

THE EFFECT OF CORPORATE SOCIAL DISCLOSURE PRACTICE ON REPORTING QUALITY: EVIDENCE FROM THE INSURANCE SECTOR IN CROATIA

*Ivana Dropulić**

*Marko Čular***

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Abstract. *This research is striving to provide an insight into the importance of Corporate Social Responsibility (CSR) for the insurance sector while aiming to examine various corporate social responsibility initiatives undertaken by insurance companies in Croatia. There is a broad range of potential benefits from CSR for insurance companies, such as long-term sustainability and profitability, yet only several research studies on CSR practices have thus far been conducted on the insurance sector. Hence, the purpose of this research is to determine the level of CSR reporting for insurance and reinsurance companies in Croatia and its impact on reporting quality. The empirical research is based on online reporting of six aspects of corporate social responsibility to determine Corporate Social Disclosure Index (CSDI). Reporting quality is measured with Disclosure Quality Index of annual report (DQI) which is structured in five phases. This research includes all 24 insurance and reinsurance companies in Croatia and the research findings show that all insurance and reinsurance companies in Croatia publish information at least concerning two aspects of CSR. It was found that they are the*

most transparent regarding the human resources aspect of CSR activities and the least transparent concerning environmental aspect of CSR activities. The overall level of CSR disclosure for insurance sector in Croatia is quite low, so we can conclude that insurance and reinsurance companies in Croatia do not have a high level of CSR online disclosure. Considering the issue of reporting quality, insurance and reinsurance companies have an average quality of annual report (AR), measured by DQI, of annual report. According to research findings, CSR reporting on the Internet is positively associated with DQI which leads to the conclusion that more socially responsible insurance and reinsurance companies provide annual reports of a more superior quality. Business and society interact and exert a mutual influence through their specific objectives and goals. Consequently, the link between business and society is indisputable. Companies, as one of the key segments of a society, can achieve a number of economic benefits such as superior business results and considerable competitive advantage if they implement CSR and if they provide high quality information through their annual reports.

* Ivana Dropulić, University of Split, Faculty of Economics, Business and Tourism, Cvite Fiskovića 5, Split, Croatia, E-mail: ivana.dropulic@efst.hr

** Marko Čular, University of Split, Faculty of Economics, Business and Tourism, Cvite Fiskovića 5, Split, Croatia, Phone: +385-91-893-2849, Fax: + 385-21-430-750, E-mail: mcular@efst.hr

Moreover, society benefits from socially responsible companies as it enjoys better care both for its own well-being and for that of the environment.

Keywords: *Corporate Social Responsibility (CSR), Corporate Social Disclosure Index (CSDI), Disclosure Quality Index of annual report (DQI), Insurance sector, Croatia.*

1. INTRODUCTION

The participation of companies in the reporting on social and environmental achievements has increased over the years, because companies have been facing increasing pressure to disclose their information concerning CSR activities. Thus, disclosure of activities concerning social and environmental awareness are responses to public and media attention as well as the attention of the academic community (Hooghiemstra, 2000). According to Dyllick and Hockerts (2002), sustainability has become a mantra for the 21st century.

This study is striving to provide an insight into the importance of CSR for the insurance sector while aiming to explore different CSR activities undertaken by insurance and reinsurance companies in Croatia. Moreover, this study evaluates the degree of CSR reporting used in the insurance sector and its effect on reporting quality. The data were mostly obtained from secondary sources such as annual reports (ARs) of insurance and reinsurance companies and their websites. Empirical research on online reporting of six aspects of CSR was conducted in order to determine the Corporate Social Disclosure Index (CSDI). According to Rogošić and Čaljkušić (2015) the most explored areas of CSR are: human resources issues; community involvement and charity; business strategy and market relations; client relations; products and environmental protection activities. Reporting quality is measured through Disclosure Quality

Index of annual report (DQI), which includes five phases (Pivac and Čular, 2012) as follows: evaluation of the significance of the AR elements; calculation of the importance of coefficient of the AR elements; calculation of the assessment quality of the AR; calculation of the overall quality of the AR and creation of the disclosure quality index of AR.

This paper is divided in five sections. The following section provides a review of literature on CSR and the AR for insurance and reinsurance companies and previously conducted research studies. The third section outlines the research methodology, whilst the empirical results are discussed in the fourth section. Finally, the last section summarises the main empirical findings and provides a brief outlook for further research.

