

Effects of Service Quality on Customer Satisfaction in Life Insurance Companies in Karnali Province, Nepal

Dilip Jung Shahi*

<p>Received 21 Oct. 2025 Revised 14 Nov. 2025 Accepted 21 Nov. 2025</p> <p>Keywords: service quality, customer satisfaction, insurance industry Nepal, SERVQUAL, Karnali, Nepal</p> <p>*Author's Info Dilip Jung Shahi Officer, MetLife, Surkhet, Nepal Email:dilip123shahi@gmail.com</p> <p>DOI : 10.3126/jnmr.v7i1.88978</p>	<p>ABSTRACT</p> <p><i>In life insurance, customer satisfaction depends largely on service quality, as trust, reliability, and the quality of interactions often matter more than the tangible product itself. The SERVQUAL dimensions, i.e., tangibility, reliability, responsiveness, assurance, and empathy, play a key role in shaping customer perceptions. While studies in Nepal highlight the importance of responsiveness, assurance, and empathy, research in remote regions remains limited. Karnali Province, with its low financial literacy and restricted access to services, presents a unique context for studying these dynamics. This study investigates how the five SERVQUAL dimensions affect customer satisfaction in life insurance companies operating in Karnali Province and identifies the most influential factors to guide service improvements. A descriptive and causal-comparative design was adopted. Primary data were collected from 150 customers through a structured questionnaire out of 200 distributed. Reliability testing, correlation analysis, and multiple regression were applied using SPSS to examine the impact of each service quality dimension on satisfaction. The analysis shows that empathy was the strongest driver of customer satisfaction, followed by tangible service elements and staff assurance. Reliability had minimal impact, while responsiveness unexpectedly demonstrated a negative relationship with satisfaction. These findings suggest that emotional connection and understanding matter more to customers than operational efficiency alone. The findings suggest the importance of personalized attention, professional competence, and well-maintained facilities in enhancing satisfaction. They also indicate that the influence of service quality dimensions varies across regions, offering practical guidance for improving insurance services in underserved areas.</i></p>
--	--

1. INTRODUCTION

Service quality has become one of the most significant determinants of customer satisfaction in service-oriented industries, especially in financial services such as insurance, where trust, reliability, and long-term

relationships are fundamental (Parasuraman et al., 1988). Unlike tangible products, life insurance services are largely intangible in nature; thus, customers judge their experiences based on the quality of service delivery rather than on physical outcomes. High service quality enhances customer trust, builds long-term relationships, and ensures customer loyalty, which are crucial for sustainable growth in the insurance sector (Zeithaml et al., 1996).

Globally, numerous studies highlight the strong link between service quality and customer satisfaction. Dimensions such as reliability, responsiveness, empathy, assurance, and tangibles as conceptualized in the SERVQUAL framework, have been shown to significantly influence satisfaction and retention across diverse service industries (Ladhari, 2009). In the insurance sector, these dimensions not only affect customers' perceptions but also shape their decisions to renew policies and recommend services to others.

In Nepal, the insurance industry has expanded considerably in recent decades, both in premium collections and institutional coverage, thereby playing an increasingly important role in financial stability and social protection (Nepal Insurance Authority, 2023). Despite this progress, issues such as limited accessibility, lack of transparency, and inconsistent service delivery remain critical challenges. Empirical studies in Nepal indicate that responsiveness, assurance, and empathy are particularly important in shaping customer satisfaction in the insurance sector (Lohani, 2018; Shrestha, 2020). However, most of these studies are concentrated in urban or more accessible regions, leaving rural and remote areas understudied.

Karnali Province, Nepal's least developed and most geographically remote province, presents a unique setting for such an investigation. The region is characterized by low population density, weak infrastructure, and limited financial literacy, all of which influence how customers perceive and evaluate insurance services (CBS, 2021). Insurance companies operating in Karnali face significant challenges in service delivery, while customers in the region may have different expectations and satisfaction thresholds compared to those in urban areas (Dhungana, 2019). This context underscores the need for focused research on service quality and customer satisfaction in the province.

