisis in industrial capitalism, which lacks in trust and social responsibility, and within this it will see a rethinking of the role companies should play in society.
- High profile stumbles will continue to drive CSR.
- The crisis in global markets is broadening the discussion of accountability and transparency - in this climate there is more openness to CSR ideas. CSR will be seen as good corporate governance.
- There will be pressure through competition for better CSR performance - this will impact on suppliers, etc.
- A small group of companies will be moving ahead quickly.
- There will be differentiation between different models and levels of CSR as a result of continuous improvement and quality assurance.
- CSR will advance, but it will advance inconsistently across sectors, depending on a company's economic performance, economic downturns, competitiveness of the market, etc.
- Underlying structural drivers will impact large scale companies, such as the value of knowledge workers and other intangible assets, driving companies to take different issues into account.
- Only a few companies committed to CSR because we are at the beginning of a long path on this Journey; the shift toward sustainable capitalism is a long term trend and in 5 - 10 years only a few companies will be moving in this direction.
- Increasingly businesses will see CSR as resulting in increased competitiveness and profitability
- The cynical corporations are dinosaurs and will be swept aside, though not in 10 years; change will be there, but it won't be dramatic
- CSR is part of a search for a new social contract between business and society. This new social contract will not necessarily be through the creation of a set of rules, but about a new set of norms arrived at through experimentation.

Technology in Micro insurance services

Efficient distribution channels and the application of innovative technologies are two key success factors in enhancing the outreach of micro insurance. The purpose of this study is to offer a systematic analysis of the distribution channels and technologies currently being used in this context. The case studies address the experiences of Bradesco in Brazil and CARE in India. The distribution channels described include sale of micro insurance policies through commercial retailers, as well as through non-commercial channels such as primary health care centres. Besides describing in detail the distribution channels, the study also looks at the implications for consumer protection. As well as describing general points of consideration concerning technology applications in micro insurance, the study takes a detailed look at software, handheld devices, SMS, mobile internet connectivity and online/offline synchronization.

Can Technology Push Micro insurance Further? 4 Reasons to Say Yes

Those who most need insurance, and the stability that it provides, are often the least likely to have it. In developing countries, insurance coverage is exceedingly low – often below 5% of the country's population. Few products are designed taking into account the risk and affordability levels of the poor. However, progress is being made: significant business model improvements over the years are helping drive the expansion of mobile insurance in multiple markets today, with 17 million policies issued since June 2014 and five deployments having more than one million mobile insurance policies since operations launched within the last three years.

A recent study by CGAP suggests that despite this progress, four key opportunities across the insurance value chain are underexplored. There is great potential to better design and market insurance products for poor customers, if insurers and their intermediaries pay greater attention and are bold enough to experiment. Grasping these opportunities and harnessing the power of mobile technology will increase the access to, as well as use of, health and life insurance among low income populations:

Marketing: Targeting marketing efforts through customer segmentation using mobile data, leading to increased customization of service provision.

Product Design: Leveraging social media links for collective insurance to reduce costs for customers and increase efficiencies for providers.

Distribution: Taking advantage of mobile phone features to enable faster and cheaper insurance sign up for customers.

Pricing: Tracking customer behavior through remote sensing for increased accuracy in premium calibration

CONCLUSION

Emergence of the areas like credit derivatives, real options, securitizations is paving an entirely fresh set of opportunities for the market. Therefore, the philosophy of customer being king is driving the financial markets as well. Accordingly, it is no more customers chasing the products; it is the appropriateness of options chasing the customers. Today, financial institutions are co-designing the products/services with their customers and striving to provide them with global solutions CSR in micro insurance is a quite complex field where even the unanimous definition of the concept is missing and many standards are making the field more confusing. Thus, it is very important that every organization defines what CSR means to it and in its operations. On the other hand Micro insurance has become a macro business for insurers and service providers, and poverty reduction is not only the interest of governments anymore. Private sector has taken it as an opportunity for business growth rather than a corporate social responsibility.

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