2. THEORETICAL PERSPECTIVES AND EMPIRICAL BACKGROUND

2.1. Corporate Social Responsibility (CSR)

CSR has been defined in many different ways because viewpoints on CSR have varied over time, so some of the definitions overlap, while others differ substantially from one another and are occasionally even contradictory. Discussions conducted over the responsibilities of businesses have been endless (Pinkston and Carroll, 1996) so “an exact definition of CSR is elusive since beliefs and attitudes regarding the nature of this association fluctuate with the relevant issues of the day” (Snider et al., 2003, p. 175). Friedman (1962) claimed that there is only one “social responsibility” of business - to use companies’ resources to increase profits for its owners by legal means.

Consequently, if organisations committed resources to social causes, such as donations to charities, they were, *de facto*, lowering stockholder returns and decreasing profitability (Pinkston and Carroll, 1996). Opponents of this view claim that businesses exist to serve a broader community, so the justification for the existence of any corporation is that it serves its purpose to benefit society and not exclusively for the direct beneficiaries of the company's operations (Kok et al., 2001).

CSR is a "concept that has attracted worldwide attention and acquired a new resonance in the global economy" (Jamali and Mirshak, 2007, p. 243). The World Business Council for Sustainable Development (WBCSD, 2002, p. 229) defined CSR as "the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life". According to Kavitha and Anuradha (2016, p. 137) CSR "is the commitment of companies to provide resources and support activities focused on enhancing economic and social development". Thus, we can consider CSR as a construct that describes the link between business and society.

Nowadays, in the corporate world, CSR has become an integral segment of business and CSR practices have been applied based on the argument that customers are willing to provide incentives to socially responsible companies (Brown and Dacin, 1997; Ellen et al., 2000; Sen and Bhattacharya, 2001; Nelson, 2004). CSR activities have been used to achieve a favourable corporate reputation and to establish a positive relationship with customers and other stakeholders (Yoon et al., 2006). Considering all the above, CSR can be defined as "the obligation of the firm to use its resources

in ways to benefit society, through committed participation as a member of society, taking into account the society at large and improving welfare of society at large independent of direct gains of the company" (Kok et al., 2001, p. 287).

There are many potential benefits from CSR for insurance and reinsurance companies such as long-term profitability and viability of the business by shaping the market's competitive environment and the society as a whole (Kavitha and Anuradha, 2016), yet only several research studies on CSR practices have been conducted thus far on the insurance sector. For example, Hsu (2012) examines the persuasive and informative advertising effects of CSR activities of life insurance companies in Taiwan, on their corporate image and brand equity. The study findings were as follows: policyholders' perceptions regarding CSR activities have positive effects on consumer satisfaction, corporate image and brand equity; the advertising effects of the CSR activities on corporate image are only informative; and the effects of CSR activities on brand equity include informative and persuasive advertising effects. Kavitha and Anuradha (2016) analysed the importance of CSR in the insurance sector and examined the various CSR activities undertaken by leading insurance companies in India. The study pointed out that insurance companies have recognised the significance of CSR. Olowokudejo et al. (2011) point out that insurance companies are involved in all four types of CSR activities: business ethics, urban affairs, consumer affairs and environmental affairs, with consumer affairs accounting for the most active involvement. In addition, participation in CSR activities was found to positively influence organisational effectiveness. Concerning CSR website reporting, Kundid and Rogošić's (2012, p. 99) analysis of the banks in Croatia

showed that: “banks generally disclose mandatory financial statements and the annual report on their websites in which small banks publish less information; bank profitability is positively related to voluntary financial reporting and bank size determines the level of public disclosure”. Rogošić (2014) pointed out the only few banks publish the CSR report which is positively correlated with the higher value of profits and assets.

2.2. The annual report disclosure practice

The annual report (AR) aims to inform shareholders and, in a straightforward and comprehensible way, provides relevant, timely and trustworthy information on the past, present and future organisational operations (Breton, 2009). In addition, the AR represents a cohesive coverage of different features of a company’s financial and non-financial performances. It commonly includes the following sections: financial statements, accounting policies, the CEO’s letter, auditor’s report and the company’s business vision (Pivac et al., 2016). While traditional business reporting highlighted backward-looking and financial information, qualitative and forward-looking non-financial information has mostly been disregarded (Beattie et al., 2004) even though AR non-financial information increases the overall quality of corporate reporting and while providing its users with considerable value (Chatterjee et al., 2011).