This study examines how service quality affects customer satisfaction in life insurance companies in Karnali Province using the SERVQUAL framework. It identifies the most influential service dimensions and offers practical recommendations, contributing to both academic literature and strategies for enhancing financial inclusion and customer-focused growth in Nepal's insurance sector.

The SERVQUAL model developed by (Parasuraman et al., 1988) remains the most widely used framework for measuring service quality. It identifies five dimensions' reliability, responsiveness, assurance, empathy, and tangibles, which together capture customers' evaluations of services. While its strength lies in its adaptability across industries and cultures (Zeithaml et al., 1996), scholars have also noted limitations. For instance, some argue that SERVQUAL focuses heavily on functional aspects of service while overlooking relational and technological elements that are increasingly important in digital financial services (Ladhari, 2009). Despite these critiques, the model continues to serve as a standard in evaluating the service–satisfaction relationship.

Insurance services, unlike physical goods, are intangible and future-oriented, making service delivery a critical determinant of customer satisfaction. Research suggests that dimensions such as assurance and responsiveness reduce uncertainty and foster trust, which are particularly important in promise-based services like insurance (Yusuf & Fatima, 2015). In Asian contexts, Kheng et al. (2010) found responsiveness and

reliability to be the strongest predictors of loyalty in financial services. However, other studies indicate that empathy and assurance often outweigh tangibles in customer evaluations, suggesting that relational aspects may be more critical than physical infrastructure in insurance (Ladhari, 2009). This divergence indicates that the influence of service dimensions is context-specific and may vary between regions and customer groups.

In Nepal, the insurance sector has grown as part of broader financial inclusion efforts. Lohani (2018) reported responsiveness and assurance as the most influential factors in customer satisfaction, while Shrestha (2020) highlighted empathy and reliability as critical. Dhungana (2019) emphasized the importance of service delivery efficiency and empathy, suggesting that customers often judge insurers more on behavior and support than on technical policy benefits. These findings suggest partial consensus on the importance of responsiveness and empathy, but inconsistencies remain regarding whether assurance or reliability is more significant. Moreover, many studies have a limited methodological scope, relying on small samples or urban-centric data, reducing their generalizability across provinces.

A recurring limitation in Nepalese literature is the concentration of studies in urban centers such as Kathmandu and major cities, with rural and remote areas largely overlooked. Karnali Province, characterized by weak infrastructure, low financial literacy, and geographical remoteness (CBS, 2021), presents a very different service environment. Yet, there is little empirical research on how customers in such disadvantaged settings perceive service quality. The overemphasis on urban areas may distort the national understanding of service quality in Nepal's insurance sector and leave insurers without evidence-based strategies for underserved regions.

The literature confirms a strong link between service quality and customer satisfaction globally and in Nepal. Yet, gaps remain due to mixed findings on key service dimensions, urban-centric research focus, and limited attention to socio-economic and geographic factors. Studying regions like Karnali Province is vital to advancing knowledge and enhancing equitable insurance services in Nepal.

Tangibility refers to the physical facilities, equipment, personnel, appearance, and communication materials that represent the service. In the life insurance context, tangibility encompasses the physical office environment, the professional appearance of agents, the quality of policy documents, and the sophistication of digital platforms (Parasuraman et al., 1988). Studies have demonstrated that tangible elements serve as critical cues for customers to evaluate service quality, particularly in industries where the core product is intangible (Zeithaml et al., 1996).

Research by Amin and Isa (2008) in the Islamic insurance sector found that tangibility significantly influences customer satisfaction, as physical evidence provides customers with confidence in the service provider's competence. Similarly, Akram et al. (2019) demonstrated that tangible aspects of insurance services, including modern-looking facilities and visually appealing materials, positively affect customer satisfaction.

H1: There is a significant positive impact of tangibility on customer satisfaction.

