



Impact of Corporate Social Responsibility on Customer Loyalty: Evidence from Nepalese Insurance Companies in Kathmandu Valley

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Abstract

Background: Corporate Social Responsibility (CSR) has become a strategic tool for enhancing customer loyalty in the insurance sector. In Nepal, insurance companies increasingly adopt CSR initiatives to build ethical and trustworthy reputations. Understanding how CSR influences corporate image, reputation, and customer loyalty is crucial for sustaining competitive advantage and long-term customer relationships.

Purpose: The purpose of this study is to determine the impact of CSR initiatives on customer loyalty across Nepalese insurance companies.

Design/methodology /approach: This study follows a post-positivist philosophy and adopts an exploratory research design. Quantitative data from 403 insurance customers were collected using KOBO toolbox and analyzed using descriptive and inferential statistics with MS Excel, and the Smart PLS 4.0.

Findings: The research findings reveal statistically significant relationships between CSR and corporate image (CI), CSR and corporate reputation (CR), and CSR and customer loyalty (CL), and more importantly, they extend existing knowledge by confirming the mediating roles of CI and CR in the CSR–CL relationship. Empirical results show that CSR significantly influences CI ($\beta = 0.242$, $p < 0.001$), CR ($\beta = 0.141$, $p = 0.006$), and CL ($\beta = 0.626$, $p < 0.001$), while CI ($\beta = 0.424$, $p < 0.001$) and CR ($\beta = 0.242$, $p = 0.001$) further enhance customer loyalty.

Conclusion: The study confirms significant relationships between CSR and corporate image, corporate reputation, and customer loyalty, while highlighting the mediating roles of image and reputation in the CSR–loyalty link. Nepalese insurance companies that actively engage in CSR enhance customer loyalty by being perceived as ethical, trustworthy, and value-oriented.

Keywords: Corporate social responsibility, corporate image, corporate reputation, Customer Loyalty.



1. Introduction

Corporate social responsibility (CSR) has increasingly become a central concern in contemporary business practice as corporations are expected to balance economic objectives with ethical conduct, legal compliance, and broader societal well-being (Berger-Walliser & Scott, 2018; Fedotova et al., 2023). In the globalized business environment, firms are no longer evaluated solely on financial performance; instead, their contributions to social development, environmental protection, and stakeholder welfare have gained substantial importance (Ağan, 2016). Early conceptualizations of CSR emphasized legal compliance and moral responsibility in business operations (Barauskaite & Streimikiene, 2021). Over time, the concept evolved into a multidimensional framework integrating economic, legal, ethical, and discretionary responsibilities, often represented through Carroll's CSR pyramid (Carroll, 2016). These responsibilities are not mutually exclusive but interdependent, requiring firms to pursue profitability while simultaneously acting as responsible corporate citizens. As businesses operate within social systems, CSR has emerged as a mechanism through which corporations legitimize their activities, respond to stakeholder expectations, and contribute to sustainable development.

CSR is commonly defined as an organization's voluntary commitment to integrate social and environmental concerns into its business operations and interactions with stakeholders (Maqbool & Zamir, 2019). Carroll (2016) conceptualized CSR as a combination of economic viability, adherence to legal requirements, ethical behavior, and discretionary contributions to society. This conceptualization aligns closely with stakeholder theory, which argues that firms must address the interests of multiple stakeholder groups beyond shareholders, including customers, employees, communities, and regulators (Cornell & Shapiro, 1987; Wagner-Tsukamoto, 2019). According to this perspective, stakeholders hold both explicit claims, such as contractual obligations, and implicit expectations, such as product quality, transparency, and ethical conduct. Failure to fulfill these expectations can undermine stakeholder trust and increase operational and reputational risks (Barauskaite & Streimikiene, 2021). Consequently, CSR is increasingly viewed not only as an ethical obligation but also as a strategic tool for building trust, reducing uncertainty, and enhancing long-term organizational performance.

In service-oriented industries, particularly financial services, trust plays a decisive role in shaping customer behavior (Sholevar & Bachmann, 2025). Organizational trust has been defined as the willingness of stakeholders to accept vulnerability based on positive expectations of a firm's actions, irrespective of their ability to monitor or control those actions (Su & Swanson, 2019). CSR initiatives serve as important signals of managerial competence, ethical orientation, and long-term commitment. As a result, firms actively communicate their CSR activities through sustainability reports, corporate websites, and marketing campaigns to influence stakeholder perceptions. Prior research suggests that CSR enhances customer loyalty by strengthening emotional attachment, reinforcing corporate reputation, and differentiating firms in competitive markets (Glaveli, 2021; Srivastava, 2024). Customer loyalty, in turn, contributes to repeat patronage, positive word-of-mouth, and sustained profitability. However, empirical evidence linking CSR to firm outcomes remains mixed, partly due to methodological challenges and contextual variations across industries and countries (Jamali & Karam, 2018). Sector-specific characteristics such as firm size, age, and regulatory environment further complicate this relationship (Le, 2023), highlighting the need for contextually grounded research.

