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Leadership Effectiveness and Organizational Citizenship Behavior: Mediating Effect of Job Satisfaction among Insurance Employees in Nepal

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Abstract

Purpose. Grounded in the social exchange theory, this study examines the influence of leadership effectiveness (LE) and organizational citizenship behavior (OCB) among employees of Nepalese insurance companies (i.e., both life and non-life), with particular emphasis on the mediating role of job satisfaction (JS).

Design/methodology/approach: A non-experimental design was employed, and the cross-sectional data were collected among 218 employees of life and non-life insurance companies operating in Kathmandu Valley. The data analysis was conducted using covariance-based structural equation modeling (CB-SEM).

Findings: The findings indicated that LE significantly enhanced JS but did not directly influence OCB. Moreover, JS exerted a significant positive effect on OCB and significantly mediated the relationship between LE and OCB.

Conclusion: Leaders should first satisfy insurance employees, who help employees go beyond their job responsibilities. It suggests that employees show OCB voluntarily, not because leaders direct them. So, unless employees feel valued and satisfied, they do not go beyond job duties.

Implications: The findings emphasized that policymakers and human resource professionals should develop evaluation systems to appraise leader effectiveness that assess the extent to which leaders support their employees' well-being, in addition to evaluating the extent to which employees meet their job requirements.

Originality/value: This study extends the LE-OCB literature to the underexplored Nepalese insurance sector, clarifying JS as the key mediating mechanism.

JEL Classification: G22, J28, M12

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Introduction

In today's fast-paced, service-oriented, and knowledge-based economy, the key to organizational success lies not only in employees fulfilling their defined job duties but also in their voluntary efforts to help build a better work culture through organizational citizenship behavior (OCB) (Modise, 2023). These are competitive advantages, especially evident in the service industry, that stem from direct contact with customers (Organ, 1997; 2006; 2018). Consequently, understanding the factors that encourage employees to go beyond prescribed job requirements has emerged as a significant concern for both scholars and practitioners.

Among the factors influencing employee behavior, leadership remains one of the most extensively examined determinants of organizational effectiveness. Effective leadership shapes employees' attitudes, motivation, and workplace experiences by creating a supportive environment that encourages commitment, engagement, and extra-role behaviors (Yukl, 1998, 2013). As organizations face increasingly dynamic and competitive environments, leadership effectiveness has become more important than ever in fostering positive employee outcomes and sustaining organizational performance (Kapp, 2012). Effective leaders not only provide direction and motivation but also cultivate trust, cooperation, and psychological support, enabling employees to contribute beyond their formal responsibilities (Shrestha et al., 2023).

The importance of leadership effectiveness is particularly evident in service-based industries, where employee attitudes and behaviors substantially influence organizational outcomes. The insurance sector represents one such industry, characterized by intensive customer interaction, relationship management, and continuous service delivery. Insurance employees are often required to manage complex customer needs, maintain long-term client relationships, and respond effectively to rapidly changing market conditions (Sukmawan & Zulganef, 2023). These demands place considerable pressure on employees and highlight the importance of leadership practices that foster job satisfaction and encourage employees to exhibit citizenship behaviors that support organizational goals. Previous studies suggest that satisfied and committed employees contribute significantly to customer loyalty, service quality, and organizational growth within insurance organizations (Rahman et al., 2017; Sah & Pokharel, 2022; Skaf et al., 2026).

Job satisfaction has long been recognized as a critical determinant of employee behavior and organizational performance. Employees who experience positive feelings toward their jobs are more likely to demonstrate commitment, cooperation, and voluntary efforts that exceed formal job requirements (Gyekye & Haybatollahi, 2015; Shakya et al., 2025). Conversely, dissatisfaction may reduce employees' willingness to engage in discretionary behaviors that benefit the organization. Empirical evidence indicates that leadership effectiveness significantly influences employees' job satisfaction by shaping their work experiences, perceptions of support, and overall psychological well-being (Hassi, 2018; Muhdar & Rahma, 2015). Furthermore, satisfied employees are more likely to engage in OCB, suggesting that job satisfaction may serve as an important mechanism through which leadership effectiveness influences employee behavior (Saif et al., 2016).

Although the relationships among leadership effectiveness, job satisfaction, and OCB have received considerable scholarly attention, existing evidence remains fragmented and inconclusive. Previous studies have generally examined the direct associations among these constructs, often overlooking the underlying mechanisms that explain how leadership effectiveness translates into citizenship behavior. For instance, Dubey et al. (2023) investigated the relationships among leadership effectiveness, job satisfaction, and OCB and explored mediation effects; however, the study relied on leaders' self-assessments rather than employees' perceptions. Such an approach may introduce perceptual bias because leadership effectiveness is ultimately experienced and interpreted by subordinates. Consequently, there remains limited empirical understanding of whether employees' job satisfaction acts as a psychological pathway through which perceived leadership effectiveness promotes OCB.

The contextual limitations of prior research further justify additional investigation. Most empirical studies examining leadership effectiveness and OCB have been conducted in developed economies or non-insurance sectors, where organizational structures, cultural norms, and employee expectations differ substantially from those in developing countries (Choudhary et al., 2016; Li & Xiao, 2023; Shibru & Darsan, 2011). In Nepal, the insurance industry has undergone significant expansion in recent years, accompanied by increasing competition, changing customer expectations, and growing demands for service excellence (Ghimire et al., 2025). These developments have intensified the need for effective leadership practices capable of maintaining employee satisfaction and encouraging behaviors that support organizational performance. Despite the strategic importance of human resources in the insurance sector, empirical evidence examining the interplay among leadership effectiveness, job satisfaction, and OCB within Nepalese insurance companies remains scarce. This represents an important contextual gap in the literature.

