

Practices of Corporate Social Responsibility in Nepalese Insurance Companies

Uday Kishor Tiwari¹, Ram Kumar Tiwari² and Binod Shah³

¹Assistant Professor, Central Department of Management, Tribhuvan University, Nepal

²Branch Manager, Himalayan Life Insurance Company Limited, Nepal

³Associate Professor, Faculty of Management, Ramswarup Ramsagar Multiple Campus, Janakpurdham, Tribhuvan University, Nepal

Abstract: Corporate sustainability plays a crucial role in the success of organizations, including the insurance sector. Investing in social responsibility enhances the public's perception and ownership towards the company. This study aims to investigate the Practices of Corporate Social Responsibility (CSR) in Nepalese Insurance Companies. A descriptive design is employed for this research, utilizing appropriate tables to analyze and present the data. The analysis focuses on all 37 insurance companies in Nepal, which include 14 life insurance, 14 non-life insurance, 2 reinsurance, and 7 micro-insurance companies. To achieve objectives of the study, both primary and secondary data are collected. Primary data were gathered using judgmental sampling, in which chosen respondents filled out questionnaires, while secondary data were obtained from various journals, reports, magazines, and websites. From the 37 insurance companies, only seven were selected for the sample: Nepal Life Insurance Company Limited, Himalayan Life Insurance Limited, Sanima Reliance Life Insurance Limited, Suryajyoti Life Insurance Company Limited, Himalayan Everest Insurance Limited, Shikhar Insurance Company Limited, and Himalayan Reinsurance Limited. Employees from these companies participated in the research. Data analysis revealed that most insurance companies in Nepal contribute at least one percent of their net profits to various sectors, including health, education, and various welfare initiatives as part of their CSR efforts. The findings suggest that there is a positive correlation between CSR initiatives and both company's performance and public image.

Keywords: Corporate Social Responsibility (CSR), Insurance Companies, Life Insurance, Non-life Insurance, Reinsurance, Micro-insurance, Goodwill.

INTRODUCTION

Corporate Social Responsibility (CSR) refers to the responsibility of corporations to contribute to society. This is achieved through charitable actions that focus on areas such as the environment, employees, communities, and marginalized groups (Shrestha, 2021). CSR centers on how businesses manage their operations to create a beneficial impact on society. In recent years, interest in CSR has surged, with the public increasingly expecting companies to engage in socially responsible practices. This concept is linked to corporations behaving in ways that are ethical, moral, and socially responsible. By implementing CSR strategies, companies can reduce risks for their customers while also gaining a competitive edge within their industry, which can enhance production and overall effectiveness (Ruiter, 2022).

Numerous studies have demonstrated that the CSR efforts of organizations significantly influence their reputation and, consequently, their profitability due to sustainable practices (Maignan, 2004). Building a corporate reputation is a gradual process that is challenging to replicate. Additionally, a strong corporate reputation can deter competitors from entering the market by fostering consumer trust (Yeo, 2010). This highlights the importance of research into the relationship between CSR and the effective operations of commercial banking institutions in Nepal. Although various interpretations of CSR have emerged, Carroll's four-part model remains solid and widely referenced in previous studies (Crane & Matten, 2004). Carroll first introduced this conceptualization as a pyramid in 1991.