Reliability represents the ability to perform the promised service dependably and accurately (Parasuraman et al., 1988). Reliability encompasses timely policy issuance, accurate premium calculations, prompt claim settlements, and consistent service delivery.

(Crosby et al., 1990) in the life insurance industry revealed that reliability significantly impacts customer trust and satisfaction, as customers depend on insurers to fulfill their commitments during critical life events. Reliability has the strongest influence on customer satisfaction in financial services because customers prioritize dependability over other service attributes (Ndubisi, 2006).

H2: There is a significant positive impact of reliability on customer satisfaction.

Responsiveness refers to the willingness to help customers and provide prompt service (Parasuraman et al., 1988). Quick responses to inquiries, efficient processing of applications and claims, and proactive communication about policy matters. Responsiveness demonstrates organizational commitment to customer welfare and signals respect for customers' time (Zeithaml & Bitner, 2003).

(Ladhari, 2009) across multiple service industries confirmed that responsiveness significantly affects customer satisfaction, particularly in high-involvement services like insurance.

H3: There is a significant positive impact of responsiveness on customer satisfaction.

Assurance encompasses the knowledge and courtesy of employees and their ability to convey trust and confidence (Parasuraman et al., 1988). Assurance includes agent expertise, company reputation, financial stability, and the ability to inspire customer confidence in long-term commitments. Given that life insurance involves significant financial decisions with long-term implications, assurance becomes particularly critical (Zeithaml et al., 1996). (Bloemer et al., 1999) found that assurance dimensions, including competence, credibility, and security, are essential determinants of customer satisfaction in financial services.

H4: There is a significant positive impact of assurance on customer satisfaction.

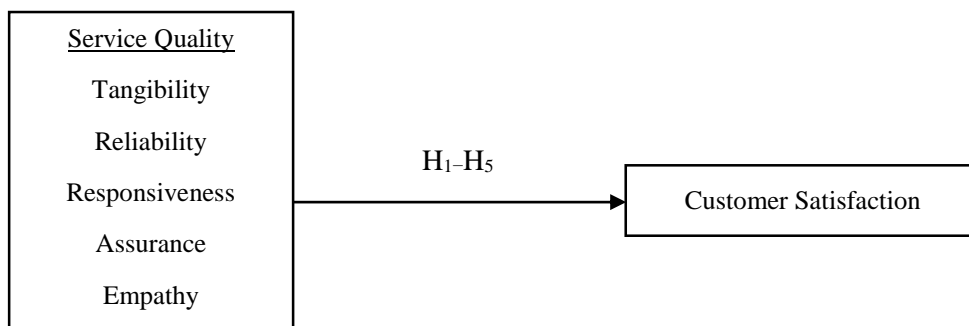
Empathy represents caring, individualized attention provided to customers (Parasuraman et al., 1988). Empathy includes understanding customer needs, offering personalized solutions, showing genuine concern during claim situations, and maintaining convenient service hours. Empathy reflects the human dimension of service delivery and demonstrates that the organization values each customer as an individual (Zeithaml & Bitner, 2003).

Studies have shown that empathy significantly influences customer satisfaction, particularly in relationship-intensive services (Paulose & Ashraf, 2013). The life insurance sector demonstrated that empathetic service delivery significantly impacts customer satisfaction, as insurance decisions often involve emotional and personal considerations.

H5: There is a significant positive impact of empathy on customer satisfaction.

The conceptual framework of this study is developed to explain how service quality dimensions' influence customer satisfaction in life insurance companies. It is theoretically grounded in the SERVQUAL model proposed by Parasuraman et al. (1988), which views service quality as a multidimensional construct that shapes customers' overall satisfaction with services. Given the intangible, trust-based, and long-term nature of life insurance services, customers' perceptions of service quality play a decisive role in forming satisfaction judgments.

As illustrated in Figure 1, service quality is treated as the independent construct, represented through five core dimensions: Tangibility, Reliability, Responsiveness, Assurance, and Empathy. These dimensions collectively capture both the physical and behavioral aspects of service delivery in life insurance companies.