Against this backdrop, the present study investigates the relationship between leadership effectiveness and OCB among employees of Nepalese insurance companies, with particular emphasis on the mediating role of job satisfaction. By examining these relationships from employees' perspectives, the study addresses an important theoretical and contextual gap in the literature. Specifically, it contributes to existing knowledge by clarifying the mechanism through which leadership effectiveness influences citizenship behavior and by extending the evidence base to the underexplored context of Nepal's insurance industry. The findings are expected to provide valuable insights for organizational leaders seeking to enhance employee satisfaction, strengthen citizenship behavior, and improve organizational effectiveness in an increasingly competitive service environment.

Literature Review

Social Exchange Theory

Social exchange theory (SET) is a psychological and sociological model that explains how individuals seek to increase the rewards they receive from relationships and minimize the costs, resulting in an exchange process (Blau, 1964). The theory assumes that employees evaluate the benefits and costs of organizational relationships and tend to reciprocate when they perceive valuable resources such as support, fairness, and recognition. In the organizational context, effective leadership serves as a positive exchange resource that enhances employees' satisfaction and strengthens their willingness to contribute beyond formal job responsibilities. Accordingly, employees who perceive their leaders as effective are more likely to develop higher job satisfaction, which subsequently encourages greater OCB.

Building on the foundation provided by SET, the conceptual framework of this study, as illustrated in Figure 1, formally defines the theoretical relationship between leadership effectiveness (LE) and OCB, with job satisfaction (JS) serving as the mediating variable. According to Blau (1964), an organization is governed by informal norms based on reciprocal behavior. Leaders who establish supportiveness and equity toward their employees foster positive employee attitudes and discretionary actions.

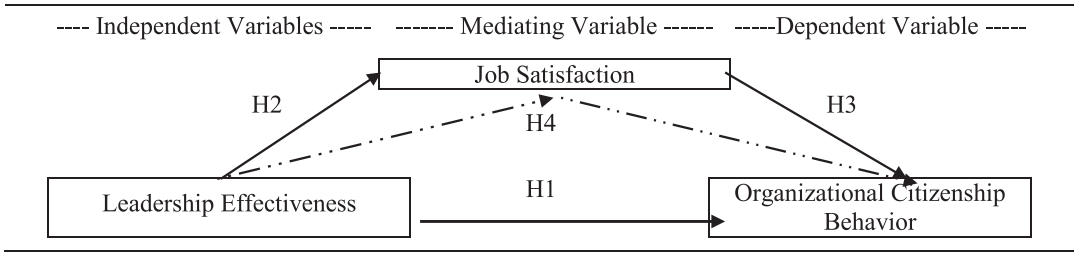


Figure 1: Conceptual Framework

The conceptual framework illustrates the interrelationships between the study's core constructs. LE, defined as a leader's ability to navigate social complexity, along with emotional intelligence (Pastor, 2014), is a well-documented precursor to favorable workplace outcomes. Making the workplace fair and supportive directly increases job satisfaction, which is a favorable assessment of one's experience at work (Dandona, 2013; Karki et al., 2025). Finally, happy employees tend to engage in behaviors that benefit the company, such as OCB, which encompasses voluntary, cooperative efforts that go beyond their job descriptions (Tambe & Shanker, 2014). Consequently, this study logically establishes the foundation for examining the mediating pathway in which JS serves as the mechanism by which effective leadership leads to improved OCB.

Leadership Effectiveness and Organizational Citizenship Behavior

Literature encompasses various leadership theories, from transformational to situational. Those who can adjust according to changing situations can be said to demonstrate LE (Singh et al., 2024). Different types of leadership practices can influence OCB, such as transformational leadership in the Nepalese banking industry (Chaudhary et al., 2024; Sharma et al., 2025), emotional intelligence (Goleman et al., 2002; Maldonado & Marquez, 2023), leading by example (Ghavifekr & Adewale, 2019), and humble leadership (Ansong et al., 2024). The findings showed that the financial growth of the service industry is possible through the delivery of quality service to clients. The delivery of quality service is determined by employees' OCB (Bienstock et al., 2003). It is necessary to change policies and strategies to enhance service-oriented behavior among employees and ultimately provide customer satisfaction. In insurance companies, employees frequently face customer complaints, claim processing issues, and service coordination challenges. Effective leaders can create supportive environments that motivate employees to engage in extra-role behaviors that enhance service quality and organizational performance (Basnet et al., 2024).

As highlighted by social exchange theory (SET), effective leaders understand employees' needs and organizational circumstances, enabling them to adopt appropriate behaviors that provide support and motivation. Such alignment between leadership practices and employees' expectations fosters employees' capabilities, satisfaction, and morale. Under such conditions, employees give back to organizations through loyalty. In contrast, the opposite occurs when leaders exhibit negative behaviors: Bhattarai et al. (2020) showed that abusive supervision has a strong and significant impact on employees' withdrawal from work in the Nepalese context, supporting the notion that leadership matters in determining whether employees engage or withdraw from work in an organization. Previous studies have consistently demonstrated that effective leadership positively influences employees' OCB. Effective leaders foster trust, commitment, and motivation, which encourage employees to voluntarily contribute beyond their prescribed responsibilities (Iman & Lestari, 2019; Koirala et al., 2024; Yohana, 2017).

