

**FACTORS AFFECTING CORPORATE SOCIAL RESPONSIBILITY
DISCLOSURES IN ETHIOPIAN INSURANCE COMPANIES**



**COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF ACCOUNTING AND FINANCE**

BY:

BAYISA NIGUSIE

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for Degree of Masters of Science in Accounting and Finance**

Advisor: Abebe Yitayew(PHD)

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Addis Ababa University
College of Business and Economics
Department of Accounting and finance

Confirmation

This is to confirm that this thesis is firmly prepared by Bayisa Nigusie, on the title: **Factors Affecting Corporate social responsibility disclosures in insurance companies of Ethiopia** and submitted for the partial fulfillment of, the requirements for the degree of Master of Science in Accounting and Finance in accordance with the regulations and ethics of research of the University and meets the accepted standards with respect to uniqueness and quality.

Signed by the Examiners:

Examiner _____ Signature _____ Date _____

Examiner _____ Signature _____ Date _____

Advisor: Abebe (PhD) Signature _____ Date _____

Chair of Department or Graduate Program Coordinator

DECLARATION

I, Bayisa Nigusie declare that this thesis entitled **“Factors Affecting Corporate social responsibility disclosures in Ethiopian insurance companies”** is the result of my own effort, and study that all sources of materials used for the study have been duly acknowledged. I have produced it independently except for the guidance and suggestion of the thesis Advisor.

This study has not been submitted for any degree in this University or any other University. It is offered for the partial fulfillment of the degree of Masters of Science in Accounting and Finance.

By: Bayisa Nigusie

Advisor: Abebe (PhD)

Signature_____

Signature_____

Date_____

Date_____

CERTIFICATE

This is to certify that thesis entitled, **“Factors Affecting Corporate social responsibility disclosure in Ethiopian insurance companies”**, conducted by Bayisa Nigusie for the partial fulfillment of degree of Master of Science in Accounting and Finance at Addis Ababa University, is an original work and not submitted earlier for any degree either at this University or any other University.

Thesis Advisor: Abebe Yitayew(PhD) _____

Abstract

The study emphasized on factors affecting corporate social responsibility disclosures of insurance companies of Ethiopia. Judgmental sampling was used to generalize the population. The study was used panel secondary data which based on the annual report of each insurance company. Accordingly, the five years annual report starting from 2016 to 2020 of nine insurance companies were encompassed in the study. Thus, some insurance companies were formally included their CSRD were some others were not. Quantitative approach was adopted to model the dependent and independent variables. Both Statistical and descriptive methods of analysis were used in the study.

Finally, the result of the study shows that leverage and age of the firm were positively and significantly related with CSRD of Ethiopian insurance companies. On the other hand, board size of the firm was negatively and significantly related with CSRD of Ethiopian insurance companies. However, premium growth, profitability and size of the firm were not significantly related with CSRD of Ethiopian insurance companies. Despite this the study recommends that all insurance companies formally disclose their CSRD.

Key words: CSRD, Leverage, Age, Board size

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ACRONYMS

ACCA-Association of certified chartered accountant

BSIZE-Board size of the firm

CSR- Corporate social responsibility

CSRD- Corporate social responsibility disclosures

CSRDI-Corporate social responsibility disclosure index

DMA-Degree of multinational activity

ED-Environmental disclosure

EI-Environmental information

EU- European union

LVR- Leverage ratio

NBE- National bank of Ethiopia

NGO –Non-governmental organization

PGR- Premium growth rate

PR- Profitability rate

WBCSD- World business council for sustainable development

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CHAPTER ONE

1. Background of the study

1.1. Introduction

Corporate social responsibility is an important concept that increases the firm's value, in today's competitive world.(Irwansyah et al, 2018). In today's world many corporation compete strategically by applying the concept of corporate social responsibility. Firms that highly concentrated on CSR activities perform more than those less concentrated on CSR activities. (Badulescu et al, 2018)

In fact the origin of corporate social responsibility traced back to ancient Roman Laws and emerges from the concept of asylums, homes for the poor and old, hospitals and orphanages. Later, it expanded into the sixteenth and seventeenth centuries with the influence of the English Crown, which saw corporations as an instrument for social development (Chaffee 2017). CSR is considered as the DNA of business in ensuring business sustainable development. (Kavitha and Anuradha, 2016).

Corporate social responsibility is the process in which business voluntarily involve in stakeholders issue. European Union defined corporate social responsibility as “A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.” On the other hand the way business support economic development of the country. The World Business Council for Sustainable Development (WBCSD) also defined as “Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large”.

Many years ago, Corporation businesses had mainly the aim of profit maximization, regardless of the social and environmental aspects related to their businesses. But after 19th century, the concept of corporate social responsibility was introduced which means “that a business organization takes responsibility for the impact of its activities on its employees, customers, the community, and the natural environment”.(Piasecki and Gudowski, 2017). “The company does

not only prioritize the interests of shareholders, but also concerns the interests of the community, government, consumers, suppliers, analysts, and so on.” (Widyanza, 2020)

However, CSR in developing countries is in a very weak phase when compared to the developed countries due to the gap in social provision and governance.(Bidari et al ,2020). According to World Business Council for Sustainable Development 2000, worldwide organizations strongly emphasize that firms must take into consideration the economic, social and environmental effects of their activities. Moreover, discharging CSR has no value for the firm, if not disclosed for necessary stakeholders. In this globalization, corporate information affects the decision making of all stakeholders. This reality enforces the corporation business to disclose necessary CSR activities. Customarily, many companies disclose their corporate social responsibility in their annual report. Corporate social responsibility disclosure is a process of attaching the financial and nonfinancial spending of the company on the environmental and social activities on commodity, employee, employment, energy, environment and general community involvement in the annual accounts. (Dawd and Charfeddine, 2019). According to Abdulkadir, and Alifiah, 2020, corporate social responsibility disclosure (CSR) is a report of a company’s environmental and social activities, strategies, arrangements, and agendas to promote stakeholders' contentment in the community in general. CSR disclosure may not only be beneficial for society, but also for the competitiveness and the innovation of businesses (Dyduch, et al, 2017).

Many developed countries, like United States, United Kingdom, France and European Union have implemented procedures to encourage companies to disclose their CSR strategies and practices. However, in developing countries CSR is considered as the western phenomenon. Despite of this, the level of CSR in developed countries is higher than in developing countries; this may be a result of the latter’s lower economic development, weaker legal systems, corporate governance being a new concept or the low demands of stakeholders.(Barakat et al, 2015). According to Ali, 2017, CSR disclosure studies in developed countries predominantly focused on North America (Canada, United States), Australia, and North-Western Europe (e.g. UK, Denmark, Finland, and France) and paid less attention to Southern Europe (e.g. Italy and Spain) and Eastern Europe (e.g. Poland and Slovenia).

Corporate social responsibility disclosure (CSR) is a voluntary activity particularly in developing countries where at least there are no laws enforcing its practice and as such, it will be interesting to appreciate which companies disclose information about social and environmental activities and the extent of such quantity and quality of disclosure. (Coffie et al, 2018). Particularly, in Africa, (Masoud and Vij, 2020), identified factors influencing corporate social responsibility disclosures in Libyan firms. Accordingly, firm sizes, firm age, type of sector, and CSR responsibilities are statistically significant and positively related to the dependent variable CSR disclosure.

In Ethiopia, there were some recent studies about CSR activities but they were not focused on corporate social responsibility disclosures. (Mathias, 2016, Deyassa, 2016, Selam, 2017, Tesfaye, 2018, Monica, 2018, Ayalew, 2018). These studies generally focused on corporate social responsibility practices and challenges of different firms in Ethiopia.

1.2. An overview of insurance industry in Ethiopia

The establishment of the Imperial insurance in 1951 marked the start of modern insurance in Ethiopia. Subsequently, Ethiopian Insurance Corporation (EIC) was established in 1976 by proclamation No.68/1975. EIC was operating the business for about nineteen years under protected monopolistic system as state owned-sole insurer. Later, EIC was re-established as public enterprise under proclamation number 201/94. Accordingly, in 1974-1991, Ethiopian Insurance Corporation was the only insurance in the country. After, the fall of Derg-regime many domestic private insurance companies were established. According to NBE annual report of 2019/2020, there were 18 insurance companies in Ethiopia, of which 17 are private and one is state owned, with total of 605 branches over the country.

Thus, the insurance Industry, has registered a Gross Written Premium of Birr 11.2 billion during the year. Of which Birr 10.6 Billion was registered from General Insurance Business, while Birr 0.6 Billion was from Life Insurance Business. On the other hand Net earned premium and claims incurred during the period has been Birr 6.9 billion and Birr 4.2 billion respectively, which resulted in loss ratio of 62%. Furthermore, the industry has registered a total of Birr 1.7 billion profit after tax and as at June 30, 2020 with the industry's total asset and capital Birr 29.1 Billion and 9.7 Billion respectively.

According to insurance market outlook 2020, government's policy of insuring the uninsured has progressively pushed the insurance penetration in Ethiopia and the proliferation of insurance schemes. However, Ethiopian insurance industry is still under developed regarding its penetration and density as measured by insurance penetration and density (Nyala insurance, 2020). Accordingly, Industry's total contribution to national GDP was around 0.4%, while the gross premium per capita was about 2.90 USD. This implies the low level of insurance development in Ethiopia, in its penetration and density in comparison with global average of 7.23% and USD 818 respectively.

1.3. Statement of the problem

Globally, after the corporate scandals and financial crisis stakeholders emphasized corporate business transparency. Subsequently, corporate social responsibility and corporate governance become the agenda for policy makers, researchers and business managers in countries across the world. (Issa., 2017). Niresh and Silva, 2017, states greater corporate transparency decreases information asymmetry between managers and stakeholders by better information disclosure by means of media, websites, prospectuses, annual reports and sustainability reports. Likewise, in recent times, CSR disclosure in companies' annual reports has been deemed to be essential and, thus, must be present. (Isnalita and Narsa 2017).

Mainly, "Due to the lack of constituencies and institutions providing social goods in general, CSR seems more important for developing countries than for their richer counterparts.(Arsic,etal 2017). However, in developing countries there is no laws enforcing its practice (Coffie, etal 2018). Furthermore, in contrast to developed countries, firms in developing countries perceive little pressure from the public for CSR disclosure, which suggests that the public in developing countries is less informed about social and environmental issues and requires awareness programs highlighting social and environmental issues. (Ali, etal, 2017).This indicates that, the quality of CSRD is affected by different factors in developing countries.

Despite this, the study was aimed to identify factors affecting CSRD in Ethiopian insurance companies. According to Member of International KPMG, 2016, "Insurance companies are more likely to publish corporate responsibility information in their annual financial report than companies in many other sectors". However, the quality of corporate social responsibility disclosure (CSRD) could be affected by various factors. According to the study conducted by

Surdu and Caliskan, 2020, CSR is affected by Leverage, firm size; age and listing status in Turkish insurance companies. According to Ullah et al. 2019 corporate social responsibility is critically important for promoting social solidarity and inclusive growth however, has not been widely researched in the insurance industry.

Generally, as per the knowledge of the researcher, there is no study regarding CSR in Ethiopian insurance companies. Therefore, the study has aimed to identify factors affecting CSR in Ethiopian insurance companies using only secondary data (Annual report). The study conducted content analysis depending on CSR dimensions and financial statements of each insurance company.

1.4. Objectives of the study

1.4.1. General objective

The general objective of the study is to identify factors affecting CSR in Ethiopian insurance companies.

1.4.2. Specific objectives

- To assess the Ethiopian insurance industry CSR.
- To identify the industry specific factors affecting CSR in Ethiopian insurance industry.
- To analyze the effects of factors affecting CSR in Ethiopian insurance industry.

1.5. Hypothesis of the study

H1 There is significant relationship between premium growth and CSR in Ethiopian insurance companies.

H2 There is a positive significant relationship between profitability of firm and CSR in insurance companies of Ethiopia.

H3 There is a significant relationship between Age of firm and CSR in Ethiopian insurance companies.

H4 There is a significant relationship between Leverage of firm and CSR in Ethiopian insurance companies.

H5 There is a significant relationship between Size of firm and CSR in Ethiopian insurance companies.

H6 There is a significant relationship between board Size and CSRD in Ethiopian insurance companies.