A robust disclosure regime “is a pivotal feature of market-based monitoring of corporate conduct and is central to the ability of shareholders to exercise their voting rights effectively. Disclosure also helps improve public understanding of the structure and activities of companies, their policies and performance with respect to environmental and ethical standards and

their relationships with the communities in which they operate” (Hong Kong Society of Accountants, 2001, p. 5). Prior research on corporate disclosure practices “were extensive, covered a wide range of issues and used a variety of potential proxies for measuring the disclosure quality” (Pivac et al., 2016, p. 722). Cerf (1961) created the initial disclosure index that has been widely implemented since then, for instance, in the research on the disclosure index for companies within the three major countries in South Asia (Ali et al., 2004), then in the research on the disclosure index of 31 listed companies in the UAE (Aljifri, 2008), disclosure index of the New Zealand universities (Coy and Dixon, 2004), disclosure index of French listed companies (Depoers, 2000), disclosure practices of Egyptian listed companies (Hassan et al., 2009), characteristics of disclosure index of corporations in the United States (Singhvi and Desai, 1971), and mandatory disclosure of listed companies of Hong Kong (Wallace and Naser, 1996). In addition, many other authors highlight the importance of the AR elements (Cohen, 2003; Li, 2008; Linsley and Shrivs, 2006; Santema and Van de Rijt, 2001).

Only several research studies on annual report disclosure practices have been conducted in Croatia to date. Garrod and Turk (1995) indicated that Slovenian companies should present financial and non-financial information’s in their ARs. Mušura (2006) emphasised the significance of the following AR elements, for listed companies in Croatia: management structure, auditors, shareholders’ rights, corporate governance code, business ethics, environmental management and social policy governance. The research on voluntary financial reporting practices in Croatia was conducted by Pervan (2006), who indicated that the average level of voluntary financial reporting

for listed companies in Croatia was almost three times lower compared to the listed companies in Slovenia. Pervan et al. (2010) also determined significant differences in practices of obligatory financial reporting in six Eastern European countries. Pivac and Čular (2012) found that most of the AR elements were missing and ARs provided in Croatia were of average quality, measured by DQI. Pivac et al. (2013) also indicated that listed companies in Slovenia have a better disclosure quality, compared with the listed companies in Croatia, when evaluating the presence of AR elements. They also found that companies mostly ignored the information provided in the annual reports concerning, for instance, ownership and management structure, future expectations, relationships with stakeholders (customers, suppliers, shareholders, employees), quality management system, social responsibility and company sustainable development and expectations for future periods (Pivac et al., 2016). Finally, practices of voluntary reporting have not yet been accepted as an integral part of financial reporting, as highlighted by Aljinović Barać and Granić (2015), who determined the level of voluntary reporting by the amount of voluntary disclosed financial and non-financial information in the AR.

3. RESEARCH METHODOLOGY

This research concentrated on the insurance sector and it included all of 24 insurance and reinsurance companies in Croatia. The data was obtained from secondary sources, that is, from the annual reports of insurance and reinsurance companies and their websites. The empirical part of this research was conducted in two stages. Firstly, the analysis of the websites has been conducted. It followed the tenets

of grounded theory and qualitative content analysis (Snider et al., 2003). The data for this research included websites of all insurance and reinsurance companies in Croatia. In total, 24 websites were available for the study. Secondly, the ARs were analysed. The ARs for the year 2015 were collected and analysed to designate the Disclosure Quality Index of annual report (DQI).

3.1. Research hypotheses

Based on the results of the previous research studies (Kavitha and Anuradha, 2016; Kundid and Rogošić, 2012; Olowokudejo et al., 2011) it is expected that insurance and reinsurance companies in Croatia have realised the importance of CSR and involvement in all forms of CSR activities. Therefore, we hypothesize that:

H1. Insurance and reinsurance companies in Croatia have a high level of CSR online disclosure.

Concerning the fact that ARs in Croatia are of average quality, measured by DQI (Pervan, 2006; Pivac and Čular, 2012; Pivac et al., 2013), we hypothesize that insurance and reinsurance companies in Croatia have the same quality of the AR.

H2. Insurance and reinsurance companies in Croatia provide the annual report of average quality.