Empirical evidence from service-oriented sectors such as banking, healthcare, hospitality, and financial services indicates that employees working under effective leaders exhibit higher levels of helping behavior, conscientiousness, and civic participation. E-leadership (Li & Xiao, 2023), artificial intelligence (Alarshy et al., 2025), digital transformation (Cuong et al., 2025), and internet use (Mao, 2023) can enhance employees' innovative behavior. Leadership can be effective when it uses technology to coordinate employees, thereby increasing innovative behavior. This situation can provide good service to the client. It shows that leaders' digital transformation in organizations ultimately fosters OCB, which contributes to smart service for clients in the service sector. It shows that a leader's ability to adapt to a changing environment, irrespective of the demands of the corporate world, can satisfy employees. It helps employees provide customers with high-quality service.

Past studies highlighted the importance of effective leadership on OCB (Derzsy, 2003; Shahab & Nisha, 2014; Shibru & Darsan, 2011). According to Ghavifekr and Adewale (2019), to foster OCB among employees, leaders of educational institutions must adopt a situational leadership approach.

According to Hersey and Blanchard's (1969) situational leadership theory, there is no single best leadership style for organizational success. So, LE arises when leaders are situational in their approach to achieve employee loyalty, which helps increase OCB. Therefore, the following hypothesis is developed:

H1: Leadership effectiveness significantly influences organizational citizenship behavior among employees of insurance companies.

Leadership Effectiveness and Job Satisfaction

LE is a critical determinant of employees' overall perceptions of their jobs, as effective leaders create a supportive work environment through appropriate guidance, communication, and interpersonal relationships (Gasasira et al., 2018). Leaders with high levels of emotional intelligence better evaluate and control their own emotions, as well as those of their subordinates. This allows them to address work issues productively and create positive experiences for their employees (Ashkanasy & Tse, 2000; George, 2000; John, 2020; Pastor, 2014). Leadership also affects worker engagement. Worker engagement is directly tied to how workers feel about their jobs and the overall work environment within an organization (Pandey et al., 2023). Several strategies for improving satisfaction, including engaging employees, fairly evaluating performance, and supervisors exhibiting supportive behaviors, were identified in the literature as important. Dahal et al. (2025) additionally listed emotionally intelligent leadership, trust, and training as the most important elements of effective leadership. These attributes enable leaders to develop organizations that provide supportive, responsive psychological work environments.

Empirical studies consistently support an association between leadership success and JS across numerous business environments. The research by Hussein et al. (2024) reported that insurance staff members' JS in Jordan is significantly affected by their supervisor's behavior. Additionally, the study by Lama et al. (2024) supported the idea that when managers exhibit ethical, transformational, or transactional behaviors toward bank employees, they can improve employees' JS. Similarly, researchers have demonstrated that there is a positive impact for teachers' JS related to their supervisor's performance as a teacher leader in education settings (Agus & Alamsyah, 2018), for mining professionals who report greater job satisfaction about the manager's performance as a leader in mining operations (Dubey et al., 2023) and for employees at a public university whose supervisor demonstrates humility as a means to enhance employee JS (Ansong et al., 2024). Given that insurance organizations rely heavily on motivated and committed employees to deliver quality services and retain talented personnel, LE is expected to play a significant role in enhancing employees' job satisfaction. Therefore, the following hypothesis is proposed:

H2: Leadership effectiveness significantly influences job satisfaction among employees of insurance companies.

Job Satisfaction and Organizational Citizenship Behavior

Job satisfaction is widely regarded as a key antecedent of OCB (Urbini et al., 2023). When employees are happy with their jobs, they generally have a more positive attitude toward work and are therefore more inclined to support fellow employees, participate in efforts that advance an organization's objectives, and engage in "extra-role" behaviors that benefit the organization (Gaire, 2023). Research has shown a consistent relationship between employee JS and OCB across various organizational settings. Gyekye and Haybatollahi (2015) verified that JS is a critical factor in predicting OCB; Singh and Banerji (2022) demonstrated how workplace happiness increases OCB among employees; and, similarly, research by Dubey et al. (2023), Ingrams (2020), and Sridadi et al. (2024) also established that satisfied employees are much more likely than dissatisfied employees to exceed their job duties and make positive contributions to their organizations.

Research on the Nepalese organizational context has shown that job factors that produce a favorable employee experience are strongly linked to employee OCB (Shahi et al., 2022). The evidence suggests that, although there are no certainties, an employee's likelihood of engaging in extra-role behaviors is primarily due to the workplace he/she works in and almost entirely due to his/her immediate supervisors. Given the

service-oriented nature of the insurance industry, where cooperation and voluntary employee contributions are essential, job satisfaction is expected to promote organizational citizenship behavior among insurance employees. Therefore, the following hypothesis is proposed:

H3: Job satisfaction significantly influences organizational citizenship behavior among employees of insurance companies.