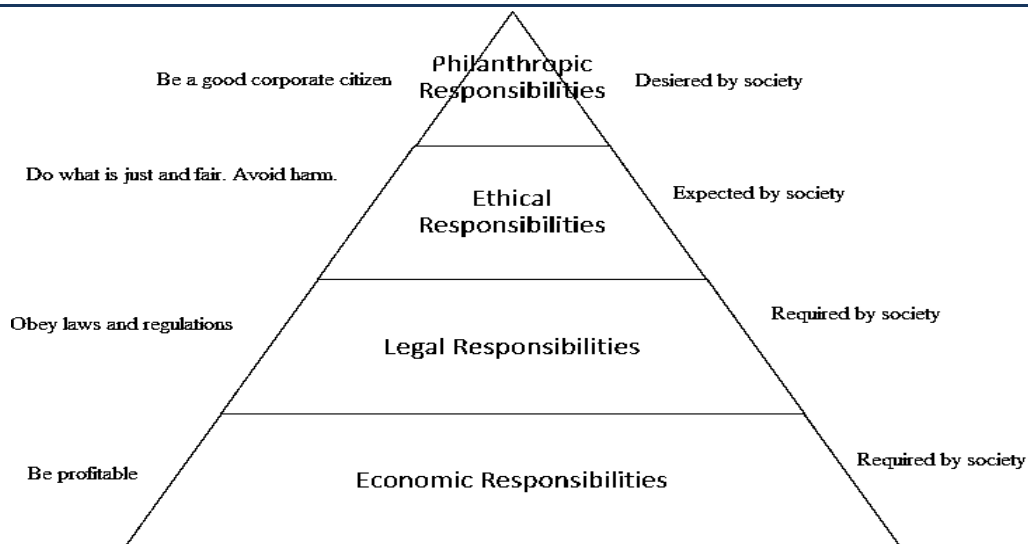


Fig 1: Carroll's pyramid of CSR

Source: Koirala & Thapa, 2023

History of Corporate Social Responsibility in Nepal

The concept of social responsibility within the Nepalese context has roots that extend many centuries. This can be seen in the traditional Guthi system, which operates as a trust where land is donated. The income generated from this land is used to fund community initiatives, such as the restoration of temples, rest houses known as patis, and stone water spouts referred to as dhunge dharas. In addition, business leaders have historically allocated a portion of their profits to charitable efforts, such as building dharmasalas, temples, or schools. The underlying motivation for these actions stemmed from religious beliefs, including the desire to attain swarga (heaven) after death and to receive ashirwad (blessing) from a large group of individuals (Legal, 2006).

Prominent corporate entities such as Jyoti Group, Chaudhary Group, and Khetan Group, as well as commercial banks through joint ventures, have initiated community-focused philanthropic CSR efforts over the past few decades (Fair Trade Group Nepal and Action Aid Nepal, 2003). However, the movement towards modern CSR practices beyond mere philanthropy is relatively recent in Nepal, gaining traction mostly after the year 2000. In 2005, the National Business Initiative (NBI) was founded with the primary objective of fostering peace and prosperity in the country, primarily by encouraging responsible business practices. Since its inception, NBI has engaged in numerous awareness and educational campaigns about CSR, offered many training sessions for corporate managers, conducted surveys on perceptions of ethical business

practices in Nepal, provided responsible business guidelines for executives, published several articles on CSR, established a 'Business Ethics Code of Conduct' that has been endorsed by over 100 companies, and organized responsible business summits (Jyoti, 2016). Following the introduction of legal requirements for mandatory CSR spending for specific industries and banking financial institutions in 2016, there has been a significant rise in both awareness and participation in CSR activities across Nepal.

Rules of Corporate Social Responsibility in Nepal

Although investing a portion of a company's profits in CSR activities is often optional in many nations, specific legal requirements have rendered it compulsory in Nepal. The Industrial Enterprise Act 2020 (2076), along with the Industrial Enterprise Rules 2022 and various directives and circulars from Nepal Rastra Bank, stipulate that certain enterprises and all Banking and Financial Institutions (BFIs) must allocate funds for CSR activities once they turn a profit. Recently, the Securities Board of Nepal (SEBON) mandated that central depository companies, credit rating agencies, and securities brokerage firms spend at least 1% of their annual net profit on CSR initiatives. The Unified Directives of Nepal Rastra Bank 2020 have outlined specific categories for CSR spending as follows:

- i. Social Projects such as education, health, natural disaster, environmental protection, cultural promotion, infrastructural improvements in rural areas, increasing income earning capacity of socially backward class, consumer protection

- activities, bus stop waiting shed, street lights, public toilets etc.
- ii. Financial literacy: BFIs are required to spend 5 percent of the CSR fund in various financial literacy programs and targeted programs to educate female and backward class regarding financial services in order to increase financial access.
 - iii. Direct donation to extremely poor for education and health or organizations related to the extremely poor.
 - iv. Activities related to achievement of SDGs
 - v. Expenses made for the prevention, control and treatment of employees against COVID-19 and similar pandemics.
 - vi. Child Day Care Centre for employees of BFIs.
 - vii. Donation to orphanage and old age homes (except to the ones established professionally)
 - viii. Expense up to Rs. 100 in Open Bank Account Initiative, 2019.

REVIEW OF LITERATURE

Corporate Social Responsibility (CSR) represents a business's ongoing commitment to act ethically aiding the economic growth the organization. It the organization's overall quality of life. CSR two key aspects. First, it reflects the ethical conduct of a company towards its internal and external stakeholders. Second, it signifies the duty of the organization to the environment and the community in which it functions. Consequently, CSR plays a vital role in both the sustainability competitiveness of the organization (Chapagain, 2010). Recently, CSR has gained prominence as a popular term among companies. This concept involves businesses "giving back" to society through initiatives that aid disadvantaged members of the community. Such efforts may include outreach programs that support schools and neighborhoods, providing financial assistance for their maintenance, as well as encouraging socially responsible business practices that foster societal improvement (Carroll, 1999). Corporate Social Responsibility has become a crucial component of business terminology and is viewed as a significant concern in management (Cornelius *et al.*, 2008). Marcel and Marrewijk (2003) refined the concept of corporate social responsibility to include three dimensions of business actions: economic, social, and environmental management.