Figure 1: Conceptual Framework

Sources: (Parasuraman et al., 1988; Shrestha, 2020; Yusuf & Fatima, 2015)

The framework clearly illustrates how each dimension of service quality is hypothesized to independently contribute to customer satisfaction.

2. METHODS

This study has employed a descriptive and causal-comparative research design to investigate the effects of service quality on customer satisfaction in life insurance companies. This study aims to describe customers' perceptions of service quality and examine the relationship between its dimensions and overall satisfaction. Thus, a descriptive and causal research design is adopted to analyze the overall perception as well as relation of a customer on the service quality of life insurance companies.

Since this study aims to identify the effects of service quality on customer satisfaction of life insurance companies in Karnali, all customers of life insurance companies operating in this region are considered as the population of the study. 200 individual customers were selected as a sample based on the convenience sampling technique. Thus, this study distributed 200 questionnaires to individual customers of life insurance companies. Out of 200 questionnaires, only 150 complete and usable questionnaires were returned from the respondents, which produced a response rate of 75 percent. The survey was conducted from January 2025 to February 2025.

Data were collected through a structured SERVQUAL-based questionnaire comprising two sections: demographic information and five service quality dimensions' tangibility, reliability, responsiveness, assurance, and empathy, along with customer satisfaction, each measured using five-point Likert scale items. Instrument reliability was verified using Cronbach's Alpha, with all constructs exceeding the 0.70 threshold. Quantitative data were analyzed using SPSS, applying descriptive statistics, correlation analysis, and multiple regression supported by ANOVA to determine both collective and individual effects of service quality dimensions. Multicollinearity tests confirmed the reliability of the regression model. Although the use of convenience sampling and self-reported data may limit generalizability, the adopted methodology provides a valid basis for evaluating the effects of service quality in Nepal's life insurance sector.

3. RESULTS

The study engaged 150 insurance customers with diverse backgrounds. The sample was reasonably balanced by gender (58% male, 42% female) and predominantly consisted of working-age adults, with nearly half between 29-38 years old. Most participants were married (84%), which aligns with the family-oriented nature of insurance decisions. Culturally, the sample reflected Nepal's diversity, with Chettri's (41%), Brahmins (29%), and Janajati's (29%) all well-represented. Education levels ranged from intermediate (53%) to bachelor's degrees (30%) and postgraduate qualifications (17%). Insurance experience varied significantly from newcomers with under 5 years (30%) to long-term customers with over 16 years of experience (36%). This mix of demographics and experience levels provided rich, varied perspectives on customer satisfaction across different life stages and insurance relationships.

In this study, the effects of service quality on customer satisfaction are analyzed using a questionnaire based on a five-point Likert scale. The issue of reliability is important for such a type of instrument. Thus, the reliability of all constructs is assured by observing the value of Cronbach's Alpha.

Table 1: Reliability Test of the Constructs

Measures	Cronbach's Alpha	No. of Items
Tangibility	0.856	5
Reliability	0.834	5
Responsiveness	0.923	5
Assurance	0.898	5
Empathy	0.952	5
Customer Satisfaction	0.927	5
Overall	0.928	30

Table 1 shows that the tangibility dimension, measured with 5 items, yielded a Cronbach's Alpha of 0.856, indicating good internal consistency. Reliability scored 0.834, while Responsiveness showed a very high consistency with 0.923. Assurance and Empathy demonstrated strong reliability, with Cronbach's Alpha values of 0.898 and 0.952, respectively. The dependent variable, Customer Satisfaction, also exhibited high reliability (0.927). The overall Cronbach's Alpha for all 30 items across six constructs was 0.928, confirming that the instrument is highly reliable and suitable for further analysis. These results confirm that all measurement items reliably capture their constructs, ensuring the survey instrument's validity and suitability for analyzing the relationships between service quality dimensions and customer satisfaction.

