Effects of Corporate Social Responsibility Dimensions on Customer Based Corporate Reputation in the Nigerian Insurance Industry

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ABSTRACT: The objective of this paper is to examine empirically the influence of corporate social responsibility on customer-based corporate reputation of the Nigerian insurance industry. The data for this study was collected from 327 customers of insurance companies in Nigeria. The study utilized PLS-SEM path modeling with the aid of Smart PLS 2.0 software to test the research hypotheses. The findings revealed that two CSR dimensions (Economic concern and social equity) have significant positive effects on the CBCR in the Nigerian insurance industry. However, the study failed to support the second hypotheses that predicted the positive relationship between environmental concern and CBCR. The study recommended the need for insurance companies to engage in aggressive CSR activities with a view to enhance awareness and increase their level of penetration within the teaming Nigerian populace that are yet to appreciate the benefits of insurance services in the country.
KEYWORDS: Corporate Social Responsibility, Customer Based Corporate Reputation, Insurance Industry

INTRODUCTION

Globalization and high competition among business firms have forced business entities to focus on building the intangible assets of corporate entities, usually called corporate reputation. Numerous business scandals around the world indicated the importance of building reputation, particularly in the 21st century. Similarly, the experience of the world largest insurance firm, the American Insurance Group (AIG) during the aftermath of the global financial crisis was a typical case in point. In fact, the adverse publicity generated by the AIG scandals undermined the entire reputations of US insurance sector (Awoyemi, 2010).

Researchers viewed corporate reputation as a mirror image of a firm's past behaviors which allows stakeholders to form an opinion about the "true" attributes of a firm (Clark & Montgomery, 1998; Shamma & Hassan, 2009).

Scholars have argued that the number of studies assessing corporate reputation from the perspective of customers as an important stakeholder group is rather scarce (Abratt & Kleyn, 2012; Gengathara & Hamzah, n.d.; Jinfeng, Runtian, & Qian, 2014; Walsh & Beatty, 2007; Walsh, Mitchell, Jackson, & Beatty, 2009). Consequently, corporate reputation construct had attracted considerable attention in both marketing and public relations literature with different scholars making efforts to develop a reputation scale with emphasis to a particular stakeholder group (Davies, Chun, & da Silva, 2001; Fombrun, Gardberg, & Sever, 2000). Most of the studies have ignored the attitude attribute of customers in the assessment of corporate reputation construct, particularly in the service industry. This present study assesses the reputation construct from the perspective of customer called customer-based corporate reputation.

Customer-based corporate reputation refers to the attitude-like evaluative judgment of a firm by customers (Walsh & Beatty, 2007). As such, business firms find it necessary to search for drivers that will lead to the formation of a positive reputation in the eyes of their major stakeholders (Balan, 2015; Iglesias, Singh, & Casabayo, 2011). This is because building and sustaining strong service reputation has become a primary challenge to service firms (Abd-El-Salam, Shawky, & El-Nahas, 2013; Sharma, Sharma, & Sharma, 2013).

Similarly, the Nigerian insurance sector is suffering from the reputational crisis because of a number of reasons. Yusof, Gbadamosi, and Hamadu (2009) attributed such concern to integrity crisis of insurance companies, low insurance awareness and poor CSR practices. According to Isimoya (2014), this has led to the loss of confidence, poor insurance patronage and stunted growth for the industry. Specifically, the assets of the insurance sector in Nigeria is less than two percent of the country's gross domestic product (GDP) (International Monetary Fund and World Bank, 2013). Furthermore, Onuoha (2014) declared that the total insurance asset to GDP is 2.32%, 1.98% and 1.65% from 2009 to 2011 respectively. As at 2012, the Nigerian insurance sector contributes only 0.72% to GDP, much lower than the African average of 3.3% and the global average of 7% (International Monetary Fund and World Bank, 2013). Although the size of the industry premium has increased by 92 percent from N14 billion ($22.5 million) in 2009 to N28.68 billion ($44.43 million) in 2012, the insurance penetration is still about 0.39% (International Monetary Fund, 2013).

Consequently, Isimoya (2014) advocated for an effective strategy that will create more awareness and improve the service reputation of insurance companies in Nigeria. Though it can be argued that companies can utilize several strategies to create awareness about their activities, there is seeming paucity of literature on how firms in the African continent (particularly insurance companies) embrace CSR practices (Obalola, 2008) as a strategy for positive reputation formation.

Again, the relationship between CSR and firm's reputation has been difficult to examine particularly in developing economies (Rettab, Brik, & Mellahi, 2009). Rettab *et al.*(2009) argued further that developing economies lacked the competence and the traditions of communicating internal activities to outsiders. Rettab, Brik, and Mellahi (2009) argued that firms can build or destroy its reputation by either engaging or disengaging CSR initiatives. Schmeltz (2012) indicated that customers' awareness about CSR activities is under-explored due to the inability of service firms to communicate their CSR activities. Additionally, the linkage between CSR and corporate reputation have been mixed and inconsistent (Golob et al., 2013; Perez, 2015), suggesting the need for researchers to examine the dimensionality of CSR and its effect on corporate reputation formation (Luis, Sanchez, Sotorrío, & Diez, 2015). Similarly, while several studies focused on examining reputation from the organisational perspectives (Pasadeos, Berger, & Renfro, 2010; Ponzi, Fombrun, & Gardberg, 2011; Toms, 2002), very few studies examined reputation from the perspective of customers (Shamma & Hassan, 2009; Walsh et al., 2009). As such, this study intends to examine the effects of social equity, economic aspects and the environmental dimensions of corporate social responsibility on customer-based corporate reputation of insurance companies in Nigeria.