According to the previous research studies (Kundid and Rogošić, 2012; Rogošić, 2014), which showed that disclosure of CSR activities on the website is positively correlated with the higher value of profits and assets, it is expected that insurance and reinsurance companies in Croatia with higher value of equity, revenue and profits are more likely to disclose their CSR activities on their website in order to differentiate themselves from competitors.

H3. Business indicators such as equity value, number of employees, revenue value and profit value are positively related to CSR online disclosure.

The research objectives are to reveal the most deployed aspect of CSR for insurance sector in Croatia and to determine if there

is a difference in CSR online disclosure between insurance and reinsurance companies based on the quality of the annual report. Therefore, we hypothesize the following:

H4. The quality of the annual report is positively correlated to CSR online disclosure.

3.2. Variables description and measurement

3.2.1. The Disclosure Quality Index of annual report (DQI)

Disclosure indexes are usually created by using the content analysis, conducted through a-priori defined list of voluntary and/or obligatory information that are weighted differently (Pivac et al., 2016). DQI of annual report includes five phases (Pivac and Čular, 2012) which are: (1) evaluation of the significance of the elements of

the AR; (2) calculation of the importance coefficient (1-2) of the AR elements; (3) calculation of the assessment quality of the AR; (4) assessment of the overall quality of the AR; (5) establishment of the DQI of annual report. The elements of the AR used, along with importance coefficient, have been provided in Table 1.

Table 1. Elements of the AR with importance coefficient

N	Elements of the AR	Importance coefficient
1	Executive summary and main financial indicators	1.64
2	Company profile	1.36
3	Business activities	1.48
4	Short company review	1.02
5	The most important accomplishments in the reporting year	1.46
6	Position on the business market	1.58
7	Supervisory Board report's	1.48
8	Management Board report's	2.00
9	Code of Corporate Governance	1.22
10	Annual survey of the CCG	1.18
11	Members of Management Board	1.22
12	Members of the Supervisory Board	1.18
13	The Authority of company bodies	1.24
14	Organizational structure	1.34
15	Expectations for future periods	1.48
16	The mission and vision of the company	1.34
17	Corporate strategy	1.54

18	Relationship to stakeholder group-customers	1.52
19	Relationship to stakeholder group-shareholders	1.60
20	Major shareholders	1.40
21	The report on the movement of companies shares	1.64
22	Relationship to stakeholder group-suppliers	1.44
23	Relation to employees	1.46
24	Structure of employees	1.26
25	CSR	1.36
26	Company contributions to economic prosperity	1.36
27	Environmental protection	1.38
28	The quality management system	1.46
29	Business environment risk	1.46
30	Competition risk	1.52
31	Industry risk	1.50
32	Liquidity risk	1.60
33	Business risk	1.60
34	The accounting policies	1.70
35	Financial indicators	1.80
36	Balance sheet	2.00
37	Income statement	2.00
38	Cash flow statement	2.00
39	Statement of changes in equity	2.00
40	Notes in financial statements	2.00
41	Responsibility for the financial statements	1.68
42	Independent Auditor's Report	2.00
43	Events after the balance sheet data	1.66
44	Contact information	1.16

Source: Authors' database

The annual report quality measures are as follows: poor quality annual report (DQI from 0 to 20), low quality annual report (DQI from 21 to 40), average quality annual report (DQI from 41 to 60), sufficient quality annual report (DQI from 61 to 80) and high quality annual report (DQI from 81 to 100).

3.2.2. Corporate Social Disclosure Index (CSDI)

According to Rogošić and Čaljkušić (2015), the most explored areas of CSR

are: human resources issues, community involvement, charity, client relations, products and environmental protection activities. Kundid and Rogošić (2011) created the Bank Social Disclosure Index (BSDI), which consists of 25 variables. The methodology framework for BSDI is also used in this study but it was adjusted for insurance and reinsurance companies. Table 2 provides aspects and elements of CSR activities used in this research as variables for calculation of Corporate Social Disclosure Index (CSDI).

