

**ELECTRONIC BANKING AND CUSTOMER SATISFACTION IN
DHANGADHI**

A dissertation proposal submitted to the office of the Dean,

Faculty of Management

In partial fulfillment of the requirement for the Master's Degree

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TU Regd. No.: 7-2-327-985-2013

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September, 2021

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1. Background of the study

The banking industry has been continuously upgrading its operation by making use of technology. With the advancement of this technology, banks have implemented various systems to carry banking transactions easily and quickly (Singh, 2020). Banking sectors in most developed countries have pioneered the area of digital services and have been actively involved in its continuous improvement. The objective was to try to meet the ever-changing needs and lifestyles of modern clients. The Nepalese banking and financial institution sector, core of the Nepalese economy, has been witnessing unprecedented growth, especially with regard to digital services. Indeed, Nepalese banks are strategically using advancements in electronic banking services for retaining and attracting clients, and are therefore making large investments in implementing the latest electronic banking strategies to maintain and augment their competitive advantage.

Technology has succeeded in making various aspects of life easier for the societies of today. More importantly; it has become a fundamental element in improving the quality of services in general and electronic banking services in particular. Electronic banking service is said to rely on the exchange of information between customers and providers using technological methods devoid of face-to-face interaction. Service quality aims to serve the customers in a better way such that customer need is satisfied besides customer to attain complete satisfaction while using a particular service (Parajuli, 2018).

In marketing term, customer satisfaction is described as a measure on how services or products supplied by the organizations meet customers' expectation. The awareness of customers in service industries about quality has been increased. The excellent service quality increases the productivity, market share, return on investment, and customer satisfaction. Nowadays the quality has gained more importance through the customer satisfaction (Alabsy, 2018).

The customer has a certain set of attributes in his mind with respect to a product or service. As the customers use the service he/she compares it with the attributes which already exists in his mind. This comparison is basically the measurement of service quality. A customer tries to match his expectation from the services with already

existing attributes in his/her mind. If the service quality is better than their expectation the customer would be satisfied (sharma, 2020).

Customers are the key contributors for the success and survival of any business and this is the same for banking sector also. So, need arises not only to satisfy the customers but also to retain them because it may lead to increased profitability and better performance of banks. Technology is affecting the life of every individual in the present age and electronic banking is one of the technologies which is fastest growing in banking practice now days. Moreover, customers are shifting from traditional banking to electronic banking very rapidly because of various benefits such as cost and time effectiveness. Technology is affecting the life of every individual both qualitatively and quantitatively in the present age. The quick expansion of information technology has imbibed into the lives of millions of people and introduced major changes in the worldwide economic and business atmosphere. Technological developments in the banking sector have speeded up communication and transactions for clients. It is defined as the provision of information or service by a bank to its customers over the internet. It is viewed as a supplemental channel used in conjunction with other channels to provide the convenience of banking anytime from one's home or work, without having to incur some of the costs associated with a branch visit like going to the branch or waiting on lines. electronic banking eliminates physical and geographic boundaries and time limitations of banking services (Ayo, C.k., Oni, Adewoye, & Eweoya, 2016).

2. Problem statement

Financial institutions are rapidly advancing their electronic banking services for the make easier transactions. Look just few years back in Nepal only few banks were using it because some bank had not the strong security or some had not believed in electronic banking services. Those who had taken the good decision to operate electronic banking they are now became popular banks in Nepal and who hadn't taken right decision at right time they are not in trends. electronic banking is spreading day by day in Nepal as well as in the world. At past, people had bad rumors about electronic banking like, the system might be hacked any time because it is operated by the system. In the established period banks are suffered from some problems like fund transfer delay, loading page, system error, hard to generalize in the market etc. Though people were ignoring it banks were not giving up, so the result came as positive for those who adopted it. Now, almost

all customers are willing to make transactions via electronic banking instruments (Khatri, 2013).

This study helps to find out the satisfaction level of the electronic banking users in Dhangadhi Sub Metropolitan by using the likert scale method. In these days the people are massively using the electronic banking instruments but no one have keen to know about the costumers satisfactions. People may have the issue about annual charge, providing service options; renew process, direct support and so on (Singh, 2020). This survey helps to know about it deeply.

This study has addressed the following research questions.

- i. What is the present pattern of using e-banking?
- ii. Is there any significant relationship between e-banking services and customer satisfaction?

3. Objectives of the study

The main objectives of the study rest upon the examination and analysis of electronic banking services and its impact on customers' satisfaction. More over the study has specified the following objectives:

- i. To analyze the present pattern of using e-banking.
- ii. To examine the impact of e-banking services on customer satisfaction.

4. Rationale of the study

This study contributes to knowledge and serves as source of reference in the academia. For this future researcher can read the methodology as well as the findings of this study. The utilization of Information and Communication Technology (ICT) in the banking industry has affected service delivery as well as the bank's profits. Many banks are moving gradually from the traditional way of banking and are gradually introducing ICT into their service delivery. At present, the commercial banks are gaining a wide popularity within and outside the country through their efficient management and professional services and playing an eminent role in the economy. electronic banking is one of the main services provided by the commercial banks and other financial institutions where the whole bank is rested upon. Study on electronic banking of commercial bank carries a great significance and importance to various groups.