1.6. Significance of the study

The result of the study will basically important for the stakeholders of insurance companies. After its completion the study will expected to identify of corporate social responsibility disclosure in insurance companies that will improve the culture of good corporate social responsibility which finally benefits all stakeholders of insurance companies. Secondly, the study will help all insurance companies by initiating them to more focus on corporate social responsibility disclosure to smooth the relationship between insurance companies and stakeholders which finally important for their growth and business sustainability. Thirdly, the study will also important for government hence the increased corporate social responsibility disclosure provides supports for the government to build the social welfare and increase the sense of transparency. Finally, the study will help Students, and other researchers as a reference, those who needs to read for understanding and for further investigations.

1.7. Scope and limitation of the study

In Ethiopia CSRD is the new idea that needs greater emphasis. The corporate social responsibility disclosure is the concerns of all corporations business in Ethiopia. However, the study was only limited to the insurers in Ethiopia to reduce ambiguity regarding output. This is due to the fact of CSRD practice differs from industry to industry. The limitation of the study was the study only used secondary data.

CHAPTER TWO

2. Literature review

This chapter was focused on the related theoretical and empirical literatures about the title of the study. The theoretical parts were about the definitions, theories of CSRD, importance, challenges and determinants of corporate social responsibility. The empirical literatures were deals about the most related study conducted in Ethiopia and the identified gap expected to be filled by the ongoing study.

2.1. Theoretical Definitions of corporate social responsibility disclosures

Corporate social responsibility disclosure is defined by different scholars from different perspectives. From the dimension of corporate social activities, Corporate social responsibility disclosure (CSRD) is a process of providing information about interactions between companies with regard to environment, employees, society and consumer issues (Gray et al. 2001). Based on the nature of information CSRD is a process of providing financial and non-financial information in the social and environment context (Hackston and Milne 1996). According to Egbunike and Tarilaye (2017) CSRD is a process of reporting information concerning companies' participation in product improvement, philanthropic, employee welfare and community contribution. CSRD is a critical way for firms to communicate with society, to convince the public that they are meeting their social expectations (Branco and Rodrigues 2008). Disclosure has been defined by Wehmeier (2005: 357) as 'information or a fact that is made known or public that was previously secret or private'. More specifically, Choi (1973) defines corporate disclosure as the production of any economic information relating to a company which leads to an enhancement of the investment decisionmaking process. Cooke (1989: 6) offers a more extensive definition for corporate disclosure as 'those items in corporate annual reports that are relevant and material to the decision-making process of users who are unable to demand information for their particular needs'. According to Hendriksen and Van Breeda (1992), disclosure covers the whole area of financial reporting, including both financial statements and their supplemental information. Similarly, Wolk et al. (2001) define the concept of disclosure as the information reported in both financial statements and supplementary communications such as footnotes, post-statement events, financial and operating forecasts, and additional financial statements covering segmental disclosure. CSRD is a voluntary disclosure in most cases (Van

Der Laan, 2009; Hassan, 2010). O'Dwyer (2002) suggests that voluntary disclosure may emerge extensively in the near future, while some form of regulation may be needed for persuading organizations to produce better quality reporting. Mandatory regulation may support the idea of increasing disclosure about corporate social activities, and might also in some way help to create awareness, while voluntary initiatives are considerably less effective (Belal and Robert, 2010). Generally, these definitions imply the disclosure of corporate information to all stakeholders to reduce information asymmetry.

2.2. Importance of corporate social responsibility disclosures

Corporate Social Responsibility Disclosure (CSR) is a key tool for achieving effective communication of a company's social and environmental responsibility activities to stakeholders. CSR is the process of communicating the social and environmental effects of organizations' economic actions to particular groups within society and to society at large (Gray et al., 1996). It is a medium through which companies inform their stakeholders the extent to which they have responded to social and environmental concerns through such media of disclosure as: annual reports; advertisement or articles published detailing a company's activities; booklets to address the social activities of the company; community development reports; environmental reports; labelling of products to promote environmental and other concerns; press releases; supplement to the annual reports produced at interim dates; video tapes and websites (Jerkins and Yakovlena, 2005). Annual report is the traditional and main medium of communicating financial results and position of companies and is consistently and mandatorily issued as part of a company's reporting circle to shareholders and other stakeholders. More so, it is the most widely used and accessible public document issued by companies the world over (Brown & Deegan, 1989; Hooks et al., 2002 and Neu et al. 1989). Annual report, therefore, has unique characteristic of being the obvious place of signalling disclosures and the only medium over which corporate management has complete editorial control (Guthrie & Parker, 1989) as cited in Desilva (2008). Golob and Barlett (2007) opine that CSR forms a central charter for public relations in communicating and creating mutual understanding, managing potential conflicts and achieving legitimacy. CSR comprises of mandatory and voluntary reporting. Mandatory reporting discloses information as required by law while voluntary reporting is not regulated but discloses information that is nonetheless, useful to stakeholders. CSR is an example of voluntary reporting since it differs significantly

from financial and operational disclosures (Gray et al. 1996). While accounting standards bodies and capital markets regulate mandatory disclosures, companies make their own decisions as far as voluntary disclosure is concerned (Meek et al., 1995; Cooke, 1989; Hassan & Marston, 2010). Thus, the benefit of voluntary disclosure to society is a subject of debate. Verrecchia (2001) argues that when disclosure is a requirement of the law, it certainly contributes to the 'public good'. The group of researchers who are opposed to voluntary disclosure emphasizes the possibility of either under- disclosure or over- disclosure by companies when there is not regulation. However, Dye (1990), while making a case for voluntary disclosure, notes that instruments are available that help to ensure proper disclosure of voluntary information by companies.

CSR and CSRD concepts have evolved overtime due to the interaction between companies and their key stakeholders (internal and external). Lantos (2001) observes that the challenges in the current social and business environment have brought about increasing public demand for business leaders to include social issues as part of their strategies. Managements therefore, are frequently being pressured by various stakeholder groups to allocate financial resources to CSR activities and consequently disclose them. McWilliams and Siegel (2001) note that stakeholders such as employees, consumers, communities and environmental groups have exerted one form of pressure or the other on business organization. Disclosure of CSR activities by business organizations is part of strategy to manage the pressures from the aforementioned stakeholders.

Pressures from employees (human resource) take the form of heightening public recognition of certain employee rights in the workplace, non-discrimination in hiring, firing and promotion (Musah, 2008). Studies such as Matten and Moon (2008) find that CSR has clearly addressed issues bothering on working hours and conditions, fair wages, health care, redundancy and protection against unfair dismissal. Aguilera et al. (2007) emphasizes the potency of employees in pressuring companies to engage in CSR initiatives which is suggestive of the fact that the perception of CSR influences employee behaviour towards companies. It is widely believed that employees will be happy and motivated to put in their best when an organization is fair in its engagements with employees. In the same vein, Customers wield considerable power because of competition of varying dimension among business organizations. Customer pressures include the expectation that companies will produce safe products, quality and consumption impact on the

environment, and provide more reliable consumer information. In addition, Berman et al. (1999) is of the opinion that treatment of customers and employees has the most influence on corporate performance. Therefore, Maignan et al. (2005) concludes that a better way to improve the treatment of the customer is to apply CSR as a marketing strategy. If a business organization fails to consider its customer needs, it runs the risk of losing its share of market; hence, customer pressures affect an organization's market risk. The Community expects that company will provide improved healthcare initiatives; support and/or charity, children education support, creation of work condition for the disabled, and participate in occupational qualification programmes. CSR practices mainly target efforts to alleviate poverty, prevent violation of human rights and protect the environment. However, social and organizational expectations are divergent; business organizations seek to maximize profit, whereas customers expect good quality and safe, lowly priced and a variety of services. This difference results in pressure on business organisations which if not carefully resolved, it may suffer disruptions in operation. However, even when companies engage in good CSR practices such as philanthropy and social investment, the allocating more funds for community development may result in conflicts with organizations (Idemudia and Ite, 2006). The operational impact of manufacturing companies on the environment is largely about pollution. Shrivastava (1995) states that maintaining a clean and safe environment is a major responsibility for organisations. In accordance with global environmental policy, protection rather than pollution of the environment is crucial. Shrivastava (1995) analyses the critical environmental damage such as ozone depletion caused by chlorofluorocarbons, global warming caused by industrial atmospheric pollution, acid rain, urban air pollution, toxic and nuclear wastes and the extinction of natural resources. The need to reduce the harmful effects of the foregoing on life has placed considerable pressure on business organizations to be socially responsible.

2.1. Theories of corporate social responsibility Disclosures

Holder-Webb et al. (2009) state that "it is not enough for corporations to simply engage in CSR activities but it is also important and desirable to make information about these activities available to stakeholders". Additionally, the call for disclosure of non-financial information has grown in response to the awareness that financial statement omits salient information about the firm (Adams et al., 2011; Adams, 2002). The financial statement actually portrays a limited picture of the firm through providing merely financial metrics. Therefore, the relevance of non-

financial information has increased significantly over the years. The emergence of non-financial reporting can be seen as an attempt to increase transparency with respect to corporate actions concerning social and environmental issues (Nielsen and Thomsen, 2007). Further, it is acknowledged that the disclosure of non-financial information is essential to reduce information asymmetry that exists between management and key stakeholders as well as to allow investors to better assess key areas of performance and support a broader view of corporate performance that encompasses society at large (Huang and Watson, 2015). Along with the increased interest to engage in CSR activities, today, corporations across the world are more voluntarily disclosing information about their CSR performance.

Legitimacy Theory

Suchman (1995) stated the definition of legitimacy as “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions.” Dowling & Pfeffer (1975) defined legitimacy as “a condition or status which exists when an entity’s value system is congruent with the value system of the larger social system of which the entity is a part. When a disparity, actual or potential exists between the two value systems, there is a threat to the entity’s legitimacy.” Aguilera et al (2007) considered legitimacy to be the relationship between the activities of an organization and the perception of its stakeholders on the activities it undertakes. Legitimacy deals with two major concepts, the perception of the general public and the efficiency of the communication channels used by the corporation. Legitimacy theory require organization to continuously check whether their survival is serving the public as they expect regarding the values they uphold and cherish (Mobus, 2005). It is the community that determines how useful and worthy an organization is to them based on the congruency between what they expect and what they get from the business organization (Haron et-al 2007). Communication is very essential in legitimacy theory because the business organization need to provide only what is needed and what is congruent to the norms, values and expectations of the community, so that the organization can be an entity that is legitimately considered by the community as a unit that serves them (Deegan 2000).

Deegan and Unerman (2011) assert that the legitimacy theory relies upon the notion that there is a “social contract” between an organization and the society in which it operates. Therefore,

corporation try to legitimize their corporate actions by engaging in CSR reporting to get the approval from society (societal approach) and thus, ensuring their continuing existence. According to Kytte et al. (2005), CSR reporting practices have become a key management tool to the growing complexity to multinational business management. They further argue that CSR reporting helps to integrate CSR activities into companies' strategic risk management so that the impact of CSR activities can be maximized. Waddock et al. (2002) argue that employee's perceptions about how a corporation accepts and manages its responsibilities are often part of the employee's decision about where to work. Therefore, publication of sustainability related information can play a role of positioning a firm as an „employer of choice“ and as such, this status can enhance loyalty, reduce staff turnover and increase a firm's ability to attract and retain high quality employees. Margolis and Walsh (2003) claim that corporation's engagement in CSR activities and its disclosure can foster corporate performance and as such their research conclude a positive relationship between CSR performance and financial performance (shareholder approach). Roberts (1992) asserts that one way that firms consider CSR disclosure is to increase access to capital and shareholder value by satisfying stakeholder's expectation.

Signaling theory

Signaling theory explains why firms have an incentive to report information voluntarily to the capital market: voluntary disclosure is necessary in order for firms to compete successfully in the market for risk capital. Insiders know more about a company and its future prospects than investors do; therefore, investors will protect themselves by offering a lower price for the company (Omran and El-Galfy, 2014; Thorne et al., 2014). However, the value of the company can be increased if the firm voluntarily reports (signals) private information about itself (i.e., CSR) that is credible and reduces outsider uncertainty (Connelly et al., 2011; Mahoney, 2012). Although the signaling theory was originally developed to clarify the information asymmetry in the labor market (Spence, 1973), it has been used to explain voluntary disclosure in corporate reporting (Ross, 1977). As a result of the information asymmetry problem, companies signal certain CSR information to investors to show that they are better than other companies in the market for the purpose of attracting investments and enhancing a favorable reputation (Verrecchia, 1983). CSR disclosure is one of the signaling means, where companies would disclose more CSR information than the mandatory ones required by laws and regulations in

order to signal that they are better (Mahoney, 2012; Thorne et al., 2014). Toms (2002) suggests that implementation, monitoring, and disclosure of environmental policies and their disclosure in annual reports contribute significantly to the creation of environmental reputation as prior financial performance has no impact and there is no evidence that environmental reputation is created by a financial halo effect or by the availability of slack financial resources. Hasseldine et al. (2005) integrate quality-signaling theory and the resource based view of the firm to test the differential effects of the quantity and quality of environmental disclosures on the firm's environmental reputation. Thorne et al. (2014) suggest that quality of CSR disclosure rather than mere quantity has a stronger effect on the creation of environmental reputation amongst executive and investor stakeholder groups. Connelly et al. (2011) provide a concise synthesis of the signaling theory and its key concepts; review its use in the management literature, and put forward directions for future research that will encourage scholars to use signaling theory in new ways and to develop more complex formulations and nuanced variations of the theory (Mahoney, 2012).