Mediating Role of Job Satisfaction

JS serves an important intermediary role in determining how effective leadership translates into workers' OCB. Effective leaders improve their employees' jobs by providing support, treating them fairly, showing emotional concern, and offering guidance. These factors lead to higher levels of employees' JS. Happy employees are more likely to return the favor by exhibiting extra-role behavior or citizenship, such as assisting other workers and doing additional work outside their job descriptions (Organ, 1983). Previous studies have consistently shown that LE is directly related to employees' JS, and that JS is directly related to the levels of citizenship behavior exhibited by employees (Randy-Cofie, 2018; Sarwar et al., 2015). This is based on SET and indicates reciprocal action by employees in response to their leader's supportive actions. In addition, empirical evidence supports this mechanism, as Ansong et al. (2024) found that JS served as a partial mediator between certain aspects of leadership and citizenship behavior. Thus, JS is expected to serve as a key psychological link between LE and OCB. Therefore, the following hypothesis was developed:

H4: Job satisfaction mediates the relationship between leadership effectiveness and organizational citizenship behavior among employees of insurance companies.

Research Methods

Study Context

This research was conducted in Nepal's insurance market, which includes all life and non-life insurance corporations regulated by the Nepal Insurance Authority. The unit of analysis is an individual full-time staff member employed at the branch or operational location, except branch managers, since LE can be observed at the supervisorial level, whereas OCB and JS can be observed at the employee level. The insurance industry was selected as the study context because it is a service-based sector within the financial services industry, requiring substantial employee discretionary effort and direct customer interaction. With many growing companies in this area, an increase in competitive firms and increased demands placed upon each company's ability to provide better quality of service, and a greater demand for effective leadership practices by its management to achieve better overall organization performance.

Research Design and Approach

This study employed a quantitative, non-experimental research design to examine the structural relationship among the study variables. The population consisted of all employees of registered insurance companies (excluding branch managers) operating in Kathmandu Valley (i.e., Kathmandu, Bhaktapur, and Lalitpur), in both life and non-life insurance. Given the difficulty of obtaining a complete sampling frame for all insurance employees across the Kathmandu Valley branches, convenience sampling was deemed a pragmatic choice, consistent with similar organizational behavior studies in developing-country contexts.

The sample size is adequate for SEM and mediation analysis. Prior research suggests that sample sizes between 200 and 400 are sufficient for SEM using maximum likelihood estimation to ensure stable parameter estimates and standard errors (Jackson, 2001). Similarly, samples of 200 to 500 are considered appropriate for mediation analysis using bootstrapping to obtain reliable estimates of indirect effects and confidence intervals (Tofighi & MacKinnon, 2015).

A cross-sectional online survey was conducted using a structured questionnaire during the data collection period from August to December 2025. A total of 337 responses were received, of which 224 were complete and usable, yielding an initial response rate of 66%. After screening for completeness and consistency, 218 valid responses were retained for final analysis.

IBM SPSS Statistics 25 and IBM AMOS 25 were used for data analysis. AMOS 25 was employed as it is well-suited for CB-SEM, enabling simultaneous estimation of multiple direct and indirect relationships and providing robust model fit indices for testing the hypothesised mediation model. This makes it appropriate for evaluating the complex structural relationships proposed in this study. The mediation hypothesis (H4) was further tested by examining the indirect relationship between LE and OCB through JS, using bootstrapping procedures (2,000 resamples, 95% bias-corrected confidence interval) in AMOS.

To comply with ethical research guidelines, each participant was given a consent form before participating in this study. The information sheet described the purpose of the study and guaranteed full anonymity and the protection of all participants' personally identifiable information. Finally, the consent form reiterated that participation was completely voluntary; if at any point during or after the study a participant wished to withdraw, they could do so without penalty.

Measures and Instruments

The participants received a structured survey questionnaire to elicit their responses. The structured questionnaire had four layers. The measurement items of all the study variables were anchored on a five-point Likert scale (i.e., 1= Strongly Disagree to 5= Strongly Agree).

- **Demographics:** All demographic information, including age, length of time with the company, and department, was gathered.
- **LE:** Measured using a 10-item scale of Nilwala et al. (2017). Participants rated their immediate manager's leadership behaviors.
- **OCB:** This was tested using a 12-item adaptation of a previously used measure developed by DiPaola and Hoy (2005). The items were modified to reflect the context of the Nepalese insurance environment.
- **JS:** Measured using a 10-item scale adapted from Macdonald and Maclntyre (1997). A key modification was made to the phrasing of all items to ensure they captured the perspective of subordinate employees on their JS, rather than that of a manager.

Results

Socio-Demographic Profile

Before the primary analysis, the demographic profile of the 218 respondents was assessed to establish a profile of the sampled data. Table 1 presents the distribution of survey respondents by key demographic factors (i.e., age, marital status, designation, gender, years of service, education, and organization type).

Table 1 : Demographics of Respondents

	Respondents			Respondents in	
	No.	%		No.	%
Gender			***Marital Status***		
Male	144	66.1	Unmarried	111	50.1
Female	74	33.9	Married	107	49.9
Designation			***Age (in years)***		
Junior Assistant	52	23.9	≤ 25	51	23.4
Assistant	107	49.1	26 ≤ to ≤ 30	82	37.6
Senior Assistant	15	6.9	31 ≤ to ≤ 35	63	28.9
Junior Officer	25	11.5	≥ 35	22	10.1
Officer	19	8.6	***Job Experience (in years)***		
Educational Status			≤ 5	124	56.9
Graduate (Bachelor's level)	177	81.2	6 ≤ to ≤ 10	77	35.3
Post-graduates (Master's level)	41	18.8	≥ 11	17	7.8
			Organization Type		
			Life insurance	129	59.2
			Non-life insurance	89	40.8
	218	100.0		218	100.0

The sample comprised a higher proportion of males (66.1%) compared to females (33.9%), which likely reflects the prevailing gender composition within the industry. More than half of the respondents were single (50.1%). Regarding designation, most of the employees (49.1%) were at the assistant level. The workforce is educated, as all the respondents hold a Bachelor's degree or higher. The sample's experience was evenly distributed, with a large group (35.3%) having more than 10 years of service and another large group (56.9%) having less than 5 years of service. Lastly, the respondents represented both life (59.2%) and non-life (40.8%) Insurance Companies, yielding findings applicable across the industry.