Jampala and Rao, (2005) explored the role of LIC in CSR and discovered that genuine implementation of CSR can enhance the quality of life for stakeholders and society as a whole. Research by Olowokudejo and Aduloju (2011), titled "Corporate Social Responsibility and Organizational Effectiveness of Insurance Companies in Nigeria," revealed that CSR positively influences organizational effectiveness. Their findings suggest that companies engaging in CSR activities can help insurance firms achieve success, boost profitability, and improve performance. Ghose, (2012) pointed out that CSR in India is still in its infancy. Corporate leaders and their legal teams must prioritize compliance, recognizing the risks posed by heightened scrutiny of the legal aspects of their global operations. Kaur and Agarwal, (2011) examined how CSR initiatives can positively influence consumer perceptions of brands.

Corporate Social Responsibility (CSR) is a vital element of corporate conduct, encompassing ethical, moral, and social obligations to society. It necessitates careful planning and execution to yield a beneficial impact on communities. Although CSR alone cannot resolve global challenges, competent companies have the potential to foster sustainable development opportunities in their localities. In developing nations, CSR is still evolving, but awareness of its significance is growing. Companies should devote time, resources, and capital to CSR efforts, as many successful businesses tend to do (Kandel, 2018).

OBJECTIVES OF THE STUDY

The presented research attempt to

- Understand the objectives of CSR in insurance sector
- Explain relationship between CSR and financial performances of insurance companies
- Explain relation between CSR and goodwill of insurance companies
- Explain relation between CSR and motivation of employee in insurance companies
- Explain the condition of CSR in Nepalese insurance companies
- Review the various CSR initiatives undertaken by Insurance companies in Nepal

RESEARCH GAP

Numerous studies on Corporate Social Responsibility (CSR) been carried out within the banking industry at both national and international levels. However, research specifically focusing on CSR in the context of Nepal, particularly concerning Nepalese insurance companies, is quite scarce. Consequently, this research paper, which draws upon earlier journals, theses, and reports, aims to serve as a significant reference and a source of insight for insurance companies worldwide.

RESEARCH METHODOLOGY

This study employs a descriptive research design. Appropriate tables are used to analyze and present the findings clearly. The analysis encompasses all 37 insurance companies operating in Nepal, including 14 life insurance, 14 non-life insurance, 2 reinsurance, and 7 micro-insurance companies, making up the sample population. To meet the goals of this research, both primary and secondary data were collected. Primary data was obtained

through judgmental sampling, where chosen respondents filled out questionnaires, while secondary data derived from various journals, reports, magazines, and online sources. Out of the 37 insurance companies, only seven were selected for the sample: Nepal Life Insurance Company Limited, Himalayan Life Insurance Limited, Sanima Reliance Life Insurance Limited, Suryajyoti Life Insurance Company Limited, Himalayan Everest Insurance Limited, Shikhar Insurance Company Limited, and Himalayan Reinsurance Limited. Employees from these companies located in the Kathmandu Valley participated in the research, with a total of 126 respondents completing the questionnaire.

DISCUSSION AND PRESENTATION OF DATA

Collected data from both primary and secondary methods are described below using appropriate form of table and chart.

Table 1: Motivation of employee and CSR

Responses	No. of Participants	Weightage in %
Yes	85	67.46
No	6	4.76
Neutral	35	27.78
Total	126	100

Source: Field Survey, 2024

Table 1 reveals that a significant portion of employees in the insurance sector positively regarding the connection between CSR and motivation. Specifically, 85 out of 126 employees, which equals 67.46 percent, expressed a favorable view, while 4.76 percent conveyed a negative

stance, and the remaining 27.78 percent showed indifference toward the relationship between CSR and motivation. In summary, the findings suggest that employees are generally motivated by CSR initiatives.

Table 2: Financial Performance of Insurance Companies and CSR

Responses	No. of Participants	Weightage in %
Yes	90	71.42
No	3	2.38
Neutral	33	26.19
Total	126	100

Source: Field Survey, 2024

Table 2 demonstrates that most employees in the insurance companies acknowledged a positive correlation between CSR and the company's financial performance. Out of 126 employees, 90, or 71.42 percent, reported a positive response, whereas 2.38 percent indicated a negative

response, leaving 26.19 percent disinterested in the connection between CSR and financial performance. Thus, the results imply that insurance companies typically benefit financially from engaging in CSR activities.