The insurance sector represents a particularly relevant context for examining the CSR–customer loyalty relationship due to its reliance on trust, credibility, and long-term relationships (Hsu, 2012). Insurance products are largely intangible and involve significant information asymmetry, making customers highly sensitive to perceptions of ethical conduct and social responsibility (Prasetyo et al., 2024). Globally, insurance companies increasingly adopt CSR initiatives to enhance legitimacy, manage risk, and strengthen stakeholder relationships. In developing economies, CSR also plays a role in addressing institutional gaps and contributing to social welfare (Jamali & Karam, 2018). Despite its importance, CSR practices and their customer-related outcomes in the insurance sector remain underexplored, especially in emerging markets.

In Nepal, CSR is a relatively emerging concept, with many firms traditionally viewing it as philanthropic or charitable activity rather than a strategically integrated business practice (Chapagain et al., 2024; Sthapit et al., 2025). However, evolving stakeholder expectations and regulatory frameworks have gradually shifted CSR discourse toward strategic and relational perspectives (Prajuli et al., 2019). Studies in Nepal indicate generally favorable attitudes toward CSR among firms in the manufacturing and financial sectors, though actual implementation often remains limited (Chapagain, 2012; Chapagain et al., 2024). Existing research has primarily focused on CSR in commercial banks or examined its relationship with financial performance and corporate reputation. Empirical investigations into how CSR influences customer loyalty, particularly within the insurance sector, are scarce and often rely on outdated data. Given the growing competition among Nepalese insurance companies and the increasing awareness of customers regarding social and ethical issues, understanding the role of CSR in fostering customer loyalty is both timely and necessary.

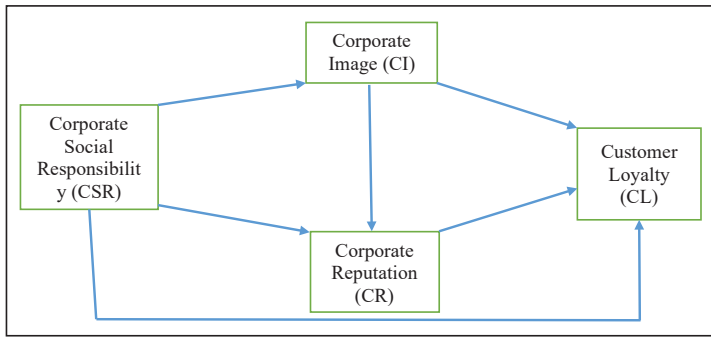
Despite the growing body of global CSR literature, a clear research gap exists in the Nepalese insurance context, particularly from a customer perspective. There is limited empirical evidence examining customer awareness of CSR initiatives, the factors influencing customer loyalty, and the challenges associated with implementing effective CSR practices in insurance companies operating in Kathmandu Valley. Addressing this gap, the present study aims to examine the impact of corporate social responsibility on customer loyalty among Nepalese insurance companies. Specifically, the study seeks to assess customer awareness of CSR initiatives, identify key determinants of customer loyalty, examine challenges in CSR implementation, and propose managerial improvements to enhance CSR practices. By doing so, the study contributes to the CSR and services marketing literature while offering practical insights for insurance managers and policymakers in Nepal and similar emerging economies.

2. Theoretical Framework and Hypothesis

A theoretical framework is a structured explanation linking concepts through established theories to guide empirical inquiry (Kivunja, 2018). For the present study, several theories were reviewed to understand the relationship between corporate social responsibility and customer loyalty, namely Stakeholder Theory, Consumer Behavior Theory, Social Identity Theory, Resource-Based View Theory, and Institutional Theory. These theories collectively explain how organizations interact with stakeholders, how customers form attitudes and behavioral intentions, how group identification influences perceptions, how firm-specific resources generate competitive advantage, and how institutional norms shape organizational legitimacy (Freeman et al., 2021; Fernandez De Arroyabe Fernandez et al., 2023). Reviewing multiple theoretical perspectives enables a comprehensive understanding of CSR as both a strategic organizational practice and a socially embedded phenomenon influencing customer perceptions and loyalty outcomes, particularly within service-oriented industries such as insurance.