Table 2. Aspects and elements of CSR activities

Aspects of CSR activities	Elements of CSR activities
Human Resources	1. Education (training, life-long education) 2. Respect for basic human and workers' rights 3. On job safety 4. Job creation (number of new employees) 5. Maximize employees satisfaction 6. Gender equality (the ration of man and women in top management)
Community involvement and charity	7. Donations to health projects 8. Donations to science and education programs 9. Donations and sponsorship of art and culture projects 10. Donations and sponsorship of sport projects 11. Donation and organization of humanitarian programs 12. Donation to non-profit humanitarian organizations
Business strategy and market relations	13. Anti-Corruption program 14. Code of Ethics 15. Protecting customers' personal information 16. Competition policy
Client relation	17. Customer satisfaction and rewarding 18. Special services
Products	19. Externally rewarded products 20. Product development
Environment Concern	21. Donations to ecology projects 22. Internal environmental politics 23. External environmental politics (disclosure of general view) 24. Special products for ecological projects

Source: Adjusted according to Rogošić and Čaljkusić (2015).

The highest possible score is 24, which means that a specific company reports on all aspects and elements of CSR activities, and the lowest is 0 which means that a specific company does not report on any aspects and elements of CSR activities on its website. The research results will reveal the level of corporate social responsibility reporting for insurance sector in Croatia.

4. RESEARCH FINDINGS

The research findings imply that all insurance and reinsurance companies in

Croatia publish information on at least two aspects of CSR activities and six (25% of insurance sector) insurance and reinsurance companies publish information on all six aspects of CSR activities. Accordingly, insurance and reinsurance companies in Croatia publish information on four aspects of CSR activities on average. Also, three insurance and reinsurance companies (12.5% of insurance sector) publish information on three aspects of CSR activities, five insurance and reinsurance companies (20.8% of insurance sector) publish information on four aspects of CSR activities

and four insurance and reinsurance companies (16.7% of insurance sector) publish information concerning five aspects of CSR activities.

to published information concerning CSR activities. The insurance and reinsurance companies are the most transparent regarding human resources aspect of CSR activities and the least transparent regarding environmental aspect of CSR activities.

Table 3 provides the number of insurance and reinsurance companies according

Table 3. Insurance and reinsurance companies according to published aspects and elements of CSR activities

Aspects of CSR activities	Elements of CSR activities	Number of companies	
Human resources	1. Education	18	24 (100%)
	2. Respect for basic human and workers' rights	5	
	3. On the job safety	4	
	4. Job creation	24	
	5. Maximize employees satisfaction	8	
	6. Gender equality	23	
Community involvement and charity	7. Donations to health projects	6	16 (67%)
	8. Donations to science and education programs	6	
	9. Donations and sponsorship of art and culture projects	8	
	10. Donations and sponsorship of sport projects	9	
	11. Donation and organization of humanitarian programs	7	
	12. Donation to non-profit humanitarian organizations	10	
Business strategy and market relations	13. Anti-Corruption program	3	13 (54%)
	14. Code of Ethics	3	
	15. Protecting customers' personal information	11	
	16. Competition policy	1	
Client relation	17. Customer satisfaction and rewarding	5	21 (88%)
	18. Special services	14	
Products	19. Externally rewarded products	3	8 (33%)
	20. Product development	3	
Environment concern	21. Donations to ecology projects	21	
	22. Internal environmental politics	0	
	23. External environmental politics	2	
	24. Special products for ecological projects	5	

Source: According to authors' database and Berić (2016).

Companies from the insurance sector in Croatia rely substantially on their human resources activities, which became the

most powerful aspect of CSR. Following the analysis of the content of CSR reporting, the results show that insurance and

reinsurance companies are the most transparent regarding hiring (all insurance and reinsurance companies publish that information), gender equality (95.8% of all insurance and reinsurance companies publish that information) and staff training and education (75% of companies). Also, insurance and reinsurance companies in Croatia often publish information on their product activities - product development (87.5% of

companies). Among less disclosed CSR activities are: environmental concern activities - donations to environmental projects (0% of companies), internal environmental politics (8.3% of companies), and business strategy and market relations activities - competition policy (4.2% of companies). Collected data was used for the calculation of the mean value of CSDI, which equals 8.33 (Table 4).

Table 4. The value of CSDI for insurance sector in Croatia

Insurance and reinsurance companies	Value of CSDI (max. 24)	Value of CSDI % (max. 100%)
1	6	25
2	15	63
3	11	46
4	3	13
5	15	63
6	6	25
7	4	17
8	4	17
9	6	25
10	6	25
11	17	71
12	11	46
13	5	21
14	4	17
15	6	25
16	10	42
17	11	46
18	3	13
19	11	46
20	14	58
21	9	38
22	9	38
23	11	46
24	3	13
The average value	8.33	35

Source: According to authors' database

The average value of 8.33 indicates that insurance and reinsurance companies publish approximately 35% information from six aspects of CSR activities. Hence, the overall level of CSR disclosure for insurance sector in Croatia is quite low. Consequently, it can be concluded that

insurance and reinsurance companies in Croatia do not have high level of CSR on-line disclosure (H1 is rejected).