METHODOLOGY

Data for this study was collected from the customers of the major insurance companies base on sampling procedures adapted from Maiyaki (2012). Five hundred and fifty five questionnaires were distributed to customers of three major insurance companies located in three major commercial cities in Nigeria (Lagos, Abuja, and Kano). Out of the 555 distributed questionnaires, 327 were used in the final analysis representing a response rate of 59.45 percent. Partial Least Squares Structural Equation Modeling (PLS-SEM) was used with the aid of SmartPLS 2.0 statistical software. Measures for CSR were adopted from Alvarado-Herrera (2015) while measures for CBCR were adopted from Walsh and Beatty (2007). The items were measured based on a five-point Likert scale (from strongly disagree to strongly agree). Below is the validated research framework.

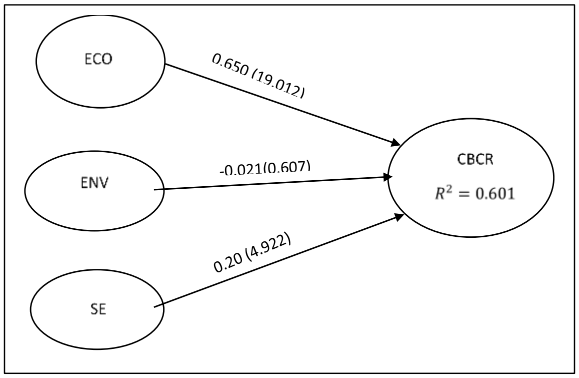

Figure 1: Validated Conceptual Framework

FINDINGS

Based on the result indicated in Table 1, the first hypothesis (H1) that predicted the relationship between ECO and CBCR is significant (β=0.650; *t*=19.505; *p*<0.001), hence the H3 was supported. However, the study failed to support the second hypothesis (H2), which predicted the relationship between ENV and CBCR (β=-0.021; *t*=.034; *p*>0.1). As such, the hypothesis was not supported. Again, contrary to the second hypothesis, the relationship between SE and CBCR is significant (β=0.210; *t*=5.062; *p*<0.001), hence the hypothesis (H3) was supported. Another parameter for assessing the structural model is the coefficient of determination (R^2). The R^2 value represents the proportion of variation in the dependent variable(s) that is explained by one or more predictor variable. According to Murphy, Myors, and Wolach (2014), *R*-square value of 0.01, 0.10 and 0.25 can be considered as small, medium and substantial. The R^2 value for this present study is 60.5%, as such, it falls under the substantial category.

Table 1.Hypothesis Testing

Hypotheses	Beta Value	SE	t-value	p
ECO -> CBCR	.650	.033	19.505***	.000
ENV -> CBCR	-.021	.034	.619	.536
SE -> CBCR	.210	.042	5.062***	.000

Note: CBCR= Customer Based Corporate Reputation, SE= Social Equity, EN=Environmental concern, ECO=Economic Concern, *t*-value>2.58 (*p*<0.01***).

DISCUSSION AND CONCLUSION

Findings from this study indicate that two CSR dimensions (Economic concern and social equity) have a significant positive effect on the CBCR of the insurance companies in Nigeria (H1 and H3). The results are consistent with previous studies that reported a positive relationship between CSR and Corporate reputation (Lai, Chiu, Yang, & Pai, 2010; Luis et al., 2015; Park, Lee, & Kim, 2014). However, the study failed to establish the effect of environmental concern on the CBCR of the Nigerian insurance companies. This is consistent with some previous studies that reported the insignificant relationship between CSR practices and firm corporate reputation (Heidarzadeh & Sadeghian, 2014; Worcester, 2009). While some of these studies examine CSR as a uni-dimensional construct, this present study had treated CSR as a compound variable and had disentangled the individual effect of each of the three dimensions on the outcome variable CBCR in the context of Nigerian insurance companies. In particular, the results indicated that CSR is an important strategy that can drive the reputation of service organizations. Though the study has not been able to establish the influence of CSR activities relating to environmental concern, the result is not surprising. This is based on the fact that insurance companies are not directly involved in business activities that have serious environmental hazards hence customers do not seem to pay attention to CSR activities relating the environment.

The study recommended the need for insurance companies to engage in aggressive CSR activities with a view to enhance awareness and increase their level of penetration within the teaming Nigerian populace that are yet to appreciate the benefits of insurance services in

Nigeria. However, the study is not without some limitations. The study used self-reported measures hence raising the possibility of common method bias. Future study should consider the opinion of multiple stakeholders in examining the role of CSR dimensions on CBCR in Nigeria. Also, the future study may consider a larger unit of analysis by considering the entire Nigerian financial industry.

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