Stakeholders Theory

This theory focuses on the relationship between the business organization and any single individual or group of people or functional bodies that are involved in the process of achieving organizational objectives. Stakeholders can be defined as any group or individual that can affect or be affected by the process of achieving business objectives (Freeman, 1984). A stakeholder as defined by (Clarkson, 1995) is any person or group of people that are having an ownership right or any form of interest or claim on an organization. Starik (1995) include humans and non-human entities in his definition of stakeholders. He regarded the natural environment as the non-human stakeholder because of the implications and relevance it has on CSR policies. Jones (1999) classified stakeholders into two groups; primary and secondary groups.

The stakeholder's theory is the extension of objectives beyond profit maximization to include the rights and claims of non-shareholders (Mitchell et al, 1997). The theory is mainly classified into three classes; descriptive, instrumental, and normative. The descriptive explain how to manage or communicate with stakeholders, the normative deals with how to treat stakeholders, and instrumental deals with the relationship between stakeholders and corporate performance (Donaldson & Preston, 1995).

Institutional Theory

(Scott & Christensen, 1995) identified institutional theory as an external factor that influences the way an organization act. Institutional theory is having a link with the way an organization perform its CSR practice because one of the drivers to CSR performance is the pressure exerted by stakeholders and competitors, the organization need to meet multiple demand expected from it and act according to accepted norms in the industry, because organizational legitimacy and survival could be at stake if an organization fail to conform with acceptable institutional norms (Dimaggio & Powell, 1983). The main aim of institutional theory is the institutionalization of behavior. According to this theory, institutions can influence organizational behavior amidst its counterparts within the same industry. Institutions can establish acceptable and recognized standards, norms, specifications or mode of operation used within industries (Kang & Moon, 2012).

Instrumental Theory

Instrumental theory looks at CSR from the perspective of a strategist aiming to take CSR practice as an indispensable opportunity to exploit and get benefits for the business organization. This theory emphasizes on linking CSR practices with profit maximization to benefit different stakeholders. Burke and Logsdon (1996) noted that economic benefits derived from implementation of CSR policies show how an organization is effective in using the instrumental/strategic theories of CSR. Classical view theory and instrumental/strategic theory are similar when it comes to supporting wealth maximization as a sole responsibility to shareholders. The only difference between the two theories is that classical is an extreme position on profit motive at the expense of satisfying the community, while instrumental theory tries to adopt or execute CSR commitments once it can be a strategic point for increase in reputation and wealth maximization (Garriga & Mele, 2004). A lot of studies support the instrumental CSR theory because there is a positive relationship between CSR practice and financial performance (Ruff et-al 2001; Goll & Rasheed 2004; Mittal et-al, 2008; Dowell et-al, 2000; Herremans et-al, 1993; Luo & Bhattacharya, 2006). Therefore, instrumental theory supports engaging in CSR practices if it leads to profitability and good image creation or reputation.

Agency Theory

Fama and Jensen, (1983) were founded the principal-agent relationship. The separation of ownership between the company's management leads to the operative agency theory. Usually, agents are employed to control routine company processes. Though, separation of ownership and control causes conflicts of interest between agent and principal. Therefore, agency theory was introduced to resolve the agency problems through examining financial reporting procedures, checking management activities as well as to minimize or control the selfish behaviors of management (Muhamma, Xiaoming, Riaz, and Rehman, 2017). Academically, it is expected a higher level of accountability might decrease agency conflict between proprietors and management, in this situation, agency theory serves as a monitoring mechanism (Miras-Rodríguez, Martinez, and Escobar-Pérez, 2018). Advanced disclosure signifies that the companies are participating in extra corporate social responsibility (CSR) and its disclosure (Appah, 2017; Frynas and Yamahaki, 2016; Henriëtte and Anna-Retha, 2015).

2.2. Corporate social responsibility activities of insurers

Paying Valid Claims Efficiently

Paying valid claims efficiently sounds simple, but it involves more than the obvious. Having the right technology is essential, as is staff training. Insurers also need to price risks accurately and fairly. If risks are continually underpriced, an insurer will go out of business, which will have wide-ranging effects on all stakeholders. To pay valid claims efficiently, insurers must also keep down costs. Premiums are calculated by account for both the particular risks and operating costs required to provide the policy. It is therefore important to minimize overhead, infrastructure and claims-processing costs so that insurers can offer affordable insurance.

Risk Minimization/Loss Control

Insurers are in the business of risk analysis to minimize risks—both internally in their operations and externally for their clients and other stakeholders. Internal risk minimization could be as simple as implementing proper policies and procedures, such as occupational health and safety guidelines. External risk minimization may be more difficult to employ. External risk minimization should reduce claims costs and frequency for clients and insured's will thus be incentivized to reduce the likelihood and severity of loss in order to lower their premiums.

Insurers should, and often do, consider offering discounted premiums to insured's that take preventative measures. For example, discounts are offered to households that install security systems, young drivers who take safety courses and life insured's who do not smoke.

Climate Change Leadership

For insurers, a big part of risk minimization involves the environment, as insurers have an inherent interest in ensuring their clients are equipped to deal with natural disasters and the effects of climate change. The United Nations Environmental Program Finance Initiative is a collaborative effort of more than 200 companies in the financial services sector to “identify, define and promote good and best environmental practice” in the industry. For example, the company is supporting a World Food Organization project in subSaharan Africa to slow deforestation that replaces open fires with energy-efficient stoves. Some insurers are also helping customers reduce their energy consumption.

Strategic Philanthropy

Strategic philanthropy involves partnering with charities or organizations in the community for a mutually beneficial purpose. This type of corporate giving can not only impact the community but also other stakeholders in the business. Another form of philanthropy relevant for insurers is disaster relief. There are many other projects insurers could support that are a form of strategic philanthropy. Those that decrease crime or improve safety are particularly valuable, as they not only support the participants but create safer communities, which have lower claims costs than dangerous areas.

Recognition for Human Rights

Studies show that few companies have taken steps to implement human rights policies. Companies that show enthusiasm for observing voluntary human rights codes of conduct usually operate in a business with the potential to considerably impact human rights; the majority of their work may be done in developing countries, for example. These companies also tend to have high-profile brand names that they wish to protect, and for that reason they can be more easily pressured into action by civil society. These principles provide a useful reference for insurers. Ruggie explains that “to respect rights essentially means not to infringe on the rights of others—

put simply, to do no harm.” The key operational element is to conduct due diligence to “become aware of, prevent and address adverse human rights impacts.” This process involves making policy commitments to human rights, undertaking “periodic assessments on the actual and potential impact of business operations on human rights, integrating the process into decision making and the tracking of performance.” The principles also recommend that corporations develop a means to hold themselves accountable and to provide for remediation through grievance or other mechanisms.

Socially Responsible Investment

Socially responsible investment describes the process of including non-financial criteria—environmental, social and governance considerations—in decision making. Institutional investors, such as insurers, are in a powerful position in that they are able to encourage positive change in investment strategies. There are three main strategies that socially responsible investors can use. The first, called screening, involves selecting investment options based on social or environmental criteria. It makes sense for insurers to screen out companies that, by the very nature of their operations, increase the likelihood and costs of claims, such as tobacco companies. The second strategy, shareholder activism, as its name suggests, involves communication with the investment company through shareholder resolutions, for example. If measures of communication are unsuccessful, then investors can always make their position clear by ceasing to invest in that company. The third strategy, community investing, is self-explanatory.

2.3. Dimensions of corporate social responsibility disclosures

Environmental disclosures

Environmental information (EI) must help the society and firms to recognize the impact on the environment of business decisions (Milne and Patten, 2001; Kuk et al., 2005). Information systems as Carlson et al., (2001) argue: “By making use of current business information technology, such as Internet-accessible tools, and industrial environmental management tools, standards, policies and legislation an information system for EI management has been designed”. The constant need of information from the EI system help managers to identify environmental risks, structure of costs and investments which need a challenge to be faced by firms. The

environment could not be defended only by strictly economic results (Mendes, 2007). ED was defined by The Association of Chartered Certified Accountants (ACCA) as “a description of objectives, explanations and numerical information such as emissions, resources consumed by enterprises in specific environments for environmental impacts” (Ong et al. 2016 p. 462). Nola (2002) argues that to establish an excellent environmental image, companies must have to disclose environmental accounting information. Beer and Friend (2006) believe that to meet the investment decisions of stakeholders and to be able to win competitive advantages in the market place, firms have to disclose environmental accounting information actively.

Community Disclosure

According to Davis, 1973, a company exists only because it undertakes valuable activities for its community. These activities might include: community involvement and public welfare; products or employee services to support established community activities and events; education, arts, sport and public health sponsorship; and donations in the local currency or in kind to an officially recognized charity, including references to and amount of political donations; and any other references to community and/or social involvement outside the labour force such as improving transport networks and developing local industries. The leading field of CSR activities is education. (Aksoy 2015). Indeed, some companies open schools, others support vocational high schools, some establish Information Technology classrooms, others build schools and name it after their company name, some distribute tooth brushes, and others organize competitions (Aksoy, 2011)..

Shareholders disclosures

Corporation that more engage in mandatorily and voluntarily disclosures may decrease agency conflicts (e.g., Elzahar and Hussainey, 2012, Jensen and Meckling, 1979, Ntim et al., 2013). Hence, enhanced mandatorily and voluntarily disclosures may decrease information asymmetry between managers and firm stockholders and develops the shareholders ability to monitor management’s practices (Beekes et al., 2016).

Employees' disclosure

Effective workplace and human resource management can enhance employees' productivity, increase employees' morale and lead to reduced employee turnover, cost of recruitment and cost of training new employee. Disclosure of a company's behavior towards its human resource help the company to retain and attract new employees (Turban and Greening, 1997) as well as build a positive image with employees and increase reputation of good relationship between employer and employees (Branco and Rodrigues, 2009). According to Peterson (2004), employees who believe highly in the importance of social responsibility of businesses will demonstrate higher organizational commitment than the others. Dominguez (2011) reported that image, reputation and innovation was one of the reasons a company demonstrates its commitment to its employees, increases different interest groups' confidence and develops its competence to obtain competitive advantages. This is further supported by Branco and Rodrigues (2009) who stated that disclosure of information on company's behavior and outcomes from social responsibility activities helps in building a positive image, not only with external interest groups but also with the employees. Furthermore, disclosure of human resource information in annual reports has been reported to have a positive effect on corporate value and market capitalization. Ousama, Abdul Hamid and Abdul Rashid, (2011) examined the effect of intellectual capital disclosure (part of the disclosure is human resource information) on market capitalization and found a positive significant relationship.

Customer disclosure

Customers who have sufficient understanding of the importance of CSR practiced by a company are undoubtedly concerned with CSR disclosure. Concern for CSR practiced by the company is realized with the decision to use the company's products, and their good social performance will shape customer retention. Otherwise, a company's poor one will decrease the customer loyalty. Sen and Bhattacharya (2001) found that CSR initiatives conducted by the company in certain circumstances can reduce customer's intention to purchase the company's products. Changes in customer retention towards a company's products due to the customer's evaluation on the company's social performance can be represented by the market share of the company's products. Loyal customers will be able to increase sales of the company. In other words, customer loyalty is associated with market share (Al-Wugayan and Pleshko 2010; Keisidou et al., 2013). The

difficulty of maintaining market share in a particular industry will motivate the company to increase CSR disclosure in its annual reports. An effective understanding of CSR by customers can provide high satisfaction for the customers (Xueming and Bhattacharya, 2006). The positive perception of customers on the company's CSR initiatives can provide high satisfaction on the customer (Mandhachitara and Poolthong 2011). The positive perception of customers on the company's CSR initiatives can lead to high customer satisfaction (Hsu, 2012). In addition, satisfied customers will be loyal, continuing to either purchase more products or repeatedly use the services provided by the company.