Insurance and reinsurance companies in Croatia have shown an average quality of the AR according to DQI (H2 is accepted). 50%

of insurance and reinsurance companies have provided low quality annual reports, 41.7% of insurance and reinsurance companies have published average quality annual reports and 8.3% of insurance and reinsurance companies have provided sufficient quality annual

reports. Table 5 shows the quality of the annual report, using DQI for insurance and reinsurance companies in Croatia (average DQI is 43).

Table 5. Quality of annual report, using DQI, for insurance sector in Croatia

DQI	Quality of annual report	N	(%)
0-20	Poor quality of annual report	0	0
21-40	Low quality of annual report	12	50
41-60	Average quality of annual report	10	41.7
61-80	Sufficient quality of annual report	2	8.3
81-100	High quality of annual report	0	0
Total		24	100
Average DQI = 43			

Source: According to authors' database

Using Pearson correlation, Table 6 illustrates the correlation between CSDI and

business indicators (equity value, number of employees, revenue value and profit value).

Table 6. Correlation between CSDI and business indicators

CSDI	Equity value	No. of employees	Revenue value	Profit value
Pearson Correlation	0.47	0.57	0.58	0.42
p-value	2%	0.4%	0.3%	4.3%

Source: According to authors' database

There is a relationship of medium strength between CSDI and business indicators, using Pearson correlation. Consequently, business indicators, such as equity value, number of employees, revenue value and profit value, are positively correlated to CSR online disclosure (H3 is accepted).

The following table (Table 7) shows that insurance and reinsurance companies with a higher value of DQI have higher value of CSDI. Based on the significance of 1%, we conclude that there is a significant difference in the annual report quality considering CSDI, measured by DQI.

Table 7. Kruskal-Wallis Test, mean rank of CSDI, considered by DQI

DQI	Mean rank of CSDI	Kruskal-Wallis test p-value
Low quality of AR	8.21	1%
Average quality of AR	16.40	
Sufficient quality of AR	18.75	

Source: According to authors' database

Low quality annual reports have a lower average rank value of CSDI. Insurance and reinsurance companies with a higher value of CSDI have provided high quality annual reports. Research results show that more socially responsible insurance and reinsurance companies have provided the annual reports of higher quality (H4 is accepted).

5. DISCUSSION AND CONCLUSION

Corporate social responsibility influences company performance which is no longer measured only by financial performance, as company activities in all areas of social responsibility are considered nowadays. Companies have to develop and expand their economic, social and environmental capital, the three key elements of corporate sustainability. Furthermore, an increasing number of companies are involved in corporate social responsibility and in reporting about it, which indicates an increasing awareness in business decision-making. Irrespective of the increasing interest in research and development of corporate social responsibility, CSR is still at the “prototype stage”. CSR concept is complex and must cover an area that is poorly-defined and unstable. Decision-making is based on information that we receive from a specific company and, therefore, both reporting and transparency are crucial. User decisions can be based both on the number and the quality of information obtained from companies’ annual reports.

This research analysed the extent to which insurance and reinsurance companies apply CSR policy and the level of the information provided in their annual reports. Consequently, the objective of this research was to determine the level of CSR reporting for insurance and reinsurance companies in

Croatia and its impact on reporting quality.

When analysing the content of CSR reporting, the results indicate that all insurance and reinsurance companies in Croatia publish information from at least two aspects of CSR activities and 25% of the insurance sector publishes information from all six aspects of CSR activities. This finding implies that insurance and reinsurance companies are the most transparent regarding their human resources aspect of CSR activities and the least transparent regarding environmental aspect of CSR activities. The empirical results imply that insurance and reinsurance companies in Croatia do not equally relate to all stakeholders and mean value of CSDI, which is 8.33, suggesting that insurance and reinsurance companies publish approximately 35% of information from six aspects of CSR activities. In addition, insurance and reinsurance companies in Croatia provide annual reports of average quality, measured by DQI, which is positively correlated with CSR reporting on the Internet. Hence, a conclusion can be reached that more socially responsible insurance and reinsurance companies provide annual reports of higher quality.