This analysis provides insights into the interrelationships among the variables, identifies potential patterns, and supports the validation of the measurement scales.

Table 2: Correlation Matrix of Constructs

	Tangibility	Reliability	Responsiveness	Assurance	Empathy	Customer Satisfaction
Tangibility	1					
Reliability	-.013	1				
Responsiveness	.807**	.031	1			
Assurance	.716**	.071	.797**	1		
Empathy	.763**	-.328**	.633**	.683**	1	
Customer Satisfaction	.740**	-.209*	.556**	.681**	.906**	1

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Table 2 shows the relationships between the five dimensions of service quality and customer satisfaction. Tangibility has a strong positive correlation with customer satisfaction ($r = 0.740$, $p < 0.01$), indicating that better physical facilities and appearance of personnel are associated with higher satisfaction. Responsiveness ($r = 0.556$, $p < 0.01$), assurance ($r = 0.681$, $p < 0.01$), and empathy ($r = 0.906$, $p < 0.01$) also have significant positive correlations, highlighting the importance of prompt service, employee competence, and personalized attention. In contrast, reliability shows a weak negative correlation with customer satisfaction ($r = -0.209$, $p < 0.05$), suggesting that consistency of service delivery may be less influential in this context compared to other dimensions.

Overall, the results indicate that most service quality dimensions positively influence customer satisfaction, with empathy showing the strongest association, supporting the theoretical expectation that higher service quality enhances customer satisfaction.

The Model Summary (Table 3) represents the overall fit of the regression model examining the impact of service quality dimensions on customer satisfaction. The multiple correlation coefficient (R) is 0.925, indicating a very strong positive relationship between the set of independent variables, Tangibility, Reliability, Responsiveness, Assurance, and Empathy and the dependent variable, Customer Satisfaction.

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.925 ^a	.855	.850	.23835

a. Predictors: (Constant), Empathy, Reliability, Responsiveness, Assurance, Tangibility

b. Dependent Variable: Customer Satisfaction

The R Square value is 0.855, meaning that approximately 85.5% of the variance in customer satisfaction is explained collectively by the five dimensions of service quality. The Adjusted R Square of 0.850 accounts for the number of predictors in the model and confirms that the model maintains a high explanatory power after adjusting for degrees of freedom.

The standard error of the estimate is 0.23835, reflecting the average distance that the observed values fall from the regression line. A relatively low standard error indicates that the model predicts customer satisfaction with high accuracy.

Overall, the Model Summary demonstrates that the selected service quality dimensions provide a strong and reliable explanation of customer satisfaction in life insurance companies in Karnali Province.

The ANOVA results (Table 4) assess the overall significance of the regression model used to examine the effect of service quality dimensions on customer satisfaction. The F-value is 169.662 with a significance level of $p = 0.000$, which is below the 0.01 threshold. This indicates that the regression model is statistically significant, meaning that at least one of the independent variables, Tangibility, Reliability, Responsiveness, Assurance, or Empathy, has a significant impact on customer satisfaction.

The regression sum of squares (48.193) represents the variation in customer satisfaction explained by the model, while the residual sum of squares (8.181) reflects the variation not explained by the model. With 5 degrees of freedom for the regression and 144 for the residual, the mean squares are 9.639 for the regression and 0.057 for the residual.

Table 4: ANOVA

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	48.193	5	9.639	169.662	.000 ^b
	Residual	8.181	144	.057		
	Total	56.373	149			

a. Dependent Variable: Customer Satisfaction

b. Predictors: (Constant), Empathy, Reliability, Responsiveness, Assurance, Tangibility

These results confirm that the set of service quality dimensions collectively provides a highly significant explanation of customer satisfaction in life insurance companies in Karnali Province, supporting the suitability of the regression model for further analysis of individual predictors.

The regression coefficients (Table 5) indicate the individual effects of the five service quality dimensions on customer satisfaction.