Table 3: Goodwill of Companies and CSR

Responses	No. of Participants	Weightage in %
Yes	102	80.95
No	-	-
Neutral	24	19.05

Total	126	100
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Source: Field Survey, 2024

Table 3 indicates that a majority of employees in the insurance field recognized a positive relationship between CSR and the goodwill of insurance companies. In this case, 102 out of 126 employees, accounting for 80.95 percent,

responded positively, while the remaining 19.05 percent showed no interest in the CSR-goodwill connection. Overall, these results highlight that companies tend to cultivate a positive public image through their CSR efforts.

Table 4: Objectives of CSR in Insurance Company

Responses	No. of Participants	Weightage in %
Philanthropic nature	21	16.67
Sustainable development	46	36.51
Social awareness	59	46.82
Total	126	100

Source: Field Survey, 2024

Table 4 shows that employees in the insurance sector prioritize philanthropic activities, development, and social as the main goals of Corporate Social Responsibility (CSR), with response weights 16.67%, 36.51%, and 46.86%,

respectively. Notably, social awareness holds a weight of 46.72%, accounting for about half of all objectives; this indicates that the primary emphasis of CSR in the insurance sector is on social awareness.

Table 5: Focus of CSR in Insurance Company

Responses	No. of Participants	Weightage in %
Food	18	14.29
Education	22	17.46
Clothes	28	22.22
Environment	15	11.90
Seminar and Campaigns	43	34.13
Total	126	100

Source: Field Survey, 2024

Table 5 reveals that participants have highlighted a commitment to CSR in areas such as food, education, clothing, the environment, and seminars and campaigns, with weights of 14.29%, 17.46%, 22.22%, 11.90%, and 34.13%, respectively. A

majority of respondents believe that the funding for CSR should primarily support various health-related campaigns and initiatives aimed at enhancing social awareness.

Table 6: Condition of CSR in Nepalese Insurance Companies

Responses	No. of Participants	Weightage in %
Good	41	32.54
Has to improve	58	46.03
Below Standard	27	21.43
Total	126	100

Source: Field Survey, 2024

Table 6 illustrates that the state of CSR in the Nepalese insurance sector, according to employee feedback, is not satisfactory. Most respondents, 46.03%, indicated that CSR conditions need improvement, while 21.43% rated it as below standard, and 32.54% considered it good. It appears that the insurance industry perceives CSR as a mandatory duty rather than a voluntary effort. Consequently, CSR in the Nepalese insurance

sector is in a phase where enhancements are necessary.

Annual reports and the websites of insurance companies reveal that they are allocating one percent of their net profits to corporate social responsibility (CSR), which aligns with the requirement set by Nepal Rashtra Bank for at least one percent of net profit. This suggests that their spending complies with NRB regulations but is not entirely voluntary. Most insurance firms direct

their CSR funds into five primary areas. Firstly, they distribute clothing featuring the company's logo to those in need. Secondly, they engage in tree planting initiatives under the campaign "one branch, one tree" and provide food and water during various festivals and events. Thirdly, they give away bags and T-shirts to underprivileged students in various schools and also offer financial support to research-oriented students to assist them in completing their projects. Fourthly, they organize numerous free health checkup and blood donation events in rural regions of the country. Finally, they supply various appliances and equipment to government agencies and hospitals.

CONCLUSIONS

This study aimed to explore the Practices of Corporate Social Responsibility (CSR) in Insurance Sector of Nepal. Findings show that these insurance companies allocate one percent of their net earnings towards CSR initiatives. A notable portion of participants displayed a solid grasp of what CSR entails. The outcomes suggest that the adoption of CSR practices has shifted the sense of ownership among the public, allowing people to view these insurance companies as entities belonging to the community, which in turn has bolstered their goodwill. Additionally, CSR initiatives have motivated employees to work with greater efficiency, leading to enhanced productivity and profitability across the industries surveyed. The research demonstrated that the CSR funds from these insurance companies are directed towards various activities, including food and water distribution, tree planting, providing clothing and bags, organizing diverse awareness campaigns, offering free health checkups, and supplying appliances to government entities. Although, CSR is fundamentally linked to ethical, moral, and social responsibilities toward society, many companies approach it as a mere obligation rather than a voluntary commitment. While CSR has a beneficial impact on the industry's reputation, its implementation in the Nepalese insurance sector remains merely procedural. This indicates that these firms often engage in CSR primarily to fulfill formal requirements. Therefore, insurance companies ought to dedicate a more substantial portion of their profits to CSR initiatives in order to engage and attract community members to their businesses.

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