The overall level of CSR disclosure for the insurance sector in Croatia is quite low. Therefore, insurance and reinsurance companies need to improve both their CSR reporting and social responsibility. Companies that implement corporate social responsibility policy and provide high quality information through their annual reports can achieve a number of benefits, which is often recognised by investors, customers, business partners and other stakeholders. Consequently, the implementation of CSR policy and the provision of high quality information are beneficial for companies, which strive to achieve superior business results and become competitive. This research contributes to the

ongoing effort of understanding corporate sustainability, primarily in the insurance sector, for which reporting is crucial, since it is a matter of credibility, reputation and competitive differentiation. CSR is a strategic positioning tool and it needs to become a key element of insurance and reinsurance companies' identity.

Finally, future research studies of corporate social responsibility in the insurance sector are required because this research was conducted only for the insurance sector in Croatia. In order to be able to generalise on the conclusions, research into the insurance sector in countries, such as Bosnia and Herzegovina, Serbia, Slovenia and Macedonia, amongst others, is recommended. The role and the importance of CSR, primarily in the insurance sector, will only increase through the years. Hence, further research in this area is imperative.

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**DJELOVANJE IZVJEŠTAVANJA O DRUŠTVENOJ
ODGOVORNOSTI PODUZEĆA NA KVALITETU FINACIJSKOG
IZVJEŠTAVANJA: EMPIRIJSKI DOKAZI IZ HRVATSKOG
SEKTORA OSIGURANJA**

Sažetak. *U ovom se radu pokušava ponuditi uvid u značaj društvene odgovornost poduzeća (DOP) za sektor osiguravanja, kao i pružiti pregled različitih inicijativa DOP-a osiguravajućih društava u Hrvatskoj. Iako DOP pruža široki spektar potencijalnih koristi za osiguravajuća društva, uključujući dugoročnu održivost i profitabilnost, do sada je tek nekoliko radova analiziralo DOP hrvatskog sektora osiguranja. Stoga je cilj ovog istraživanja utvrditi razinu izvještavanja o DOP-u u hrvatskim društvima za osiguranje i reosiguranje, kao i njegov utjecaj na kvalitetu financijskog izvještavanja. Empirijsko se istraživanje temelji na analizi internetskog izvještavanja šest aspekata DOP-a, čime se utvrđuje indeks korporativnog izvještavanja o društveno korisnim aktivnostima. Kvaliteta financijskog izvještavanja mjeri se indeksom kvalitete godišnjeg izvješća poduzeća, koji se računa kroz pet koraka. U ovom se radu analiziraju sva 24 društva za osiguranje i reosiguranje u Hrvatskoj, a rezultati istraživanja pokazuju da sva ona publiciraju informacije o barem dvama aspektima DOP-a. Najtransparentnije se izvješćuje o aspektima DOP-a, povezanim s ljudskim resursima, a najmanje transparentno o djelatnostima DOP-a, povezanim s očuvanjem okoliša. Ukupna razina izvještavanja o DOP-u u hrvatskom je osiguravateljnem sektoru relativno*

niska, pa se zaključuje da je internetsko izvještavanje o DOP-u hrvatskih društava za osiguranje i reosiguranje nezadovoljavajuće. S obzirom na razinu financijskog izvještavanja, promatrana društva imaju osrednju razinu kvalitete godišnjeg izvješća, mjerenu prethodno spomenutim indeksom. Rezultati istraživanja ukazuju da je internetsko izvještavanje o DOP-u pozitivno povezano s indeksom kvalitete godišnjeg izvješća poduzeća, tj. društva s višom razinom društvene odgovornosti publiciraju i godišnja izvješća više kvalitete. Kako su poduzeća i društvo u međusobnoj interakciji, njihova je povezanost neosporna. Poduzeća, pak, mogu postići ekonomske učinke, kao što su bolji poslovni rezultati i značajna razina konkurentske prednosti, ukoliko provode DOP te pružaju visoko kvalitetne informacije putem svojih godišnjih izvješća. Nadalje, društvo ima značajne koristi od odgovornih poduzeća, koja doprinose vlastitom boljitku, kao i svom okruženju.

Ključne riječi: *društveno odgovorno poslovanje (DOP), indeks korporativnog izvještavanja o društveno korisnim aktivnostima, indeks kvalitete godišnjeg izvješća poduzeća, osiguravateljni sektor, Hrvatska.*