Among the reviewed theories, Stakeholder Theory forms the primary theoretical foundation of this study. Stakeholder theory posits that firms have responsibilities not only to shareholders but also to customers, employees, communities, regulators, and society at large (Freeman et al., 2021). In the context of CSR, this theory provides a robust explanatory lens for understanding how responsible corporate actions toward stakeholders influence customer trust, satisfaction, and long-term loyalty. Insurance companies, which operate in high-trust and high-risk environments, are particularly dependent on stakeholder confidence for sustained performance (Chukwu & Timah, 2018). CSR initiatives signal ethical commitment, transparency, and concern for societal welfare, thereby strengthening customer–firm relationships. Consequently, stakeholder theory is most appropriate for examining how CSR practices of Nepalese insurance companies influence customer loyalty, as it directly aligns CSR engagement with stakeholder perceptions and relational outcomes central to the insurance sector. Figure 1 illustrates the relationship among the theoretical variables.

Figure 1: Conceptual Framework



Source: Modified and adapted from Le (2023)

CSR and Corporate Image

Corporate image represents customers’ overall impression of a company formed through experiences, beliefs, and perceived values (Gürlek et al., 2017). When customers observe CSR initiatives that align with social and ethical expectations, they tend to form a more positive image of the organization (Kim et al., 2020). Prior empirical studies support the view that CSR activities enhance corporate image by improving perceptions of credibility, trustworthiness, and social value (Prajuli et al., 2019; Le, 2023).

H1: Corporate social responsibility positively influences corporate image.

CSR and Corporate Reputation

Corporate reputation reflects the collective assessment of a firm’s reliability and credibility over time (Kim et al., 2020). From a stakeholder theory perspective, CSR initiatives enhance reputation by demonstrating accountability and responsiveness to stakeholder interests (Freeman et al., 2021). The resource-based view further argues that reputation constitutes a valuable and inimitable intangible asset that strengthens competitive advantage (Freeman et al., 2021). Empirical evidence indicates that firms engaging in CSR activities are more likely to develop stronger reputations, which subsequently influence stakeholder trust and long-term loyalty (Chapagain et al., 2024; Sthapit et al., 2025).

H2: Corporate social responsibility has a positive relationship with corporate reputation.

CSR and Customer Loyalty

Customer loyalty refers to a strong commitment to continue using a firm’s services despite situational influences (Osakwe & Yusuf, 2021). In competitive service industries, customers increasingly value firms that demonstrate ethical conduct and social responsibility (Sholevar & Bachmann, 2025). CSR initiatives generate positive emotional and attitudinal responses among customers, which strengthen attachment and repeat purchase intentions. Prior studies confirm that customers respond favorably to CSR engagement, resulting in enhanced loyalty toward socially responsible firms (Maqbool & Zamir, 2019; Srivastava, 2024).

H3: Corporate social responsibility has a significant positive association with customer loyalty.

Corporate Image and Corporate Reputation

Corporate image and corporate reputation are closely interconnected constructs (Gürlek et al., 2017). While corporate image reflects immediate perceptions, corporate reputation represents a more enduring evaluation based on accumulated experiences and trust (Kim et al., 2020). A positive corporate image enhances customer confidence and contributes to the development of a strong reputation. Empirical studies suggest that favorable images positively influence reputation by reinforcing perceptions of reliability and value (Prajuli et al., 2019; Sthapit et al., 2025).

H4: Corporate image is positively related to corporate reputation.

Corporate Image and Customer Loyalty

A positive corporate image plays a crucial role in influencing customer loyalty (Le, 2023). Customers are more likely to remain loyal to firms they perceive positively, as image shapes emotional attachment and perceived value (Chapagain et al., 2024). CSR-driven image enhancement strengthens customer trust and commitment, leading to sustained loyalty (Osakwe & Yusuf, 2021).

H5: Corporate image positively and significantly affects customer loyalty.

Corporate Reputation and Customer Loyalty

Corporate reputation signals consistent performance, quality, and ethical behavior (Sholevar & Bachmann, 2025). Customers tend to exhibit stronger loyalty toward firms with positive reputations, as reputation reduces perceived risk and enhances trust (Srivastava, 2024). Prior research consistently shows a positive association between corporate reputation and customer loyalty in service sectors (Maqbool & Zamir, 2019).

H6: Corporate reputation is positively related to customer loyalty.