2.5. Corporate social responsibility disclosures in developing countries

CSRD can be considered a Western phenomenon. Many developed countries have implemented procedures to encourage companies to disclose their CSR strategies and practices: for example, in the United States, there have been several social indexes since 1990 (Domini Social Index); the European Commission announced that CSRD should be implemented in European countries from 2005 (Luetkenhorst 2004); the United Kingdom has a minister for CSR; and France has passed a compulsory law where large companies must issue their CSR reports (Wanderley et al. 2008). However, there are no similar initiatives in developing countries. As such, there are few studies about CSR in developing countries, although it is possible to infer that many obstacles have contributed to the prevention of CSR's implementation in developing countries (Jamali 2007). The institutions, standards and legal system that support CSRD in Western countries are relatively weak (Kemp 2001). CSR in developed countries is stimulated by a societal demand for responsible business responsibility. In addition to this, corporate governance is more developed in these countries, and thus there is greater encouragement of CSR (Mallin et al. 2005). The level of CSRD in developing countries is, in general, very low and unsatisfactory: in Bangladesh and Yemen, CSRD is very low (Imam 2000; Alawi and Rahman 2011); in Egypt, it is a mere descriptive (Rizk et al. 2008); in most Arab countries, such as Qatar, Kuwait, Saudi Arabia, Bahrain, Oman, the United Arab Emirates, Syria and Jordan, CSRD is low (Kamla 2007). Most of the studies into CSRD have been conducted in developed countries (Williams 1999; Newson and Deegan 2002; Branco and Rodrigues 2008; Lassaad and Khamoussi 2012). In developing countries, there is a lower number of studies, though it is growing (Imam 2000; Kamla 2007; Mirfazili 2008; Rizk et al. 2008; Uwuigbe and Egbide 2012). The level of CSRD in developed countries is higher than in developing countries; this may be a result of the latter's lower

economic development, weaker legal systems, corporate governance being a new concept or the low demands of stakeholders. CSR in Jordan has received a modest amount of attention in their annual reports of companies listed on the Amman Stock Exchange. The most disclosed items have been those related to human resources and community involvement. Environmental disclosure needs much more attention from Jordanian companies (Abu-Baker and Naser 2000).

In Ethiopia the concept CSR is the new phenomenon. Mathias (2016) in his study of CSR in Ethiopian commercial bank identified that Ethiopian commercial bank is trying to improve CSR but there are gaps in implementing well planned CSR. Tulsian Monica(2018) also identified the CSR challenges and development strategies in Ethiopian agri-business. Moreover he reported “in Ethiopia the philosophy of corporate social responsibility is not well developed and also the governance system takes the form of mere control and decision making rather than encouraging development and implementation of a well-developed ethical code of conduct, but there is a good start up in Ethiopian horticulture association.” Kassayye (2016) reported that the concept of CSR is new idea in Ethiopia and CSR practice recently started with the help of multinational companies and NGO. Fentaye and Rama (2013) in their study of Perception of Local Community on CSR of Brewery Firms in Ethiopia reported that the Brewery firms CSR initiatives was somewhat good but the local communities awareness about CSR initiatives were low.

2.6. Determinants of corporate social responsibility disclosures in developing countries

There were various determinants of corporate social responsibility disclosure (CSR).Size of the company is the most frequently tested determinant in explaining the association with CSR disclosures. A number of earlier studies have found a positive and significant association between size of the firm and CSR disclosures (Eilbirt and parket, 1975; Cowen et al., 1987; Hackston and Milne, 1996; chow and Wong, 1987; Hossain et al., 1995).

Some studies find a positive and significant association between profitability and CSR disclosures (Cowen et al., 1987; Vintilă and Florinita, 2013; Gamerschlag et al., 2014; Kansal et al., 2014). Other studies report a negative association between profitability and CSR disclosures (Patten, 1992; Dyduch & Krasodomska, 2017). A few studies report no association between profitability and CSR disclosures (Hackston & Milne, 1996).

Studies of Hossain et al., (1995), Sulaiman et al., (2014) find a positive relationship between leverage and CSR. Firms with high debts may disclose more information in order to reduce the monitoring costs (Ahmed & Courtis, 1999). In addition, leveraged firms tend to participate more in socially responsible activities and accordingly have a higher level of CSR in order to assure creditors and investors that their business is sustainable and credible (Roberts, 1992; Naser et al., 2006; Esa & Ghazali, 2012). Some other studies of Dyduch et al.,(2017), Grigoris Giannarakis (2014) report a negative association between leverage and CSR reporting, whereas the studies of Chow and Wong (1987), McKinnon et al.,(1993) find no relationship between leverage and CSR. Agency theory suggests also that firms with high leverage level disclose less CSR information. This assumption has been supported empirically by different studies (e.g., Belkaoui & Karpik, 1989; Cormier & Magnan, 1999). Firms with high level of leverage are viewed as risky firms. Therefore, they are less flexible to engage more in CSR activities and they focus mainly in the activities related-business. Jensen (1986) and Zwiebel (1996) reported that firms with cash in place are more flexible generally in over investment. Thus, leverage tends to discourage firms to invest in socially responsible activities (Barnea & Rubin, 2010).

Age of the firm has been used as one of determinants of CSR in a number of studies and some studies found a positive significant relationship between company age and CSR (Bayoud et al., 2012; Radhi and Shahed, 2014). The older the firm the better is the social performance (Moore, 2001). However, some other studies found a negative association between company age and CSR (Sukcharoensin, 2012). A few studies have found no association (Khalid et al., (2017)).

Based on the agency theory, larger companies need larger boards to control and monitor the management actions. This means that the size of the firm is an influential factor that determines the board of directors' size. This viewpoint has been empirically supported by many authors. Coles et al. (2008) pointed out that large and complex firms, which have diversified businesses, need more members in their board because they need more advising requirements. Dalton et al. (1999) pointed out that larger boards are likely to consist of more experts and knowledgeable directors, and offer better advice to the CEO. This indicated that complex firms need larger boards. Many members in the boards may enhance director's board to perform their roles more effectively. Large board might improve the transparency in the firms, considers the shareholders groups during the board meetings and maximizing the level of voluntary disclosure and CSR

practices and disclosure. In addition, boards with more members may reduce the problems of information asymmetry (Chen & Jaggi, 2001), uncertainty and the lack of information (Birnbaum, 1984). Some studies revealed a positive relationship between board size and corporate disclosure (Gandía 2008; Kent and Steward 2008), voluntary disclosure (Halme and Huse 1997) and CSRD (Buniamin et al. 2008). Conversely, several studies found no empirical association between board size and a company's level of information disclosure (Cheng and Courtenay 2006; Donnelly and Mulcahy 2008).

In developing countries, there are several studies which found a positive relationship between the proportion of independent directors and high levels of voluntary disclosure (Cheng and Courtenay 2006; Akhtaruddin et al. 2009) and CSRD (Rouf 2011). Higher proportion of independent directors enhances financial reporting (Barako et al. 2006).

2.7. Empirical literature review

There have been some limited studies conducted on CRSD in some developing economies particularly in Africa but have mostly focused on specific industries such as mining, oil, gas and banks (De Villiers and Van Staden, 2006; Coetzee and Van Staden, 2011; Akinpelu et al., 2013; Khan et al., 2009). Uddin et al. (2016), for example, examined CSRD of banks in Bangladesh from the political perspective. The study cites previous studies such as Whelan (2012) and Gu et al. (2013) who all argued that the political aspect of CSR has been woefully theorized. The study through published documentary evidence and published report of banks social and political activities in national and international newspapers reported that CSR banks were inextricably related to powerful leaders' personal projects and the ruling party's agenda. The study argued that family loyalty and personal loyalty and master-servant relationship have influenced CSRD among Bangladesh banks. The study concludes that family and familiar values at national and organizational levels contribute to CSRD. Other studies particularly in Africa have focused on South Africa, Egypt, and Nigeria but with conflicting results (Fifka, 2013). Fifka (2013) attributed these contradictions to the absence of legal requirements, the unavailability of data and the lack of motivation for companies in these countries to engage in CSRD. Moreover, most of these studies have focused on corporate characteristics as determinants ignoring other critical determinants such as degree of multinational activity (DMA) and corporate governance. It is argued in this study that multinationals face higher social pressure which based on the legitimacy

theory are likely to disclose more social information in an attempt to legitimize their actions. In addition, Branco and Rodrigues (2008) argued that companies in multinational environment have to consider differences in stakeholder needs as a result of cultural differences. In Ghana, there have been some recent studies in CSR activities but these studies have not focused on disclosures (Hinson et al., 2010; Ofori and Hinson, 2007; Rahaman, 2000; Rahaman et al., 2004). For instance, Hinson et al. (2010) looked at CSR reportage on banks' websites in Ghana and found that a bank that won an award for CSR had the poorest reportage as compared to the other banks that won no award, but had some structured form of website reporting on CSR. Rahaman (2000) conducted a small exploratory study on 12 companies in Ghana and found that external factors such as pressure from international bodies like International Monetary Fund and government regulations and internal factors such as management attitudes and desire to obtain listing on international stock market were the motivational factors for CSR in Ghana.

In fact, there are various studies conducted regarding corporate social responsibilities in Ethiopia. But those studies are mainly focused on corporate social responsibility practices of different firms and the country as whole. Among those studies Selam(2017) reported that the positive relationship between all CSR dimension and customer satisfaction in Ethio telecommunication. A Conceptual paper developed by Tesfaye(2018) on the CSR social dimension of human development revealed that the concept of CSR is indigenous opportunities that are available locally due to collectivism is a dominant national culture. Mathias (2016) in his study of CSR in Ethiopian commercial bank identified that Ethiopian commercial bank is trying to improve CSR but there are gaps in implementing well planned CSR. Tulsian Monica(2018) also identified the CSR challenges and development strategies in Ethiopian agri-business. Moreover he reported "in Ethiopia the philosophy of corporate social responsibility is not well developed and also the governance system takes the form of mere control and decision making rather than encouraging development and implementation of a well-developed ethical code of conduct, but there is a good start up in Ethiopian horticulture association." Kassayye (2016) reported that the concept of CSR is new idea in Ethiopia and CSR practice recently started with the help of multinational companies and NGO. Fentaye and Rama (2013) in their study of Perception of Local Community on CSR of Brewery Firms in Ethiopia reported that the Brewery firms CSR initiatives was somewhat good but the local communities awareness about CSR initiatives were low.

Generally, there was no research done regarding CSRD in Ethiopia. The study conducted to fill the gap of factors affecting CSRD in insurance companies of Ethiopia.

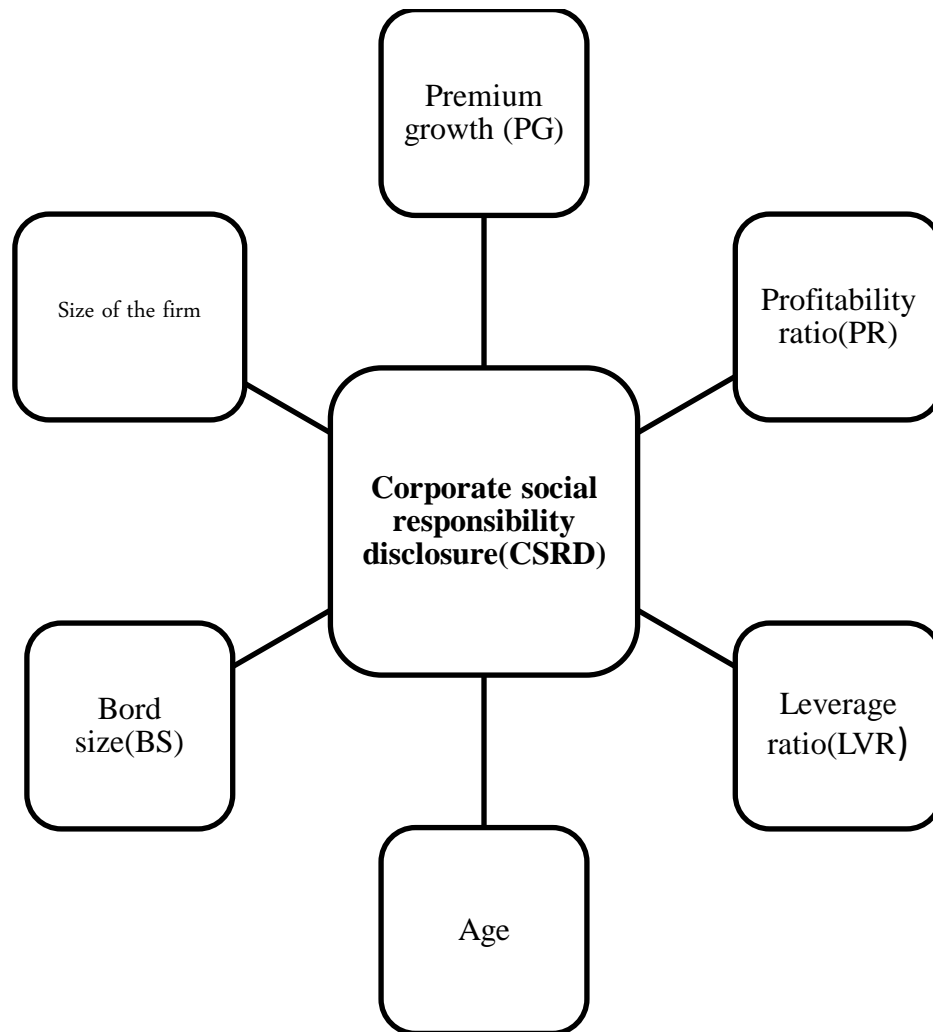
2.8. Literature Gap

All the above empirical studies reviewed generally imply that, the concept of corporate social responsibility practice is a recent phenomenon in Ethiopia. However, there are various impediments that affect CSRD in both developing and developed countries. As per knowledge of the researcher there are only theoretical reviews about factors affecting corporate social responsibility in Ethiopia. Hence this, the aims of this study is to identify the factors affecting corporate social responsibility disclosure of insurance companies in Ethiopia. In fact the researcher will only focus on insurance industry specific factors affecting CSRD. Finally the researcher hope the result will contribute for the literature.