Table 5: Coefficients of constructs

Construct	Unstandardized Coefficients		Standardized Coefficients		Sig.	Collinearity Statistics	
	B	Std. Error	Beta	t		Tolerance	VIF
(Constant)	-.121	.239		-.505	.614		
Tangibility	.333	.102	.217	3.255	.001	.226	4.423
Reliability	.041	.031	.052	1.337	.183	.676	1.479
Responsiveness	-.373	.081	-.295	-4.587	.000	.244	4.101
Assurance	.253	.073	.209	3.488	.001	.282	3.547
Empathy	.796	.062	.802	12.748	.000	.255	3.926

a. Dependent Variable: Customer Satisfaction

Tangibility has a positive and significant effect on customer satisfaction ($\beta = 0.217$, $t = 3.255$, $p = 0.001$), suggesting that better physical facilities, equipment, and employee appearance enhance customer satisfaction. Reliability shows a positive but non-significant effect ($\beta = 0.052$, $t = 1.337$, $p = 0.183$), indicating that service consistency does not significantly influence customer satisfaction in this context. Responsiveness has a significant negative effect ($\beta = -0.295$, $t = -4.587$, $p = 0.000$), implying that higher responsiveness, as measured in this sample, is unexpectedly associated with lower satisfaction, which may reflect contextual or measurement factors. Assurance is positively and significantly associated with customer satisfaction ($\beta = 0.209$, $t = 3.488$, $p = 0.001$), indicating that competence, courtesy, and trustworthiness of employees increase satisfaction. Empathy shows the strongest positive and highly significant effect ($\beta = 0.802$, $t = 12.748$, $p = 0.000$), highlighting the critical role of personalized attention and understanding customer needs in driving satisfaction.

Collinearity diagnostics indicate that all independent variables have tolerance values above 0.2 and VIF values below 5, suggesting that multicollinearity is not a concern. Overall, the results demonstrate that Empathy, Tangibility, and Assurance are the most influential service quality dimensions affecting customer satisfaction in life insurance companies in Karnali Province, while Reliability does not have a significant impact, and Responsiveness unexpectedly shows a negative effect. Thus, among the service quality

dimensions, Empathy, Tangibility, and Assurance are the most influential in enhancing customer satisfaction, while Reliability has minimal impact, and Responsiveness unexpectedly shows a negative association. These findings highlight the critical role of personalized and trustworthy service delivery in life insurance companies operating in Karnali Province.

4. DISCUSSIONS

This study examined how different dimensions of service quality influence customer satisfaction in life insurance companies operating in Karnali Province. Overall, the findings provide strong empirical support for the SERVQUAL framework, while also revealing some context-specific patterns that are particularly relevant to the Nepalese life insurance sector.

The results indicate that empathy is the most influential determinant of customer satisfaction. The very strong positive relationship observed in both correlation and regression analyses suggests that customers highly value personalized attention, understanding of individual needs, and caring behavior from insurance staff. This finding is consistent with earlier studies by Parasuraman et al. (1988); Yusuf and Fatima (2015), who emphasized empathy as a critical driver of satisfaction in service-intensive industries. In the context of life insurance, where products are intangible, long-term, and emotionally sensitive, customers in Karnali Province appear to place greater trust in insurers who demonstrate genuine concern and individualized service.

Tangibility also showed a significant positive impact on customer satisfaction. Well-maintained offices, modern equipment, and professional employee appearance positively shape customer perceptions. This aligns with prior research (Khadka et al., 2025; Parasuraman et al., 1988; Shrestha, 2020), which suggests that tangible cues help customers assess service quality in otherwise intangible financial services. In relatively less-developed regions such as Karnali, visible physical facilities may serve as important signals of credibility and institutional strength.

Similarly, Assurance was found to have a positive and significant effect on customer satisfaction. This supports existing literature that highlights the importance of employee competence, courtesy, and trustworthiness in insurance services (Yusuf & Fatima, 2015). Given the complexity of insurance products and the long-term financial commitment involved, customers are more satisfied when they feel confident in the knowledge and integrity of service providers.