Descriptive Statistics

There was considerable evidence that each construct was rated at moderate to high levels of perceived importance, as indicated by the mean for each construct. OCB reported the largest mean (M = 3.69; SD = .66), followed by JS with M = 3.51 and SD = .80, while LE yielded the smallest mean (M = 3.25; SD = .82), as presented in Table 2. The variability in the means of each variable (as seen in their respective standard deviations) is small, which implies little deviation from the mean and strong agreement among participants. Skewness and Kurtosis were calculated to assess the normality assumption required before applying parametric test statistics. According to Byrne (2016), Kline (2015), and West et al. (1995), when the absolute values of skewness and kurtosis are less than 2.0 and 7.0, respectively, a fairly normal distribution exists.

All of the variables' data fit well within these threshold criteria; the skewness and kurtosis statistics indicated that no data deviate significantly from normality, which is a key assumption for using parametric statistical analyses, such as correlation and SEM.

Table 2 : Descriptive Statistics

Variables	Range	Min	Max	Mean	Std. Dev.	Skewness		Kurtosis	
						Statistics	Std. Dev.	Statistics	Std. Dev.
LE	3.00	1.67	4.67	3.248	.821	-.486	.165	-.476	.328
JS	3.14	1.57	4.71	3.510	.799	-1.544	.165	1.425	.328
OCB	2.67	2.00	4.67	3.690	.663	-.800	.165	-.305	.328

Reliability and Common Bias Test

Cronbach's Alpha was calculated to assess the internal consistency of each construct. All values, as shown in Table 3, exceeded the cutoff point of .70 (Hair et al., 2018), indicating the scales' dependability.

Since all variables were collected from a single source at one time point, common method bias (CMB) was a potential concern. To assess this extent, Harman's single-factor test was conducted, which explained 43.494% of the variance, below the 50% threshold prescribed by Podsakoff et al. (2003), suggesting CMB is not a critical issue to the study's findings.

Table 3: Reliability Insights

Constructs	Observed Variables	Value of Cronbach's Alpha
LE	10	.873
JS	10	.892
OCB	12	.895
	32	

Measurement Scales' Validity

Content validation was confirmed using existing literature to adapt the measurement scale items. The academic specialist reviewed the research instrument and conducted a pilot test with a small sample of professionals from the insurance industry to assess the clarity, appropriateness of wording, and contextual relevance of the items. In addition to assessing the validity of the measurement model using composite reliability (CR) and average variance extracted (AVE), the measurement model was revised before running tests on the hypothesized model based on standardized factor loadings of .60 or greater (Hair et al., 2018).

According to Hair et al. (2018), this is an acceptable way to verify that an item is measuring what it is supposed to measure. After revising the measurement model, a total of 23 items remained: 6 for LE, 7 for JS, and 9 for OCB. The factor loadings for each of the remaining items were very high, supporting convergent validity. Additionally, all constructs showed strong evidence of validity as indicated by their good CR and AVE values.

Convergent and discriminant validity were examined to ensure the measurement model was correct. Convergent validity, which shows how well items on a scale measure the same thing, was supported because the AVE for all variables was higher than .50 and the CR values were higher than .70 (Fornell & Larcker, 1981). The validity statistics are shown in Table 4.

Table 4 : Validity Tests

Variables	Convergent Validity			Discriminant Validity		
	No. of Retained Items	AVE	CR	HTMT Ratios of Correlations of the Constructs		
				LE	JS	OCB
LE	6	.634	.911			
JS	7	.584	.906	.836		
OCB	9	.571	.922	.777	.849	

Discriminant validity was tested by using the Heterotrait-Monotrait (HTMT) ratio, indicating that the constructs differ from one another. The results in Table 4 showed that all the HTMT values were less than .85 (Henseler et al., 2015), confirming discriminant validity.

Correlation Test

Pearson correlation analysis was conducted to examine the relationships among LE, JS, and OCB. As presented in Table 5, all constructs are significantly and positively correlated. JS shows a strong association with OCB ($r = .813$, $p < .01$), while LE is also strongly related to both JS ($r = .790$, $p < .01$) and OCB ($r = .710$, $p < .01$). These results indicate that higher LE is associated with greater JS and increased citizenship behavior, while satisfied employees are more likely to exhibit OCB. Thus, the significant interrelationships among the variables provide initial support for the proposed conceptual model and justify further mediation analysis.

Table 5 : Correlation Analysis

	LE	JS	OCB
LE			
JS	.790**		
OCB	.710**	.813**	

Note. **. Correlation is significant at the .01 level (2-tailed).