2.9. Conceptual framework

The study formulated the conceptual frame work based on some factors affecting corporate social responsibility disclosures. Thus, premium growth, profitability, leverage, Age of the firm, size of the firm and board size were selected as independent variables from literatures. All variables were firm specific variables.

Figure 1: Conceptual framework



Source: Researcher Own development

CHAPTER THREE

3. Research methodology

This chapter aimed to provide insight information about the practical ways and methods that were employed in gathering information for the study. According to Kothari (2004, 6), "Research methodology is a way to systematically solve the research problem." Thus, this part will provide the scientific methods, principles, procedures, and assumptions will be used to achieve the stated objectives of the study.

3.1. Research design

Research design is a policy framework that is used by researcher to implement the valid research strategy in solving research problem. It is a systematic plan to study a scientific problem. According to, Kapur 2018 "For any research, the selection of an appropriate research design is fundamental in enabling one to generate valid findings, comparisons and conclusions". Generally, it indicates the strategy designed by the researcher to answer the identified research problem. Regarding this, the study was formulated hypotheses to define the relationship between dependent and independent variables. Kothari (2004)⁷ stated that "Hypothesis-testing research studies (generally known as experimental studies) are those where the researcher tests the hypotheses of causal relationship between variables. Such studies require procedure that will not only reduce bias and increase reliability, but will permit drawing inferences about causality". Walliman,(2011:11) also stated "Although experiments can be done to explore a particular event, they usually require a hypothesis (prediction) to be formulated first in order to determine what variables are to be tested and how they can be controlled and measured." Accordingly, the researcher used Experimental research design to identify factors affecting corporate social responsibility disclosures in Ethiopian insurance companies. In this design the researcher identified dependent, independent and control variables. Therefore, experimental research design is adopted to clearly identify the Cause and effects between dependent and independent variables.

3.2. Research approaches

Research approach is a detailed plan and procedure about data collections, analysis and interpretation which needs critical view in selection. Mohajan, 2018 stated that Choice of

appropriate research approach is like choosing corresponding key for opening a lock. The researcher conducted the quantitative content analysis of annual report of insurance companies in Ethiopia. Thus, the study adopted the quantitative research approach; to achieve the stated research objectives. “Quantitative approach involves the utilization and analysis of numerical data using specific statistical techniques to answer questions like who, how much, what, where, when, how many, and how.”(Apuke, 2017). Quantitative approach, according to Merwe (1996), is a research approach aimed at testing theories, determining facts, demonstrating relationships between variables, and predicting outcomes. Generally, the study adopted quantitative research approach to test hypothesis formulated.

3.3. Population

According to NBE annual report of 2019/2020 the numbers of insurance companies are 18, of which 17 are private and one is state owned, with 605 branches. Therefore, the target populations of the study were all private and public insurance companies operated in Ethiopia.

3.4. Sampling technique and sample size

Non-Probability sampling technique was used to select sample from the total population that help to draw inferences. According to Kothari (2004, 59) “Non-probability sampling is that sampling procedure which does not afford any basis for estimating the probability that each item in the population has of being included in the sample. In this type of sampling, items for the sample are selected deliberately by the researcher; his choice concerning the items remains supreme.” In fact the researcher used annual report of each insurance company started from 2016-2020. Because, of unviability of published annual report for more than five years of some insurance companies, the researcher decided to use only five years data for analysis. Finally, the study only included insurance companies with complete information.

3.5. Data type and collections methods

The study was used only panel secondary data (both cross-section and time series) for analysis, depending on the nature of dependent and independent variables. The panel secondary data was obtained through quantitative content analysis and audited financial review of annual reports related with each insurance company in Ethiopia. Secondary data provides researchers with opportunities to engage in work to test new ideas, theories, frameworks, and models of research

design. (Johnston, 2014).Accordingly, the study was tested formulated hypotheses using secondary data.

3.6. Descriptions of Variables

In the study, the exploratory variables were selected depending on various theories and literatures of corporate social responsibility disclosures. However, in some cases, the independent variables affecting CSRDI may be different from country to country and from industry to industry. These variables were categorized as dependent, independent and control variables.

3.6.1. Dependent and independent variables

The dependent variable for the study was corporate social responsibility disclosures. A literature on CSRDI explains a number of factors affect CSRDI. Accordingly, the study independent variables were Premium growth, profitability, Leverage, Age, Size of the firm and board size of the firm. The study conducted quantitative content analysis concerning the annual report of each insurer in Ethiopia to measure CSRDI.

However, in Ethiopia CSRDI is the new phenomenon that needs greater emphasis in all sectors. In fact, Insurers in Ethiopia voluntarily discloses corporate social events in their annual reports. This implies that, most of the insurers in Ethiopia disclose corporate social responsibility informally, due to no legal enforcement regarding corporate social responsibility disclosures. This makes difficult the measurement of CSRDI, like countries that have legal framework about CSRDI. Thus, taking this in consideration the researcher identified the corporate social responsibility areas from the literature depending on stakeholders' theory. The study only used corporate social responsibility dimensions without the indicators of corporate social responsibility disclosures details. This is due to fact that Ethiopia has no legal framework regarding corporate social responsibility disclosure. Therefore, the researcher carefully, identified the information related with corporate social responsibility disclosure from the five years (2016-2020) annual report of each insurance company in Ethiopia. Finally, the study used five CSRDI areas, such as Community disclosures, stockholders disclosures, Employees disclosures, Customers disclosures and Environmental disclosures depending on stakeholders' theory to measure CSRDI.

Table 1: Corporate social responsibility disclosure dimensions

S.No.	CSR areas	Sources	Measurement
1.	Stockholders	Niresh and Silva,2017 and Joshi and Hyderabad ,2019	Total score of the CSR areas / Maximum possible score obtainable =100 percent. (The adopted framework consists of 5 CSR areas Content analysis. Therefore, the maximum possible score attainable for each insurance company is 5)
2.	Community		
3.	Employees		
4.	Customers		
5.	Environment		

Source: Author's own technique

Many scholars measured CSR using corporate social responsibility index which is a yardstick to examine the level of corporate social responsibility disclosure of the companies. (Joshi and Hyderabad 2019, Bidari and Djajadikerta, 2020, Niresh and Silva 2017). Using the above evidence the researcher was used the un-weighted disclosure index. The un-weighted disclosure approach is most appropriate when no importance is given to any specific user-groups (Cited in Rouf, 2011). In the study the researcher assumed that all corporate social responsibility disclosure dimensions were equally important. Accordingly, Score= 1, If information of CSR area is disclosed in each insurance company's annual report, otherwise=0. Finally, the average CSR of Seven consecutive years (2014-2020) was used for analysis purpose. In Ethiopia CSR is the recent phenomenon that innovative companies voluntarily disclose information which is necessary for their stakeholders. The study conducted a systematic content analysis of annual report of each insurance company based on areas of corporate social responsibility dimension like CSR regarding stockholders, community, customers, employees, and environment identified with different authors. Therefore, the corporate social responsibility disclosures index (CSRDI) of each insurance company was calculated as follows:-

$$CSRDI = \frac{\text{Actual score of CSR each insurance}}{\text{Maximum possible obtainable score of CSR of each insurance}} * 100$$

The independent variables were premium growth, profitability, Leverage, Age, Size and Board size of the firm. Independent variables are measured as follows:

$$\text{Premium growth} = \frac{\text{Gross Premium Written (Y1)} - \text{Gross Premium Written (Y0)} \times 100}{\text{Gross Premium Written (Y0)}}$$

Profitability is measured using return on assets(ROA),

$$\text{Thus: PR} = \frac{\text{Net income before tax}}{\text{Total assets}}$$

$$\text{Leverage ratio} = \frac{\text{Total liabilities}}{\text{Total assets}}$$

Age of the firm – using year of establishment of each insurance company.

Size of the firm – Using the natural logarithms of total assets .

Board size –Using the number of directors on the board

Control variable

The corporate governance could determine corporate social responsibility disclosures. Corporate governance is the system by which companies are directed and controlled. (Cadbury, 1992) Effective Corporate governance mechanisms improve the CSR. Thus, well-governed firms use increased disclosure as a means of mitigating agency problems between managers and shareholders (Goodwin et al., 2009). However, corporate governance practice is different from firm to firm. Therefore, the researcher used corporate governance as control variable.

3.6.2. Model specification of the study

The following section describes, the most recent model developed by some scholars which reviewed to specify the model. Generally, there are numerous models specified by different scholars about CSR. However, the researcher selected Joshi and Hyderabad, 2019 model of Indian CSR, in order to estimate the new model. Therefore, the selected model is as follows:

CSR = $\beta_0 + \beta_1 \text{ ASSETS} + \beta_2 \text{ ROE} + \beta_3 \text{ DER} + \beta_4 \text{ BSIZE} + \beta_5 \text{ AGE} + \varepsilon$ Where: CSR = Corporate Social Responsibility Disclosure Index; ASSETS = Total Assets; ROE = Return on

Equity; DER = Debt equity Ratio; BSIZE = Average total directors; AGE = Age of the firms in years; and ε =Error term.

The study concluded a positive and significant relationship between firm's size, board size and age and CSRD but the negative and insignificant relationship between profitability, leverage and CSRD was identified.

$$CSR D = \alpha_1 + \beta_1 PGR + \beta_2 PR + \beta_3 LVR + \beta_4 AGE + \beta_5 SIZE + \beta_6 BSIZE + \mu t$$

Whereas: CSR D- Corporate social responsibility disclosure.

PGR- Premium growth rate

PR- Profitability Rate

LVR- Leverage ratio

AGE- Age of the firm.

SIZE- size of firm

BSIZE- Board size

3.6.3. Research Hypothesis development

The research hypotheses are developed after reviewed various bulletins, manuals, empirical and theoretical literatures about factors affecting corporate social responsibility. Those hypotheses will be finally tested by using Econometrics model within 95% level of confidence. The hypotheses are as follows:

Premium growth

Gross Premium written is main source of income earned by insurance companies. Premium growth is an increase in the number of policyholders depending on exposure and an increase in the average price per exposure depending on rate level.(Reshid, 2015). According to Kaya, 2015, the increase in premium growth rate will ensure the growth of the company and increase of its market share. Increased market share will impose high commitment for all stakeholders, to maintain customer loyalty and attraction in insurance companies. This high market is realized through disclosing corporate information to all stakeholders. Therefore, the researcher assumed high premium growth will impose high corporate social responsibility in insurance companies. However, According to

Chen & Wong 2004, excessive increase in the volume of the gross written premiums especially in an economic downturn may lead to the negligence of other important targets and self-destruction. Thus, the researcher needs to test the relationship between CSR and premium growth by developing the following null hypotheses:

Ho: premium growth and CSRD were significantly related in Ethiopian insurance companies.