Variable Table and its Definitions

Table 1: Variable and its Definition

Construct	Variable Notation	Observed Variable	Explanation
Corporate Social Responsibility (adapted from (Srivastava, 2024))	CSR1	Social Issues	An insurance firm works to address social issues in the community.
	CSR2	Society Requirements	Products and services provided by corporations serve the requirements of society.
	CSR3	Consumer honesty	The company behaves honestly with consumers
	CSR4	Monitor Customer	The organization monitors customer feedback to evaluate how well the service is doing.
	CSR5	Address	Programs to address environmental concerns, including plantations, sanitation initiatives, distribution of trash bins, etc., have been run by an insurance firm.
	CSR6	Mechanisms	The business has created mechanisms to address any complaints from customers on social, environmental, ethical issues, etc.
Customer Loyalty (Islam et al., 2021)	CL1	Encourage	Encourage friends and family to work for insurance companies that prioritize societal advancement, environmental protection, and meeting client needs.
	CL2	Long-term Partnership	Long-term partnership with an insurance provider that engages in social and environmental concerns.
	CL3	Regional Development	The transaction with the insurance provider who primarily focuses on regional development-related activities.
	CL4	Image	Positive image regarding the insurance companies who fulfill the local community issues.
	CL5	Clients' Relationships	Insurance companies as they value their clients' relationships.

Corporate Reputation (Bahta et al., 2021)	CR1	Contributions	The public is familiar with insurance companies because of the contributions they provide to society.
	CR2	Familiar Product	An insurance company provides familiar product (insurance policies) to the Customer.
	CR3	Policy's Focus	A policy's focus is on the advantages of the client.
	CR4	Society's Progress	You appreciate and admire insurance companies that are involved in society's progress.
	CR5	Innovative Goods	Innovative goods are offered to clients by an insurance firm.
Corporate image (Maqbool & Zamir, 2019)	CI1	Positive Perceptions	Customers frequently have positive perceptions of insurance firms.
	CI2	Corporate Image	Customers frequently feel that the company's corporate image is superior to that of its competitors.
	CI3	Good Impression	stakeholders generally have a good impression of insurance company.
	CI4	Superior	Stakeholders typically think that a company's corporate image is superior to that of its competitors.

3. Research Methods

Study Area and Population

Descriptive and explanatory research design is employed in this study (Shrestha et al., 2023; Tiwari et al., 2025). The study area is located in Kathmandu valley, Province No.3, Nepal. The latitude of Kathmandu valley lies between 27° 32' 13" and 27° 49' 10" north and longitudes 85° 11' 31" and 85° 31' 38" east and is located at a mean elevation of about 1,300 meters (4,265 feet) above the sea level (Prajuli et al., 2019; Rajbhandari et al., 2022). Similarly, the primary audience for this study is those customers who have insurance policies of different insurance companies from Kathmandu Valley. The Kathmandu valley was chosen as the research area because in Nepal, the Kathmandu Valley is a sizable market for insurance services. It creates a sizable clientele because it is the capital and most populous region of the nation. This gives researchers access to a wide and varied group of possible study participants, enhancing the validity and generalizability of their findings.

Sampling and Sample Size

Since the sample is undefined and the number of customers is not fixed, a non-probability purposive sampling was employed for the study (Aalam et al., 2025). Respondents were chosen to meet the purpose

of this study. Similarly, same size was determined using the Cochran Equation, $n_0 = \frac{Z^2 pq}{e^2}$ (Naing, 2003;

Parajuli et al., 2021). In this formula, n_0 represents sample size for study, z is the standard tabulated value at 5% level of significance ($z=1.96$), p is the proportion of an event ($p=0.5$; $q=1-p=1-0.5=0.5$), and e is the allowable error that can be tolerated ($e=5\%$). By substituting the values into the formula $(1.96)^2 \times 0.5 \times 0.5 / (0.05)^2$, the initial sample size was calculated as 384.16 and after accounting for a 5% non-response rate (19.21), the final sample size for the study was adjusted to approximately 403 respondents.

Research Instrument, Data Collection and Analysis

Data was collected using a structured questionnaire designed to measure the impact of CSR on customer loyalty. The questionnaire was developed and administered using the KOBO Toolbox platform. Prior to the main survey, a pilot study involving 15 respondents was conducted to assess the clarity, reliability, and consistency of the measurement items, after which necessary revisions were made. The finalized data

was analyzed using both descriptive and inferential statistical techniques. MS Excel was used for data entry, cleaning, and descriptive analysis, while inferential analysis was conducted using SmartPLS 4.0 to perform Structural Equation Modeling (SEM) and examine the hypothesized relationships among the study variables.