In contrast, Reliability did not have a significant effect on customer satisfaction, and its correlation with satisfaction was weak and negative. This finding diverges from many earlier studies that identify reliability as a core service quality dimension. One possible explanation is that customers in this context may consider basic reliability, such as policy issuance and premium collection as a minimum expectation rather than a differentiating factor. When reliability is taken for granted, it may no longer significantly enhance satisfaction unless service failures occur.

More notably, Responsiveness showed a significant negative effect on customer satisfaction, which contrasts with most prior studies. This unexpected result may reflect contextual or measurement issues. For instance, frequent follow-ups or aggressive service interactions by agents might be perceived as pressure rather than support, particularly in life insurance sales. Similar contradictions have been noted in some emerging market

studies, where over-responsiveness is interpreted as sales-driven behavior rather than customer-oriented service.

For life insurance companies, the results underscore the importance of strengthening empathy-driven service practices. Training programs should focus on interpersonal skills, active listening, and relationship-building rather than solely on technical product knowledge. Improving tangible aspects such as office infrastructure and employee professionalism can further enhance customer confidence. Additionally, insurers should review how responsiveness is delivered, ensuring that prompt service does not translate into perceived pressure or intrusion.

This study extends the SERVQUAL model by demonstrating that the relative importance of service quality dimensions can vary across regional and cultural contexts. The dominance of empathy and the unexpected role of responsiveness suggest that customer satisfaction models in developing or semi-urban regions like Karnali may require contextual adaptation.

Regulatory bodies and insurance associations can use these findings to design customer-centric service guidelines. Policies encouraging ethical sales practices, transparent communication, and customer education may help improve overall satisfaction and trust in the insurance sector, particularly in underserved provinces.

Future studies could explore qualitative approaches, such as interviews or focus group discussions, to better understand why responsiveness shows a negative relationship with satisfaction. Longitudinal research may also help examine how customer satisfaction evolves over time as insurance relationships mature. Additionally, comparative studies across provinces or between public and private insurers could provide broader insights into regional differences in service quality perceptions. Finally, incorporating mediating or moderating variables such as trust, perceived value, or cultural orientation could further enrich the understanding of customer satisfaction in the life insurance industry.

5. CONCLUSIONS

This study set out to examine the effect of service quality dimensions on customer satisfaction in life insurance companies operating in Karnali Province, Nepal, using the SERVQUAL framework. The findings provide clear evidence that service quality plays a decisive role in shaping customer satisfaction, while also revealing important context-specific patterns that enrich the existing literature on insurance services in developing and geographically remote regions.

The empirical results demonstrate that empathy emerges as the most influential determinant of customer satisfaction, followed by Tangibility and Assurance. Customers in Karnali Province place strong value on personalized attention, caring behavior, and trust-building interactions with insurance personnel. These results reaffirm the importance of relational and human-centered service delivery in life insurance, where products are intangible, future-oriented, and emotionally sensitive. Tangible prompts, such as professional office environments and employee appearance, also significantly enhance customer confidence, particularly in regions where institutional credibility is closely associated with visible physical presence. Assurance further strengthens satisfaction by reducing uncertainty and reinforcing trust in insurers' competence and integrity.

In contrast, reliability was found to have no significant impact, suggesting that customers may perceive consistent service delivery as a basic expectation rather than a factor that enhances satisfaction. More notably,

Responsiveness exhibited an unexpected negative effect, indicating that overly frequent or sales-driven interactions may be perceived as intrusive rather than supportive. This finding highlights the need to carefully balance promptness with sensitivity in customer engagement, especially in life insurance contexts where trust and comfort are paramount.

The study makes a meaningful contribution by extending the application of the SERVQUAL model to Karnali Province, an under-researched and underserved region of Nepal. By moving beyond urban-centric analyses, the research provides valuable insights into how geographical, socio-economic, and cultural factors shape customer perceptions of service quality. These insights are particularly relevant for insurers and policymakers seeking to promote equitable financial inclusion and improve service delivery in remote areas.