Profitability

Earning on assets and Equity could affects companies CSRD. This emerges from the reality that profitable companies disclose more information concerning corporate social responsibility for their future business sustainability. Several studies identified that profitability determine CSRD. Some studies find a positive and significant association between profitability and CSR disclosures (Gamerschlag et al, 2014, Kansal et al, 2014, Bidari and Djajadikerta,2020) Other studies identified a negative and insignificant relationship between profitability and CSRD.(Dyduch & Krasodomska, 2017, Joshi and Hyderabad, 2019) Depending on the above reviews the hypotheses is formulated as follow:

Ho: There is a positive significant relationship between profitability of firm and CSRD in insurance companies of Ethiopia.

Leverage

Leverage ratio is used to measure ability of the company to repay the company operating results and the burden of interest payments or principal (Sitanggang, 2014).Thus, leverage could influence CSRD. Some studies reported the significant and positive relationship between Leverage and CRSD.(Sulaiman et al.,2014, Hossain et al.,1995).But other studies identified that there is insignificant and negative relationship between leverage and CSRD. (Giannarakis ,2014, Joshi and Hyderabad, 2019).Agency theory also suggests that firms with high leverage disclose less information.

Ho: There is a significant relationship between Leverage of firm and CSRD in Ethiopian insurance companies.

Size of firm

Scholar identified that size of firm is one determinant of corporate social responsibility disclosures. Some studies imply the significant and positive relationship between firm size and

CSR. (Wang et al, 2013, Dyduch and Krasodomska 2017, Bidari and Djajadikerta,2020, Masoud and Vij,2020,).On the other hand there is the study that shows no relationship between firm size and CSR (Nawaiseh et al,2018)

Ho: There is a significant relationship between Size of firm and CSR in Ethiopian insurance companies.

Board size

Board size is another determinant that determines the level of CSR. Ghabayen et al.2016, Villegas et al., 2018 studied the positive significant relationship between board size and CSR. On the other hand, several studies found no empirical association between board size and a company's level of information disclosure (Cheng and Courtenay 2006; Donnelly and Mulcahy 2008).

Ho: There is a significant relationship between board Size and CSR in Ethiopian insurance companies.

Age

Some authors convince that age is one determinants of corporate social responsibility where others are not. Depending on their context of study some agued as companies, age getting increase and increase their social responsibility commitment will increase. Old firms disclose more corporate social responsibility information than younger firms. (Ali and Ahmed, 2016, Masoud and Vij,2020) Using above studies with different context one hypotheses is formulated as follows:

Ho: There is a significant relationship between Age of firm and CSR in Ethiopian insurance companies.

3.7. Data analysis and presentation Methods

The study conducted both statistical and descriptive data analysis methods after all required data were fully collected, edited, coded, classified and arranged in more suitable form. Statistical analysis was used to identify the relationship between dependent and independent variables. Descriptive data analysis methods was used to provide simple summaries of the sample and also about the observation made on them. Accordingly, the arranged data were analyzed using STATA version 14. In STATA multiple linear regression method was used to determine the

relationship between CSR and independent variables. Finally, the results were presented in tables and graphically.

CHAPTER FOUR

4. Data analysis and presentation

This chapter provides the data analysis and its presentation. The study used a time series data of only seven consecutive years, to include some insurance companies operated recently. A time series is a time-oriented or chronological sequence of observations on a variable of interest. (Montgomery et al, 2008). Therefore, the study collected the five years annual report of 9 insurance companies operated in Ethiopia from 2016-2020. The raw data were analyzed using multiple linear regression to identify the relationship between CSR(Dependent variable) and premium growth, profitability, leverage, age of the firm and size of the firm (independent variables). The multiple linear regression model is used to study the relationship between a dependent variable and one or more independent variables. (Greene, 2010). Generally, there are 18 insurance companies in Ethiopia. (NBE, 2020 Annual report). However, the study only encompasses nine insurance companies of Ethiopia. For the insurance companies not incorporated in the study the researcher did not obtain published annual report.

Table 2: Insurance companies included in the study:

S.no.	Name of insurance companies (Insurers)	Established year
1.	Awash insurance company S.C	1994
2.	Lion insurance company S.C	2007
3.	NIB insurance company	2002
4.	Nile insurance company S.C	1995
5.	Nyala insurance company S.C	1995
6.	The united insurance company S.C	1997
7.	Oromia insurance company S.C	2009
8.	Tsehay insurance S.C	2012
9.	Bunna insurance company S.C	2013

Source: NBE

4.1. Overall assessment of CSRD Ethiopian insurance companies

In Ethiopia Corporate social responsibility disclosure is a voluntary activity in which innovative corporate business disclose their corporate social responsibility to avoid information asymmetry between the firm and its stakeholders. Unlike developed countries Ethiopia has no legal frame regarding corporate social responsibility disclosures. In consideration of this, the researcher assessed the corporate social responsibility disclosures of Ethiopian insurance companies included in the study. The study encompassed nine insurance companies selected as a sample. Based on the five years (2016-2020) annual report content analysis, some insurance companies were formally included their corporate social responsibility information were others were not. Accordingly, Nyala insurance company, Nib insurance company, Oromia insurance company, Awash insurance company, and Nile insurance company were formally included their corporate social responsibility disclosures. On the other hand, United insurance company, Lion insurance company, Bunna insurance company and Tsehay insurance company were not formally included their CSRD. Furthermore the study assessed the level of corporate social responsibility disclosures depending on five dimensions. The dimensions were shareholders, Employees, Community, Customers and Environmental disclosures. Business consultation meeting with shareholders and protecting shareholders' investment and providing acceptable return were some corporate social activities regarding shareholders of Ethiopian insurance companies. Also, supporting handicapped and elder people, donating educational materials to students from low income, working with professional groups like traffic police and road safety, sport clubs, Red Cross city chamber, and community health were some CSR activities disclosed by Ethiopian insurance companies. Regarding Environment, supporting developmental project, plantation, wild life conservation were some CSR activities encompassed in Ethiopian insurance companies' annual report. Guar anting risk protection, financial backing and efficient services, consultation meeting with insurance brokers and sales agents were CSR activities in relation with customers of Ethiopian insurance companies. Finally, providing training, providing bonus, prize for well performed staff were some CSR activities disclosed in Ethiopian insurance companies with regard to Employees. Thus, the following descriptive statistics assessed the level of corporate social responsibility disclosure of sampled insurance companies in Ethiopia.

4.1.1. Descriptive statistics analysis

The following table shows the summary descriptive statistics of dependent and independent variables of 9 insurance companies of Ethiopia. Accordingly, the study only included the five years annual reports of, each insurance company in analysis. This was because; the study did not able obtains more than five years published annual reports of some insurers included in analysis. Also, for those not included in the study the researcher requested to get their published annual reports but were unable to get their published annual report to conduct content analysis. Therefore, the total observations of study were 45(9*5). The study shows the corporate social responsibility disclosures of insurance companies in Ethiopia ranges between 0.2 and 1, which is the minimum and maximum respectively. The mean /average corporate social responsibility disclosures regarding shareholders, community, employees, customers and environment is 64% with the standard deviation of 27.3 %. This implies the CSRD of insurance is good hence it's more than 50% but, needs improvements. Also, the standard deviation is small which implies insurance companies in Ethiopia disclose corporate social responsibility in the similar fashion.

Table 3: Summary of descriptive statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
CSRD	45	.6444445	.2726599	.2	1
PGR	45	.3101289	.2667242	-.36	.8
PR	45	.0950889	.0966632	.024	.6
LR	45	.6013778	.081718	.51	.78
AGE	45	20.77778	5.493338	3	26
SIZE	45	8.924044	.3331611	8.21	9.46
BSIZE	45	8.955556	.6380209	8	10

Source: Stata output

4.2. Statistical Analysis

4.2.1 Choosing Fixed versus random effect model

The collected data were estimated based on time series model using fixed effects to reduce the selection bias. “The fixed effects regression model is commonly used to reduce selection bias in the estimation of causal effects in observational data by eliminating large portions of variation thought to contain confounding factors.” (Mummolo and Peterson,2018). The fixed effect of the study tested using Hausman test. Accordingly, the null hypothesis is rejected if the P-value is greater than 5 % (the variables is insignificant) and the null hypothesis is accepted (the variable is significant) if the p-value is less than 5% (Sheytanova, 2014).

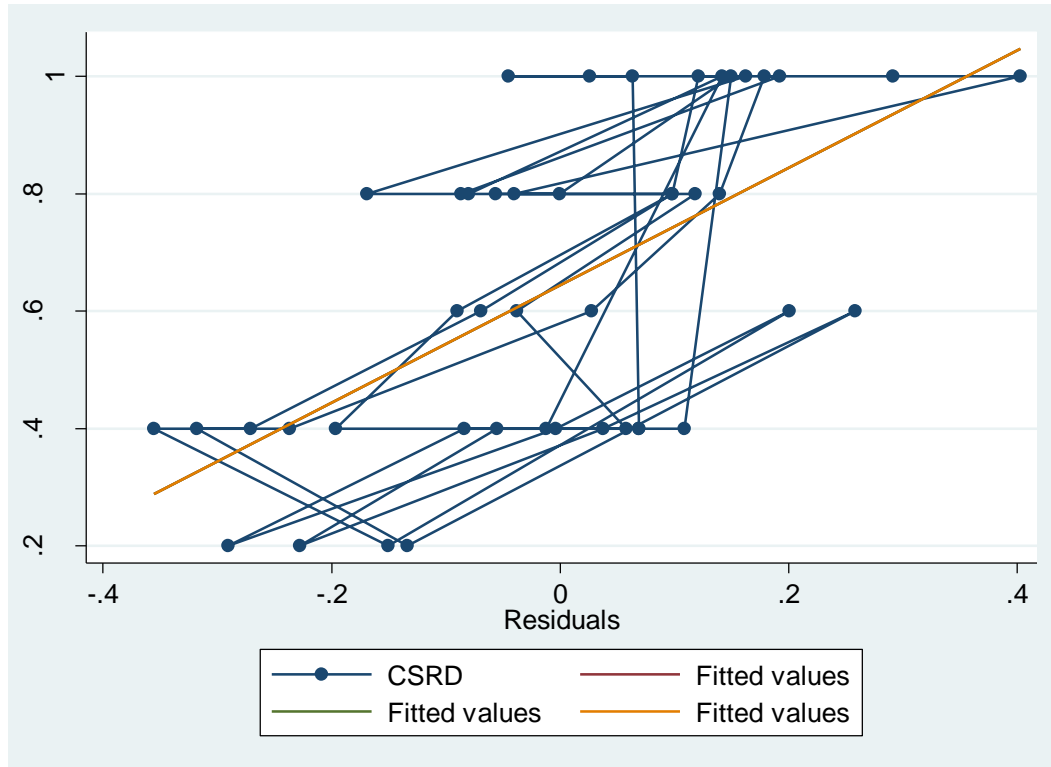
4.2.2. Diagnostic tests of classical linear regression

A diagnostic test of classical linear regression is important to check the validity of the model. Serious assumption violations can result in biased estimates of relationships, over or under-confident estimates of the precision of regression coefficients (i.e., biased standard errors), and untrustworthy confidence intervals and significance tests (Chatterjee & Hadi, 2012, Cohen, West, & Aiken, 2003).

Linearity Assumption

Linear regression needs the relationship between dependent and independent to be linear. One way to test the linearity assumption can be through the examination of scatter plots. (Gregory etal, 2019). The following scatter plot shows the linear relationships between dependent (CSRD) and independent variables (PGR, PR, LR, AGE, SIZE, and BSIZE) residuals of Ethiopian insurance companies.

Figure 2 : Linearity of CSRD and independent variables.



Source: stata output

Generally, the above scatter plots shows minimum residuals values shows minimum CSRD and maximum residual values shows maximum CSRD. This implies linearity between CSRD and independent variables.