4. Results

Socio-demographic Statistics

Table 2: Socio-Demographic Variable

Title	Category		Number	Percentage (%)
Gender	Male		209	51.86
	Female		194	48.14
Marital Status	Married		147	36.48
	Unmarried		255	63.28
	Others		1	0.25
Age	18-29		231	57.32
	30-39		141	34.99
	40-49		23	5.71
	50 and above		8	1.99
Education Level	Above Masters		24	5.96
	Masters		130	32.26
	Bachelors		162	40.2
	Higher Secondary Level		65	16.13
	Secondary Level		17	4.22
	Primary Level		4	0.99
Income Level	Illiterate		1	0.25
	Below 20000		87	21.59
	20000-40000		76	18.86
	40000-60000		101	25.06
	60000-80000		69	17.12
	80000-100000		48	11.91
Location	100000 above		22	5.46
	Kathmandu		248	61.54
	Lalitpur		108	26.8
Insurance Policy	Bhaktapur		47	11.66
	Life Insurance		178	44.16
	Non-Life Insurance		147	36.48
	Both		78	19.36

Table 2 presents the socio-demographic characteristics of the respondents. The study is based on responses from 403 participants, of whom 51.86% were male and 48.14% were female. In terms of marital status, a majority of respondents were unmarried (63.28%), followed by married individuals (36.48%), while a very small proportion (0.25%) fell into other categories. Regarding age distribution, most respondents belonged to the 18–29 age group (57.32%), followed by those aged 30–39 (34.99%). Respondents aged 40–49 accounted for 5.71%, while only 1.99% were above 50 years. With respect to educational attainment, 40.20% of respondents held a bachelor's degree, 32.26% had a master's degree, and 5.96% possessed qualifications above the master's level, with the remainder categorized as others. Geographically, the majority of respondents were from Kathmandu District (61.54%), followed by Lalitpur (26.80%) and Bhaktapur (11.66%). Monthly income levels varied, with 25.06% earnings between NPR 40,000 and 60,000, while 21.59% earned below NPR 20,000. Concerning insurance coverage, 44.16% of respondents held life insurance policies, 36.48% had non-life insurance, and 19.36% reported having both types of insurance.

Customers' Awareness level on CSR

This study found that respondents were generally aware of various CSR activities carried out in their communities or nearby areas. The most frequently observed initiatives included scholarship programs (67.99%), cleaning campaigns (67.74%), dental camps (64.52%), blood donation programs (63.28%), and eye check-up camps (58.06%). Plantation activities were reported by 49.88% of respondents, while financial literacy programs (40.67%) and awareness programs (31.02%) were comparatively less visible. These findings suggest that insurance companies and related institutions are involved in a range of CSR initiatives addressing social, educational, health, economic, and environmental concerns (Chapagain, 2012; Chapagain et al., 2024). Similar trends have been documented in prior studies, such as Maqbool and Zamir (2019), which found that financial institutions predominantly focus on education, community development, and social welfare initiatives.

With regard to the perceived frequency of CSR engagement, 54.59% of respondents reported a moderate level of CSR activities occurring in or around their locality, whereas 45.41% perceived a low level of institutional involvement. This indicates that although CSR initiatives are noticeable, their overall intensity and continuity may be limited. Furthermore, while respondents were able to identify CSR activities undertaken by insurance companies, the findings suggest that such initiatives have not yet translated into strong customer engagement or increased insurance adoption. This highlights the need for insurance companies to enhance both the visibility and consistency of their CSR efforts, as well as improve communication strategies, in order to strengthen customer awareness and positively influence customer perceptions and behaviors.