Structural Equation Modelling

Before estimating a structural model, the Variance Inflation Factor (VIF) was examined to assess whether multicollinearity existed among the predictor variables. Values for VIF on LE (VIF = 2.66) and JS (VIF = 2.01) were each less than 3.0, the threshold established by Hair et al. (2018). Hence, it can be concluded that multicollinearity does not present an issue with respect to the validity of the structural estimates.

The coefficient of determination (R^2) value for JS was .67, indicating that 67% of the variance in JS is explained by LE. Similarly, the R^2 value for OCB was .88, indicating that 88% of the variance in OCB is explained by both LE and JS. The data analysis proceeded in two principal phases within the framework of SEM. First, the study assesses the influence of LE on OCB in Nepalese insurance companies, ensuring that the latent constructs are adequately measured by their respective indicators, as presented in Figure 2.

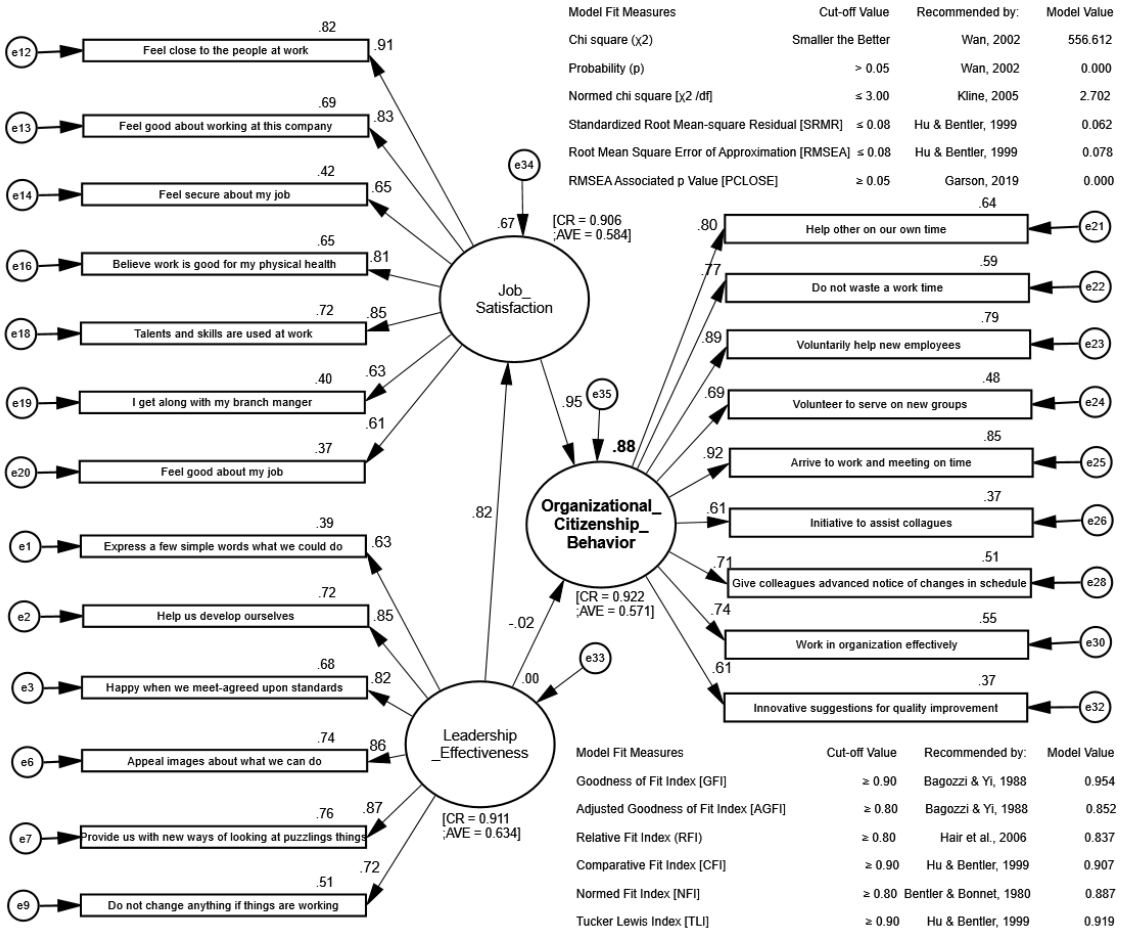


Figure 2 : Structural Model

The model fit indexes were compared to the criteria for evaluating good model fits as described in Hu and Bentler (1999): The normed chi-squared statistic ($\chi^2/df = 2.702$) was less than to the suggested cut-off value of 3.0; the standardized root mean square residual (SRMR) index (.062) was less than to the recommended cut-off of .08; the root mean square error of approximation (RMSEA = .078) was within the acceptable limits of being approximately ≤ .08; however, the probability of closeness (PCLOSE) value (.000) indicated that the model did not provide a close enough fit. Thus, the results support an acceptable model fit.

Hypothesis Testing

The study hypotheses were tested using a bootstrapping technique with 2,000 resamples and a 95% confidence interval in AMOS to assess the direct impact and mediating role among the study variables. Table 6 presents the direct effects of the proposed hypotheses, indicating the unstandardized regression weight (URW), standardized regression weight (SRW), standard error (SE), critical ratios (CR), probability value (p-value), and conclusive observations regarding the specified hypotheses H1, H2, and H3 at a 5% significance level.