Testing normality assumption

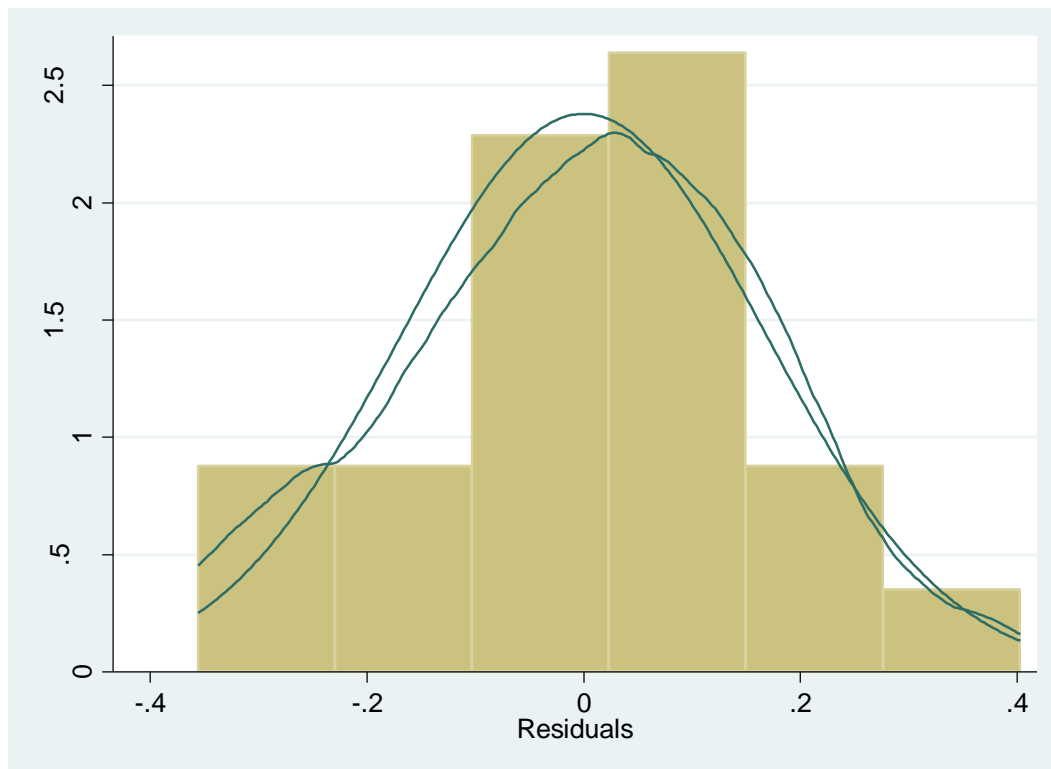
This assumption assumes all variables should have normal distribution. Thus, “Non-normally distributed variables can distort relationships and significance tests.”(Osborne and Waters 2002). Thus the normality assumption was tested using Shapiro-wilk test of normality. Shapiro-Wilk test is the most popular tests for normality assumption diagnostics which has good properties of power and it based on correlation within a given observations and associated normal scores. (Keya Das, 2016). In Shapiro-wilk test the probability (p-value) more than 5% confirms the distributions of data. On the other hand if the residuals histogram is bell shaped the data has normal distribution. Accordingly, Shapiro wilk test for normal distributions of residuals shows p-value 0.94405 which is greater than 5%.Therefore, the residual has normal distribution

Table 4 :Shapiro Wilk- test for normal distribution.

Variable	Obs	W	V	Z	Prob>z
Residual	45	0.98909	0.472	-1.590	0.94405

Furthermore, the histogram of residual is about Bell shaped as the result shown on figure 3. Generally the variables are normally distributed.

Figure 3: Residual histogram for normality of distribution



Source: Stata output

Testing Multicollinearity assumptions

Multicollinearity is the assumptions of CLR that shows there is an exact or an almost perfect linear relationship among independent variables (Greene, 2012). Multicollinearity is the event of great relationship among the independent variables in a multiple regression model.(Shrestha 2020). “A little bit of multicollinearity sometimes will cause big problem but when it is moderate of high then it will be a problem to be solved.”(Jamal I. Daoud 2017) Therefore, the problem of

multicollinearity is tested with the correlation matrix between independent variables. Accordingly, premium growth rate positively related with profitability rate, and age of the firm, but negatively related with leverage rate, size of firm and board size of the firm. Likewise profitability rate negatively related with leverage rate, size of the firm and board size of the firm but positively related with premium growth rate and age of the firm. Also, leverage rate is only positively related with board size of the firm. Age of the firm negatively related with leverage rate and board size of the firm but, positively related with other independent variables. Size of the firm positively related with age of the firm only. Finally, size of the firm is only positively related with leverage rate.

Table 5: Correlation matrix of independent variables

Independent variables	PGR	PR	LR	AGE	SIZE	BSIZE
PGR	1.0000					
PR	0.0257	1.0000				
LR	-0.1200	-0.2374	1.0000			
AGE	0.1046	0.1462	-0.9427	1.0000		
SIZE	-0.1244	-0.2937	-0.4203	0.5469	1.0000	
BSIZE	-0.1027	-0.0235	0.5069	-0.3920	-0.0681	1.0000

Source: Stata output

However, 0.9 coefficient of correlation matrix used as commonly accepted threshold.(Gomez etal .,2020). On the other hand Kenedy, 2008 states multicollinearity exists if the coefficient of correlation matrix is greater than 0.7. Therefore, using the above threshold all independent variables correlation matrix is less than 0.9 and 0.7. Therefore, the study has no multicollinearity problems.

Testing Autocorrelation assumption

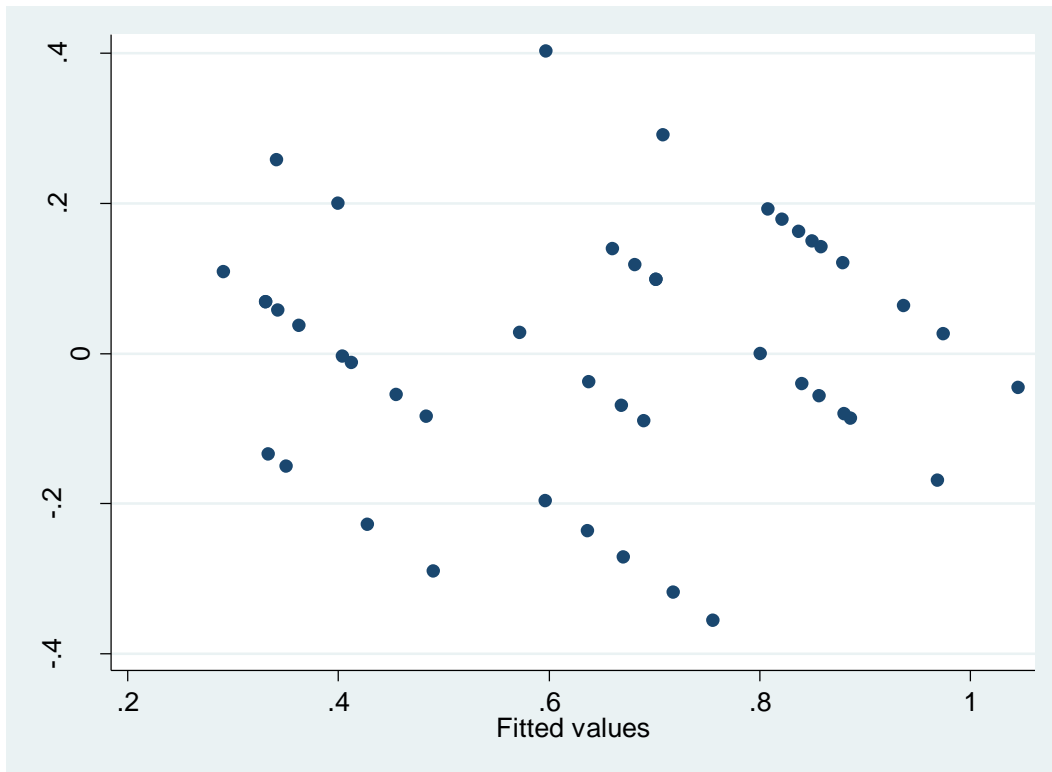
Autocorrelation is a CLRM violation that assumes that the disturbance term of an observation is affected by or correlated with the disturbance term of another observation. The study tested autocorrelation assumption using Durbin Watson statistics. The Durbin-Watson statistic ranges

in value from 0 to 4. A value near 2 indicates non-autocorrelation, a value toward 0 indicates positive autocorrelation, a value toward 4 indicates negative autocorrelation. (Brooks, 2008). Accordingly, the Durbin Watson test of the study indicates 1.755898 which is near 2. Therefore, there is no autocorrelation in the study.

Testing hetroscedastic Assumption

Heteroscedasticity (heteroskedasticity) is a violation of the CLRM assumption that has a non-constant variance in the error term (Greene, 2012). The study has tested hetroscedasticity using Breusch-Pagan-Godfrey Test and Residual value fit plot(RVF). The large chi-square of Breusch-Pagan-Godfrey would indicate that heteroskedasticity was present while small chi-square indicating heteroskedasticity was probably not a problem. (Williams,2020) The Breusch-Pagan-Godfrey Test result indicates, Ho: Constant variance with $\chi^2(1) = 0.29$ and $\text{Prob} > \chi^2 = 0.5922$. Accordingly, the study has not rejected null hypothesis of constant variance hence the p-value is more than 5%. Therefore, the study has no problems of hetroscedasticity. Also, on the other hand if the plot of residuals shows some even envelope of residuals for some values of X no hetroscedasticity problems. Visually, the following figure of RVF plot also seems uniform envelope for some values of X confirms that the data is homoscedasticity.

Figure 4: Residual value fit plot (visual inspection of heteroscedasticity)



Source: stata output

4.2.3. Results of regression analysis

Table 4.5 shows the model summary output of stata. This model summary measures the goodness-of-fit of the regression model using R-square. R² is the ratio of the sample variation of Y that is explained by X (Wooldridge, 2009). R-square ranges between zero and one. If the value of R-square close zero no linear relationship, but if the value of R-square close to one there is perfect linear fit. On the other hand if the coefficient of R-Square is less than 0.2 the model is very weak model (Mondal and Mondal, 2017). However, the R-square and adjusted R-square of the model were 0.6217 & 0.5620 respectively. This implies that CSRD of insurance companies in Ethiopia was 56.2% explained by independent variables (PGR, PR, LR, AGE, SIZE and BSIZE) included in the model. Therefore, the model fit good hence the value of R-square is close to one.

Table 6: Model summary

Source	SS	df	MS	Number of obs =	45
-----+-----				F(6, 38)	= 10.41
Model	2.03378384	6	.338963973	Prob > F	= 0.0000
Residual	1.23732725	38	.032561243	R-squared	= 0.6217
-----+-----				Adj R-squared	= 0.5620
Total	3.27111108	44	.074343434	Root MSE	= .18045

Depending on the regression out put three independent variables namely leverage rate, Age of the firm and Board size were among some factors affecting corporate social responsibility disclosure in Ethiopian insurance companies at 5% significance level. The panel regression model used to identify factors affecting corporate social responsibility disclosure of Ethiopian insurance was: $CSR D = \alpha_1 - \beta_1 PGR - \beta_2 PR + \beta_3 LVR + \beta_4 AGE + \beta_5 SIZE - \beta_6 BSIZE + \mu t$

Table 7: Fixed effect regression results

CSR D	Coef.	Std. Err.	t	P> t	[95% Conf.	Interval]
-----+-----						
PGR	-.1099834	.1056311	-1.04	0.304	-.3238223	.1038556
PR	-.484894	.3349137	-1.45	0.156	-1.162891	.1931033
LR	5.75682	1.207321	4.77	0.000	3.312727	8.200913
AGE	.10169	.0177471	5.73	0.000	.0657629	.137617
SIZE	.0017361	.1167258	0.01	0.988	-.234563	.2380352
Bsize	-.1213035	.053409	-2.27	0.029	-.2294243	-.0131827
_cons	-3.779406	1.204667	-3.14	0.003	-6.218128	-1.340685

4.2.4. Discussion of regression results and hypothesis testing.

Premium growth and CSRD

The study finding shows that premium growth is insignificantly related with CSRD. Infact, the excessive increase in the volume of the gross written premiums especially in an economic downturn may lead to the negligence of other important targets and self-destruction (Chen and Wong 2004). Specially, regarding CSRD the negligence of important targets will leads to bad corporate image. Finally, bad corporate image will shift potential and loyal customers to other company.

Profitability and CSRD

Profitability is the company's ability to generate profits over a period of time. Accordingly, the statistical result confirmed that Profitability is insignificantly related with CSRD in Ethiopian insurance companies. The, finding is consistent with the finding of Dyduch & Krasodomska, 2017 & Joshi and Hyderabad, 2019. Thus, the study rejected the null hypothesis (Ho2). However, According to Campbell, 2007, corporate social responsibility indicates that firms whose financial performance is weak are less likely to involve in CSR activities than firms with stronger financial performance. On the other hand, Balabanis et al., 1998 confirmed that investing in corporate social responsibility increases the cost and thus reduces profits.