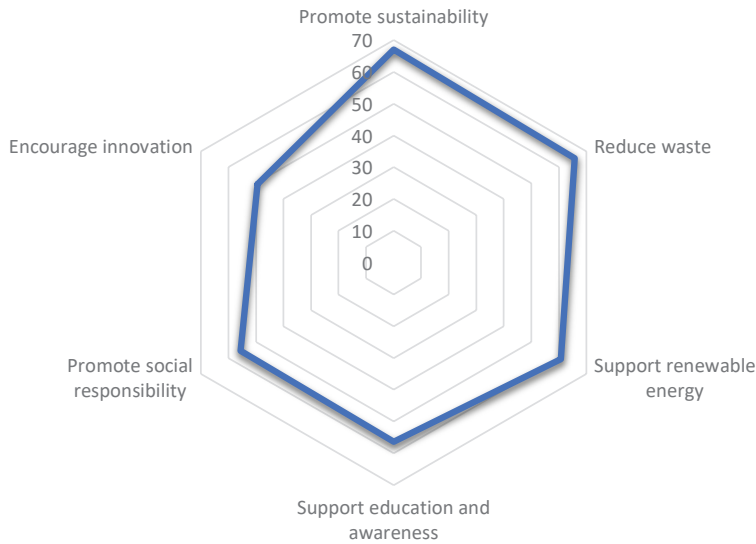
Challenges and Solutions in CSR

The findings revealed that limited resource allocation (67.74%) represents the most significant barrier, followed by inadequate stakeholder engagement (66.00%) and difficulties in ensuring the long-term sustainability of CSR programs (64.02%). Financial constraints, particularly for small and medium-sized insurance firms, restrict the ability to design and sustain impactful CSR initiatives, as CSR activities often require substantial and continuous investment. In addition, low levels of public awareness and understanding of CSR, weak regulatory enforcement, limited internal expertise, and insufficient collaboration with external stakeholders further constrain the development of comprehensive CSR strategies. These challenges reduce the effectiveness of CSR initiatives and limit their potential to generate meaningful social impact and strengthen stakeholder trust.

To address these challenges, respondents emphasized several managerial and strategic solutions. A majority of participants (67.00%) highlighted the importance of integrating sustainability into core business operations, including resource efficiency, waste management, and environmentally responsible practices. Encouraging waste reduction (65.76%) and promoting renewable energy use (60.79%) were

also identified as key priorities. Respondents further suggested that insurance companies should regularly organize community-oriented initiatives such as health camps, awareness programs, and scholarship schemes to enhance social outreach and visibility. Additionally, some participants recommended promoting environmentally responsible consumption and strengthening interpersonal relationships within communities. The establishment of a dedicated CSR unit or agency within the insurance sector was also proposed to ensure effective planning, coordination, and monitoring of CSR activities. Consistent with prior research (Islam et al., 2021), these findings underscore the need for insurance managers to adopt a strategic approach to CSR, foster strong stakeholder relationships, and align CSR initiatives with long-term societal and organizational objectives.

Figure 2: Managerial Solution



Inferential Analysis

Common Method Bias: Common method bias refers to systematic measurement error arising from the use of a single data source. It was assessed using variance inflation factor (VIF) through full collinearity testing, following Kock (2017), with a threshold value of 3.3. All constructs reported VIF values below this threshold, indicating that common method bias is not a significant concern in this study (Table 3).

Measurement Model Analysis

Measurement model analysis evaluates the reliability and validity of the constructs and their observed indicators. In this study, the measurement model was assessed through internal consistency reliability, convergent validity, and discriminant validity, in line with established PLS-SEM guidelines. Internal consistency reliability was examined using Cronbach's alpha (CA) and composite reliability (CR) (Lawaju et al., 2024). According to Hair et al. (2020), reliability values above 0.70 indicate acceptable reliability, values between 0.70 and 0.95 reflect strong reliability, and values above 0.60 represent the minimum acceptable threshold. The results show that both CA and CR values for all constructs exceed 0.80 (see Table 3), indicating strong internal consistency and confirming that the measurement items reliably represent their respective constructs.

Convergent validity was assessed using factor loadings (FL) and average variance extracted (AVE). Hair et al. (2017) suggest that AVE values of 0.50 or higher indicate adequate convergent validity, while Ahmed et al. (2016) recommend factor loadings above 0.70 to establish strong item reliability. The findings reveal that all constructs achieved AVE values above 0.50 and factor loadings above 0.70, thereby confirming satisfactory convergent validity.

Discriminant validity was evaluated using the Fornell–Larcker criterion, heterotrait–monotrait ratio (HTMT), and cross-loadings. All HTMT values were below the conservative threshold of 0.85 for conceptually distinct constructs and 0.90 for conceptually related constructs (Table 4), supporting discriminant validity (Ab Hamid et al., 2017). Additionally, the Fornell–Larcker criterion was satisfied, as the square root of each construct’s AVE exceeded its correlations with other constructs (Table 4) (Henseler et al., 2015). Cross-loading results further showed that each indicator loaded highest on its intended construct (Table 5), meeting recommended criteria (Ab Hamid et al., 2017). Collectively, these results confirm that the measurement model demonstrates adequate reliability and validity, supporting its robustness for subsequent structural model analysis.