Table 6 : Testing Hypotheses – Direct Effects

Hypotheses	Paths	URW	SRW	SE	CR	*p-value*	Remarks
H1	LE --------> OCB	-.012	-.017	.050	-.240	.811	Not supported
H2	LE ----------> JS	.592	.818	.074	7.986	***	Supported
H3	JS ---------> OCB	.920	.925	.135	6.823	***	Supported

Note. *** Significant at the .01 level

The analysis of direct effects shows that LE has a significant positive influence on JS ($\beta = .818$, $CR = 7.986$, $p < .05$), supporting H2. Similarly, JS has a strong and significant positive effect on OCB ($\beta = .925$, $CR = 6.823$, $p < .05$), supporting H3. However, the direct effect of LE on OCB (H1) was found to be negative, insignificant, and negligible ($\beta = -.017$, $CR = -.240$, $p = .811$); therefore, H1 was rejected in the presence of JS. To test the mediating hypothesis (H4), the indirect, direct, and total effects were examined, as shown in Table 7.

Table 7 : Testing Hypotheses - Direct, Indirect, and Total Effects of the Model

Hypotheses	Paths	Direct Effect	Indirect Effect	Total Effect	Remarks
H4	LE ---> JS ---> OCB	-.017 (NS) (p = .849)	.779 (*) (p = .001)	.762 (*) (p = .001)	Full Mediation

The results for the indirect pathway (LE---> JS ---> OCB) reveal a significant positive indirect effect ($\beta = .779$, $p < 0.05$). Crucially, while this indirect effect is significant, the direct effect (LE --- > OCB) is not. This pattern of results indicates that JS fully mediates the relationship between LE and OCB. Therefore, H4 is supported.

Discussion

The study was anchored on SET, assuming that when an employee perceives that their organization provides sufficient support and treats them fairly, the employee will reciprocate positively. The findings revealed no direct relationship between LE and OCB among Nepalese insurance employees, which contradicts the results of Ansong et al. (2024), Dubey et al. (2023), and Jufrizen et al. (2023). These contradictions may be attributed to contextual differences, such as organizational culture and working conditions in the Nepalese insurance sector. OCB is a voluntary behavior and cannot be directly imposed through leadership. Employees may exhibit extra-role behavior when they experience a positive psychological attachment to their organizations. Employees in the insurance sector may work under pressure, with sales targets and regulatory obligations. In this situation, employees may prioritize task completion over extra-role behavior unless they feel satisfied and valued in Nepalese insurance organizations.

The study's inferential outcome proved a significant impact of leadership effectiveness on the job satisfaction of insurance employees in Nepal, supporting the findings of Ansong et al. (2024) and Dubey et al. (2023). Their study indicated that employees become satisfied if their leaders have the quality to lead effectively, depending on the situation. Similarly, leadership behavior certainly affects employees' JS in public and private organizations in Denmark (An et al., 2020). Furthermore, Lama et al. (2024) highlighted that the most suitable leadership is important for increasing JS among Nepalese banking sector employees. So, LE in managers can be seen in how they manage organizations and understand the situations around them. Bajracharya (2023) noted that transformational leadership among educational leaders in Nepal could be effective in enhancing JS. It seems that situational leadership will be suitable for Nepalese insurance organizations, depending on employees' needs. Some findings demonstrated that, to be an effective leader, one does not need to focus on a particular style; leadership can be situational to satisfy insurance employees.

Another key finding of the study is the significant positive influence of JS on OCB among employees. This result is consistent with prior empirical evidence (Dubey et al., 2023; Ingrams, 2020; Sridadi et al., 2024). Similarly, Singh and Banerji (2022) argue that satisfied employees are more likely to demonstrate positive discretionary behaviors, thereby enhancing OCB within organizations. In the context of the present study, JS among insurance employees appears to translate into stronger citizenship behaviors, reflecting a deeper sense of commitment and engagement. Supporting evidence from the Nepalese context also reinforces this relationship. For instance, Shrestha and Bhattarai (2022) found that job satisfaction significantly contributes to OCB among school teachers, ultimately enhancing institutional performance and service quality. In a similar vein, employees in insurance organizations who experience satisfaction with various aspects of their work are more likely to develop a sense of ownership and emotional attachment toward the organization. Consequently, they tend to go beyond financial incentives, contributing wholeheartedly to organizational goals through discretionary efforts. These findings are well explained by SET, which posits that employees reciprocate favorable treatment from their organizations by engaging in positive work behaviors such as OCB.

The study demonstrated that JS mediates the relationship between LE and OCB, indicating that LE alone does not directly translate into higher levels of discretionary employee behavior unless it is accompanied by enhanced employee satisfaction. The finding is consistent with Ansong et al. (2024), who showed that JS partially mediates the relationship between leader humility and OCB. Humility is a key trait of effective leadership. Studies by Randy-Cofie (2018) and Sarwar et al. (2015) have revealed that LE influences behavioral outcomes, indirectly through attitudinal variables, creating conditions for satisfaction, but satisfaction acts as the immediate precursor to OCB. Employees who are satisfied are more likely to go beyond formal job requirements, demonstrating cooperation, altruism, and conscientiousness within the organization. Thus, satisfied employees are more likely to display voluntary, service-oriented behaviors that improve organizational success in the insurance industry, where client connection and trust-building are intimately linked to performance.