Leverage and CSRD

Leverage indicates the extent to which the company finances its business by borrowing from creditors. Leverage of the firm and CSRD is significantly and positively related in Ethiopian insurance companies with 0.000 p-values and 5.75682 coefficient of relationship. Accordingly, the study has not rejected the null hypothesis. This implies the highly leveraged insurance firms are more likely disclose corporate social responsibility than less leveraged insurance firms. This confirms the fact that higher level of leverage increase the agency costs thereby encourages the managers to provide large volume of information to reduce the agency costs.(Alves etal. 2012) Also, Jensen & Meckling ,1976, argues firms with high leverage ratios have higher monitory costs and disclosed more information than firms with low leverage ratios. Furthermore, Elfeky,2017 Firms with high leverage ratio disclose more information than firms with low

leverage ratio to encourage creditors for the extending credit periods. Therefore, the result is consistent with the result of Sulaiman et al.,2014 and Hossain et al.,1995.

Age of the firm and CSR

The result shows that Age of the firm is statistically and positively related with CSR in Ethiopian insurance companies with 0.000 p value and 0.10169 coefficient of relationship. Therefore, the null hypothesis has not rejected. This implies that older firms disclose corporate social responsibility than younger firms. According to Gunawan et al.2019 older companies disclose more corporate social responsibility than younger company, because older companies have more experience and are more aware of the need for commitment or information about the company than younger companies. This result was consistent with the results of Ali and Ahimed, 2016 and Masoud and Vij 2020).

Size of the firm and CSR

Size of the firm is insignificantly related with corporate social responsibility in Ethiopian insurance companies. Thus, the study rejected the null hypothesis. However, in Palestine Zaid and Nasiri 2018 concluded a significant and positive relationship between firm size and CSR. Large firms make more disclosures related to their social responsibility in order to respond to stakeholder claims and legitimize their activities as stated in legitimacy theory.(Zaid and Nasiri 2018). Also, the larger companies had more resources for CSR initiatives thus; the cost for the implementation of CSR was relatively smaller than for small and medium companies.(Siregar and Bachtiar,2010) Likewise, larger companies made a greater impact on society, thus, it was expected to have bigger stakeholders' groups that influenced companies (Knox and Walker, 2001).

Board size of the firm and CSR

According to Jensen and Meckling 1976 A firm's board size refers to the number of firm's directors serving in the board of directors. Thus, the result shows that the board size and CSR is significantly and negatively related with the p-value of 0.029 and coefficient of relationship - .1213035 respectively. CSR is strategic plan of the firm that induces organizational performance. The primary, role of Board of directors is improving the performance of the firm. However, stewardship theory suggests that larger board size negatively affects the firm

performance. Therefore, the study has not rejected the null hypothesis. But, the result is not in line with Ghabayen et al 2016 that shows the positive relationship between board size and CSR.

CHAPTER FIVE

5. Conclusion and Recommendations

5.1 Conclusion

Corporate information has great importance for all stake holders to make a sound decision. Despite of this, corporation business should disclose corporate social responsibility for their long term success. The wise corporation business highly engaged in corporate social activities. But, in developing countries engaging in corporate social activities has been considered as organizational cost only. Thus, many corporation businesses were less participated in corporate social activities. Moreover, only participating in corporate social responsibility has no value, if not disclosed to all stakeholders. However, there were various factors affecting corporate social responsibility disclosures. Here the study identified factors affecting corporate social responsibility disclosure of Ethiopian insurance companies. In Ethiopia most of insurance companies disclose corporate social responsibility regarding shareholders and employees only. However, there were some insurance companies that formally incorporate corporate social responsibility disclosure in their annual report. In fact, the study conducted quantitative content analysis of each insurance company's five years annual report. Finally, the result of the study shows leverage rate and age of the firm were significantly and positively related with corporate social responsibility disclosures. Also, Board size of the firm was significantly and negatively related with corporate social responsibility disclosures. However, premium growth, Profitability and size of the firm insignificantly related with corporate social responsibility disclosures.

5.2 Recommendations

Nowadays, corporate social responsibility disclosure has got greater emphasis by researchers, policy makers and managers all over the world. But, in comparison with developed countries, corporate social responsibility disclosure is at lower level in developing countries. Depending on the result the recommendations of the study were as follows:

- The regulatory body is better to formulate the legal framework regarding corporate social responsibility disclosures that encompass all corporation business. This may provide the equal chance for corporate business to be involved in corporate social responsibility activities thereby simplify corporate social responsibility measurement. Thus, may help to rank each corporate business according to their corporate social responsibility disclosure index.

- Nowadays, the competition field is getting wider and wider due to international accounting standards. Thus, wider field may makes competition more intense. Therefore, as long as an intense competition insurance companies are better to be involved in corporate social responsibility disclosure.
- All insurance companies are better to formally disclose corporate social responsibility disclosures. But, in Ethiopia some insurance companies did not formally include corporate social responsibility disclosures in their annual report. However, some insurers only attach corporate social events photographs.
- Insurance companies are better to incorporate all stakeholders in disclosing corporate social responsibility. This may increase the value of the firm and may help the stakeholders to undertake informed decision.

5.3. Directions for other Researchers

Corporate firm's social responsibility information, affects many stakeholders. Thus, corporate firms should disclose their social responsibility to important stakeholders. A corporate social responsibility disclosure improves the information transparency between corporate firm and its stake holders. The study provides insight information regarding corporate social responsibility disclosures regarding insurance companies in Ethiopia. However, corporate social responsibility disclosure was not researched yet within different sectors. Thus, other researcher could conduct the study regarding corporate social responsibility disclosures with public and private corporate business in Ethiopia.

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Appendices

Appendix A

Corporate social responsibility disclosure dimensions

S.No.	CSR areas	Sources	Measurement
1.	Stockholders	Niresh and Silva,2017 and Joshi and Hyderabad ,2019	Total score of the CSR areas / Maximum possible score obtainable =100 percent. (The adopted framework consists of 5 CSR areas Content analysis. Therefore, the maximum possible score attainable for each insurance company is 5)
2.	Community		
3.	Employees		
4.	Customers		
5.	Environment		

Insurance companies sampled:

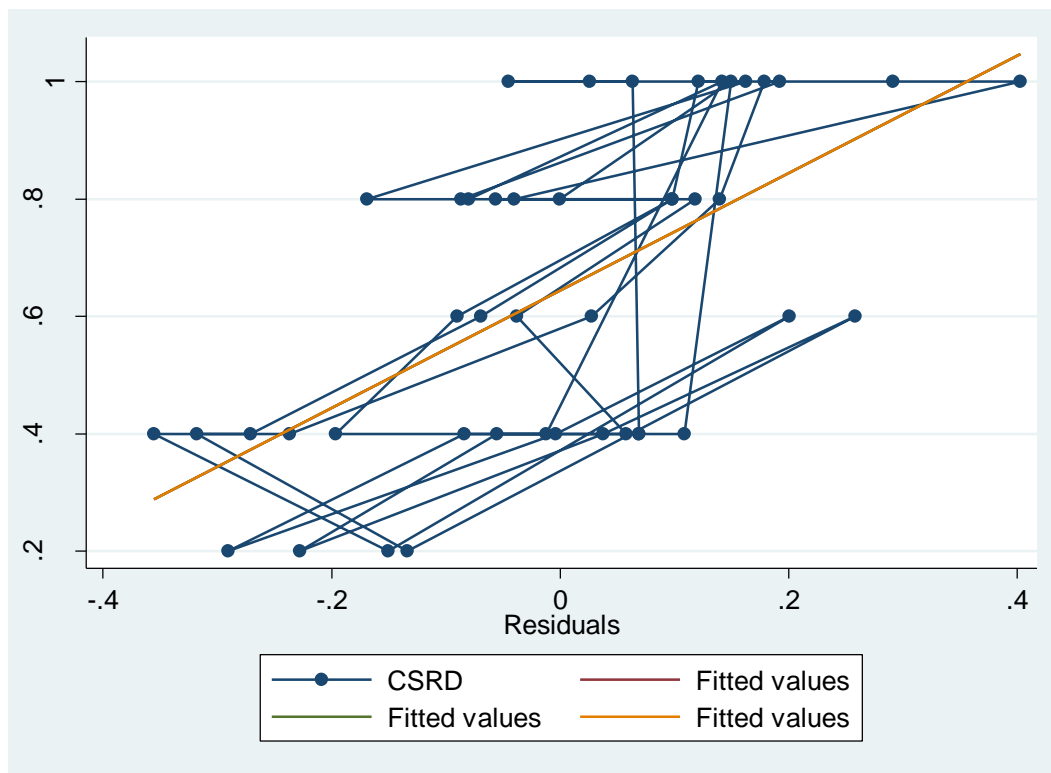
S.no.	Name of insurance companies(Insurers)	Established year
1.	Awash insurance company S.C	1994
2.	Lion insurance company S.C	2007
3.	NIB insurance company	2002
4.	Nile insurance company S.C	1995
5.	Nyala insurance company S.C	1995
6.	The united insurance company S.C	1997
7.	Oromia insurance company S.C	2009
8.	Tsehay insurance S.C	2012
9.	Bunna insurance company S.C	2013

Appendix B

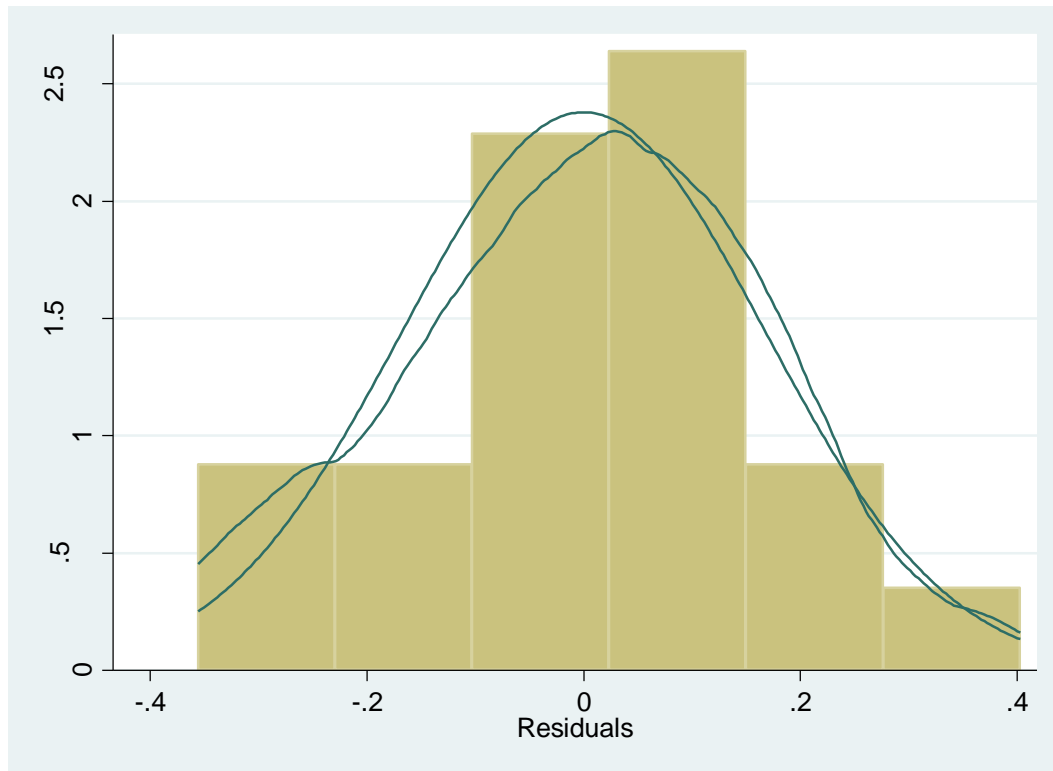
Descriptive statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
CSRD	45	.6444445	.2726599	.2	1
PGR	45	.3101289	.2667242	-.36	.8
PR	45	.0950889	.0966632	.024	.6
LR	45	.6013778	.081718	.51	.78
AGE	45	20.77778	5.493338	3	26
SIZE	45	8.924044	.3331611	8.21	9.46
BSIZE	45	8.955556	.6380209	8	10

Test for linearity using Residual Linearity plot



Test for normality distribution using Residual histogram plot



Test for multicollinearity by their Correlation matrix

Independent variables	PGR	PR	LR	AGE	SIZE	BSIZE
PGR	1.0000					
PR	0.0257	1.0000				
LR	-0.1200	-0.2374	1.0000			
AGE	0.1046	0.1462	-0.9427	1.0000		
SIZE	-0.1244	-0.2937	-0.4203	0.5469	1.0000	
BSIZE	-0.1027	-0.0235	0.5069	-0.3920	-0.0681	1.0000

Test for heterogeneity using visual residual plot