Table 3: Factor Loading, AVE, CA, CR and VIF

Constructs	Items	Loadings	AVE	CR	CA	VIF
CSR	CSR1	0.84	0.73	0.942	0.926	1.757
	CSR2	0.864				
	CSR3	0.876				
	CSR4	0.867				
	CSR5	0.844				
	CSR6	0.834				
CL	CL1	0.849	0.674	0.912	0.879	2.022
	CL2	0.818				
	CL3	0.819				
	CL4	0.832				
	CL5	0.786				
CR	CR1	0.797	0.638	0.898	0.858	2.299
	CR2	0.798				
	CR3	0.8				
	CR4	0.807				
	CR5	0.792				
CI	CI1	0.854	0.752	0.924	0.89	2.478
	CI2	0.881				
	CI3	0.873				
	CI4	0.861				

Table 4: Heterotrait-Monotrait and Fornell-Larcker Criterion

	Heterotrait-Monotrait			Fornell-Larcker Criterion			
	CI	CL	CR	CI	CL	CR	CSR
CI				0.867			
CL	0.769			0.681	0.821		
CR	0.816	0.728		0.714	0.633	0.799	
CSR	0.654	0.602	0.701	0.594	0.544	0.626	0.854

Table 5: Cross-Loadings

	CI	CL	CR	CSR
CI1	0.854	0.592	0.646	0.518
CI2	0.881	0.594	0.633	0.51
CI3	0.873	0.602	0.584	0.501
CI4	0.861	0.573	0.613	0.533
CL1	0.599	0.849	0.536	0.502
CL2	0.544	0.818	0.495	0.42
CL3	0.54	0.819	0.513	0.445
CL4	0.552	0.832	0.543	0.469
CL5	0.558	0.786	0.511	0.395
CR1	0.591	0.51	0.797	0.522
CR2	0.57	0.51	0.798	0.548
CR3	0.561	0.494	0.8	0.489
CR4	0.579	0.533	0.807	0.467
CR5	0.548	0.481	0.792	0.472
CSR1	0.471	0.461	0.497	0.84
CSR2	0.522	0.479	0.55	0.864
CSR3	0.493	0.465	0.554	0.876
CSR4	0.513	0.471	0.551	0.867

Goodness of Fit: Goodness of fit assesses how well the proposed model represents the observed data. According to Henseler et al., (2015), the standardized root mean square residual (SRMR) should be below 0.10, while the normed fit index (NFI) should range between 0 and 1 (Hair et al., 2020). In this study, the SRMR value of 0.097 and NFI value of 0.726 indicate an acceptable overall model fit.

Structural Model Analysis

The structural model in PLS-SEM is employed to estimate path coefficients, assess hypothesized relationships among latent variables, and evaluate the model’s explanatory power (Hair et al., 2011). Key indicators for structural model assessment include path coefficients and the coefficient of determination (R²) (Hair et al., 2020). As shown in Figure 3, the adventure construct reports an R² value of 0.50, indicating moderate predictive relevance and an acceptable model fit, consistent with the thresholds suggested by Henseler et al., (2015).

Figure 3: Path Analysis

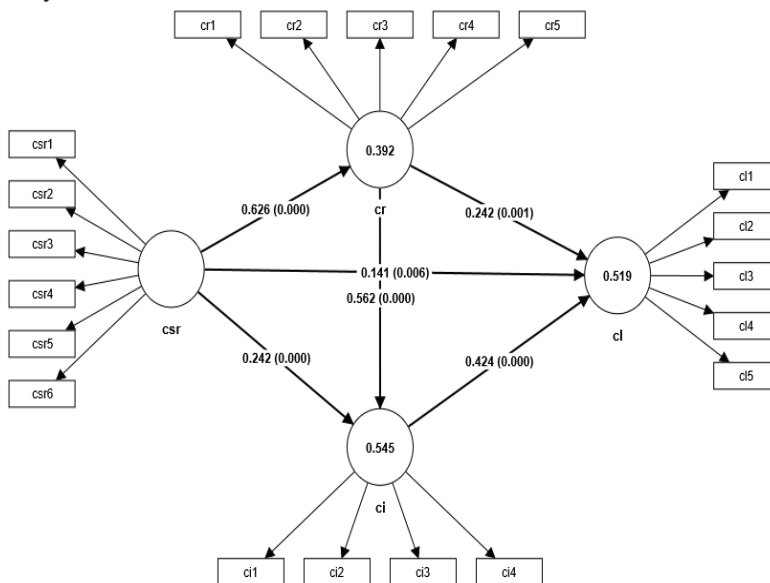


Table 6: Hypothesis Testing

Hypothesis	Path	Beta	STDEV	T statistics	P values	CL		Result
						LL	UL	
H1	CI -> CL	0.424	0.06	7.046	0.000	0.308	0.544	Supported
H2	CR -> CI	0.562	0.048	11.794	0.000	0.468	0.654	Supported
H3	CR -> CL	0.242	0.071	3.413	0.001	0.103	0.383	Supported
H4	CSR -> CI	0.242	0.048	5.05	0.000	0.146	0.334	Supported
H5	CSR -> CL	0.141	0.051	2.736	0.006	0.043	0.246	Supported
H6	CSR -> CR	0.626	0.042	14.745	0.000	0.537	0.701	Supported