This study underscores that customer satisfaction in life insurance is driven not merely by efficient service processes, but by empathetic, trustworthy, and professionally delivered experiences. By highlighting the nuanced role of service quality dimensions in Karnali Province, the study offers both theoretical enrichment and practical guidance, reinforcing the importance of context-sensitive, customer-centered strategies for sustainable growth in Nepal's life insurance sector.

References

- Bloemer, J., De Ruyter, K., & Peeters, P. (1999). Investigating drivers of bank loyalty: The complex relationship between image, service quality and satisfaction. *International Journal of Bank Marketing*, 16(7), 276-286. doi:<https://doi.org/10.1108/02652329810245984>
- Central Bureau of Statistics (CBS). (2021). *National Population and Housing Census 2021: Provincial Report, Karnali Province*. Government of Nepal.
- Crosby, L. A., Evans, K. R., & Cowles, D. (1990). Relationship quality in services selling: An interpersonal influence perspective. *Journal of Marketing*, 54(3), 68-81. doi:<https://doi.org/10.1177/002224299005400306>
- Dhungana, B. R. (2019). Service quality and customer satisfaction in Nepalese financial institutions. *Journal of Business and Social Sciences Research*, 4(2), 1-12.
- Khadka, B. B., Malviya, P., & Rawat, D. S. (2025). Exploring the drivers of tourist satisfaction at religious sites: A study of Lumbini in Nepal. *International Journal of Religious Tourism and Pilgrimage*, 13(3), 145-163. <https://doi.org/10.21427/g5w3-7r95>
- Kheng, L. L., Mahamad, O., & Ramayah, T. (2010). The impact of service quality on customer loyalty: A study of banks in Penang, Malaysia. *International Journal of Marketing Studies*, 2(2), 57-66.
- Ladhari, R. (2009). A review of twenty years of SERVQUAL research. *International Journal of Quality and Service Sciences*, 1(2), 172-198. doi:<https://doi.org/10.1108/17566690910971445>
- Lohani, S. P. (2018). Service quality in Nepalese insurance market. *Nepalese Journal of Insurance and Social Science*, 1(1), 45-56.
- Ndubisi, N. O. (2006). Effect of gender on customer loyalty: A relationship marketing approach. *Marketing Intelligence & Planning*, 24(1), 48-61.
- Nepal Insurance Authority. (2023). *Annual Report 2022/23*. Kathmandu: NIA.
- Parasuraman, A., Berry, L. L., & Zeithaml, V. A. (1991). Refinement and reassessment of the SERVQUAL scale. *Journal of Retailing*, 67(4), 420-450.

- Parasuraman, A., Zeithaml, V. A., & Berry, L. L. (1988). SERVQUAL: A multiple-item scale for measuring consumer perceptions of service quality. *Journal of Retailing*, 64(1), 12-40. doi:10.1016/S0022-4359(99)80004-3
- Paulose, D., & Ashraf, A. B. (2013). Antecedents of customer satisfaction in life insurance services. *International Journal of Innovative Research and Development*, 2(12), 174-181.
- Shrestha, P. (2020). Service quality dimensions and customer satisfaction in Nepalese insurance companies. *Journal of Management and Development Studies*, 30, 85-96.
- Yusuf, T. O., & Fatima, T. (2015). Service quality and customer satisfaction in insurance industry. *Asian Journal of Business Management*, 7(4), 123-130.
- Zeithaml, V. A., & Bitner, M. J. (2003). *Services marketing: Integrating customer focus across the firm* (3 ed.). McGraw-Hill.
- Zeithaml, V. A., Berry, L. L., & Parasuraman, A. (1996). The behavioral consequences of service quality. *Journal of Marketing*, 60(2), 31-46. doi:10.2307/1251929