Similarly, employees' emotional connection with customers, rather than the tangible services of life insurance companies in Nepal, can satisfy customers. Being empathetic when providing service to customers is more important for customer satisfaction (Shahi, 2025). Moreover, employees' assurance and quick response to customers can satisfy customers in Nepalese insurance companies (Bohora, 2025). Employee OCB can enhance service quality (Ratnayaka, 2019). It could be said that good leadership is necessary to increase loyalty and trust among insurance employees. Employees who are loyal to the organization can make an extra effort on its behalf. Under such conditions, employees can be ready to provide quality service to clients, making them happy and helping with client retention in the insurance industry. So, the ultimate growth of the insurance industry depends upon customer satisfaction. Customer satisfaction depends on employees' loyalty within the industry, which is backed by situational leadership (leadership effectiveness). Moreover, the results support SET, which posits that employees may reciprocate favorable treatment from leaders in an insurance organization with positive attitudes and behaviors. However, the findings of this study show that reciprocation emerges indirectly through job satisfaction before translating into OCB. So, leaders in Nepalese insurance companies may first satisfy employees, thereby increasing employees' OCB.

Conclusion and Implications

Based on the SET, the study examines the influence of LE on OCB in the insurance companies through the mediation of JS. The findings imply that JS fully mediates between LE and OCB. In other words, LE increases employee JS, which in turn affects employees' motivation to perform discretionary, or "extra," role behaviors for their organization. It is important to note that merely having effective leadership does not increase OCB; it must be mediated by employee JS. This finding refutes simple conceptualizations of leadership as a causal

force on OCB, and instead highlights the importance of an individual's psychological state, particularly their level of JS, as a major intervening factor.

The study yields three key findings. First, the presence of OCB in the insurance industry is fundamentally dependent on JS among employees. Regardless of how effectively an organization is led, leadership alone has a limited impact if employees lack job satisfaction, as JS provides the essential attitudinal foundation for the emergence of OCB. Second, the effectiveness of leadership in Nepalese insurance companies is largely reflected in leaders' ability to enhance employee satisfaction by addressing their needs, expectations, and well-being, rather than merely directing tasks. This aligns with SET, which emphasizes reciprocal relationships between leaders and employees, where supportive leadership fosters positive employee attitudes and behaviors. Finally, strategic investment in leadership development and employee well-being can indirectly but meaningfully strengthen service-oriented citizenship behaviors. Such behaviors are critical for customer retention and, ultimately, for sustaining organizational competitiveness and growth in the increasingly dynamic insurance industry.

As findings indicated, leadership in an insurance company shapes employees' OCB, acting as a mediator of JS. So, the insurance company should institutionalize a continuous leadership program that focuses not only on technical skills but also on interpersonal skills such as communication, empathy, and fairness. Policy should focus on a performance evaluation system that assesses behavioral outcomes (OCB), not only task performance, but also leaders' ability to foster employees' voluntary positive behavior. From a managerial standpoint, leaders should show a leadership style that creates trust, open communication, and respect, thereby increasing JS. Even highly effective leaders may not lead to OCB if employees are not satisfied. A dissatisfied employee cannot provide good service to the customer. So, leaders should create an environment where employees in an insurance company can feel psychologically safe.

This research expands social exchange theory in the Nepalese insurance market by identifying JS as the key psychological process through which LE influences OCB; it refines current conceptualizations that treat leadership as a direct predictor of citizenship behavior and encourages researchers to give increased emphasis to employees' emotional experiences when modeling relationships between leadership behaviors and organizational citizenship behaviors. In practice, insurance firms may capitalize on employee satisfaction surveys and develop and fund leadership training programs to promote the interpersonal skills (such as empathy) essential to create a fair workplace climate characterized by positive communications. At an institutional level, the Nepal Insurance Authority can encourage all of its member companies to incorporate employee wellness policies into their institutional governance structures, and performance evaluation processes need to focus on evaluating both the effectiveness of leaders in meeting or exceeding operational targets and how effectively they contribute to creating a workplace where employees are satisfied with their jobs and motivated to participate voluntarily in organizational activities.

Limitations and Future Research

This study also has some limitations to consider when interpreting these results. The first is that this sample consisted solely of insurance employees from the Kathmandu Valley, obtained via convenience sampling. Therefore, the generalizability of the findings is limited to insurance employees within the same region. Additionally, the cross-sectional nature of the research design limits the ability to make causal inferences regarding the relationships among LE, JS, and OCB. Although there is theoretical and statistical support for the mediating effects observed in this study, it would have been beneficial to collect longitudinal data to establish stronger evidence for the causal ordering of these constructs. Finally, all variables in this study were collected from the same source and at the same point in time; therefore, there is potential for common method bias. However, since Harman's single-factor test suggested this was not an issue in this study, researchers would do well to use multi-source data (e.g., supervisory ratings of OCB) to validate

their self-report measures. It is also possible that treating OCB as a unidimensional construct may limit our understanding of the leadership-OCB relationship. Future studies may benefit from disaggregating leadership style to assess how each dimension contributes to JS and OCB in the insurance industry.

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Conflict of Interest

The author(s) declare that there are no conflicts of interest regarding the publication of this manuscript.

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Ethical statement

Formal ethical approval was not required for this study, as it was based on a perception/behavioural survey and did not involve any clinical intervention, medical procedure, animal subjects, or sensitive personal data. The study was conducted in accordance with established research ethics and academic integrity standards.

Data Availability Statement

The data supporting the findings of this study are available from the corresponding author upon reasonable request.

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