The hypothesis testing results presented in Table 6 provide a nuanced understanding of the factors influencing customer loyalty. All six hypotheses proposed in this study were empirically supported. Corporate Image (H1) was found to have a significant positive effect on customer loyalty ($\beta = 0.424$, $p = 0.000$). Corporate Reputation (H2 and H3) also showed significant positive effects on corporate image and customer loyalty, respectively ($\beta = 0.562$, $p = 0.000$; $\beta = 0.242$, $p = 0.001$). Additionally, Corporate Social Responsibility (H4, H5, and H6) positively influenced corporate image, corporate reputation, and customer loyalty ($\beta = 0.242$, $p = 0.000$; $\beta = 0.141$, $p = 0.006$; $\beta = 0.626$, $p = 0.000$).

5. Discussion

This study examines the impact of corporate social responsibility (CSR) on customer loyalty within the insurance sector of the Kathmandu Valley. To achieve this objective, four key constructs were employed: corporate social responsibility (CSR), corporate image (CI), corporate reputation (CR), and customer loyalty (CL). The study aimed to assess the interrelationships among these constructs and to determine how CSR initiatives contribute to shaping customer loyalty. The hypothesis testing results revealed statistically significant p-values (>0.05), indicating that all six proposed hypotheses were supported and produced meaningful results. The findings confirm H1, which posits a positive relationship between corporate image and customer loyalty. The significant p-value (0.000) suggests that a favorable corporate image enhances customer loyalty. This result aligns with prior studies, such as Prajuli et al. (2019) and Le (2023) which highlight that customers are more likely to remain loyal to organizations they perceive as trustworthy, reliable, and socially responsible. H2 examined the relationship between corporate reputation and corporate image and was also supported. The significant association ($p = 0.000$) indicates that a strong corporate reputation positively influences corporate image. This finding is consistent with Chapagain et al. (2024), who argue that organizations with strong reputations tend to enjoy a more positive public image.

Similarly, H3 confirmed that corporate reputation has a direct and positive effect on customer loyalty. Supporting evidence from Sthapit et al. (2025) and Islam et al. (2021) suggests that customers develop stronger trust and emotional attachment to firms with positive reputations, thereby reinforcing loyalty. The results further support H4, demonstrating that CSR significantly influences corporate image. This finding echoes Prasetyo et al. (2024), who emphasized CSR as a strategic tool for enhancing stakeholder perceptions and strengthening corporate image. H5 was also validated, showing that CSR positively affects customer loyalty. Consistent with Sholevar and Bachmann (2025), the findings indicate that customers value CSR initiatives, which in turn foster loyalty and competitive advantage. Finally, Hypothesis 6 (H6) established a significant positive relationship between CSR and corporate reputation. This result aligns with Maqbool and Zamir (2019), who found that strong CSR engagement enhances corporate reputation through ethical and socially responsible practices. Overall, the findings are well supported by stakeholder theory, which emphasizes balancing stakeholder interests to build trust and loyalty (Freeman et al., 2021).

6. Conclusion

This study examined the role of CSR in shaping customer loyalty within the insurance sector of the Kathmandu Valley. The findings confirm that customers are generally aware of external CSR initiatives undertaken by insurance companies and that these initiatives significantly influence customer loyalty through corporate image and corporate reputation. All hypothesized relationships were supported, indicating that CSR positively affects corporate image, corporate reputation, and customer loyalty, while corporate image and reputation further strengthen loyalty. The results highlight that CSR is not merely a philanthropic activity but a strategic tool that enhances trust, credibility, and long-term customer relationships. Additionally, the study identified key challenges in the insurance sector, including lack of trust, limited technological awareness, and weak supervision, while emphasizing the role of regulatory bodies such as Nepal Beema Sasthan in guiding CSR practices. Overall, the study demonstrates that effective CSR implementation can contribute to sustainable social and environmental development while simultaneously improving customer loyalty in Nepal's insurance industry.

The findings imply that insurance companies can strategically use CSR to strengthen brand image, differentiate themselves in a competitive market, and foster long-term customer loyalty. CSR initiatives may also improve employee morale, productivity, and organizational sustainability, while offering guidance for policymakers to promote responsible business practices. Future research may incorporate internal CSR dimensions such as employee welfare, ethical practices, and training. Expanding the study beyond the Kathmandu Valley and across different industries or stakeholder groups would enhance generalizability. Further studies may also explore the long-term developmental, cultural, and regulatory impacts of CSR in Nepal.

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