Most of the Nepalese people are still not aware about the electronic banking or online banking transactions; this study helps them to get the concept of electronic banking services available to them. Today most of the parts of the world's economy depend upon financial institutions, which cannot survive without the support of IT. Therefore, this study provides a useful feedback to the IT policy maker for the bank and becomes a useful reference for other commercial banks for the formulation of appropriate strategies. The study would be very significant to those students and scholars who wish to make further research on the subject. The outcome of this study will provide evidence for other banks to improve upon their electronic banking services so that prospective customers will have better experiences with the service and hence the bank's profit will be affected through the revenue generated.

5. Limitations of the study

This study is required for the partial fulfillment of MBS Degree. Hence, it is subject to some limitations, which affect the studies, and those limitations are given below:

- i. The basic limitation of this study is that it only considers customers perspective of electronic banking and it does not take in to consideration what perspective do all bankers employees have on the technology.
- ii. It does not include bank customers who do not use the current electronic banking which would help to compare the attitude of electronic banking users and nonusers towards electronic banking.
- iii. It is also limited to banks customers only that started electronic banking service it doesn't fully cover those which do not start it.
- iv. The study only covers electronic banking and its customer's satisfaction in Dhandaghi sub-Metropolitan.
- v. The study only collects the data of government teachers who have been using electronic banking services and whose working area is Dhangadhi.
- vi. In Nepal, there are limited numbers of literature about this type of study.

6. Literature review

Review of literature is the study of past research studies and relevant materials. It is an advancement of existing knowledge and in-depth study of subject matter. It starts with a search of a suitable topic and continues throughout the volumes of similar or related subjects. In a literature review, the researcher takes hints from past dissertation but he/she should take heed of replication. Literature review means reviewing research studies and other pertinent proposition in the related area of the study so that all the past studies their conclusions and deficiencies and further research takes place.

A customer is a person who maintains an account with the bank. One view of this question is that a person does not become a bank customer unless and until he opens an account with a bank (Adebayo, 2013). Based on this study, customer is defined as any person who seeks for banking services or products from the commercial banks.

Customer satisfaction is defined as the number of customers, or percentage of total customers, whose reported experience with a firm, its products or its services (ratings) exceeds specified satisfaction goals (Farris et al., 2010). Customer satisfaction is a person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance or outcome in relation to his or her expectations (Musiiime and Biyaki, 2010). Based on this study, customer satisfaction will be defined as the measure of how a product or service given to a customer meets the expectations of that particular customer.

Timothy (2012) electronic banking refers to the use of the Internet as a remote delivery channel for providing services, such as opening a deposit account, transferring funds among different accounts and electronic bill presentment and payment. This can be offered in two main ways. First, an existing bank with physical offices can establish a Website and offer these services to its customers in addition to its traditional delivery channels. Second, is to establish a virtual bank, where the computer server is housed in an office that serves as the legal address of such a bank. Virtual banks offer their customers the ability to make deposits and withdraw funds via ATMs (Automated Teller Machines) or other remote delivery channels owned by other institutions, for which a service fee is incurred. Based on this study, electronic banking can be defined as the means of transferring cash from an electronic terminal device or medium to another

Arunachalam and Sivasubramanian (2007) content that Internet banking is where customer can access his or her bank account via the internet using PC or mobile phone and web-browser. Ongkasuwan and Tantichattanon (2002) defined Internet banking service as banking service that allows customers to access and perform financial transactions on their bank accounts from their computers with Internet connection. Based on this study, internet banking is defined as an electronic payment system that enables customers of a financial institution to conduct financial transactions on a website operated by the institution, such as a retail bank, virtual bank, credit union or building society. According to this study, it is an online banking that gives a 24/7 access to customers.

According to Loverock (2011), Automated Teller Machines (ATM) reduces the workload of bank`s staff – ATMs reduce the work pressure on bank`s staff and avoid queues in bank premises. The customer can obtain exact amount. There is no human error as far as ATMs are concerned (Pandian et al, 2011). Using ATM, a customer can withdraw cash up to a certain limit during any time of the day or night (Akrani, 2011). Based on this study, ATM is an electronic service that provides a 24 hours service to customers.

Literally this is banking conducted through the use of a mobile phone. A mobile banking transaction can be an account inquiry that does not involve a payment such as checking account balance, checking credit limit, looking up transaction history or that involve payment transaction such as a mobile payment, a mobile purchase, a mobile money transfer(Karthikeyan , 2017).

This system uses short text messaging system to inform customers of their account (Chovanova, 2006). Based on this study, mobile banking is whereby customers access their bank accounts using their mobile phones.

6.1 Theoretical Review

The foundation of this study is based on the below theories;

- **Planned Behavior Theory**

Theory of planned behavior (TPB) has been successfully used to predict users' acceptance of IT (Amjad and Wood, 2009). It links the relationships between attitudes

13 and behavior of an individual. The concept was proposed by Ajzen,(1985) to improve on the predictive power of the theory of reasoned action by including perceived behavioral control (Koger and Winter, 2010). It is one of the most predictive persuasion theories. It has been applied to studies of the relations among beliefs, attitudes, behavioral intentions and behaviors in various fields such as advertising, public relations, advertising campaigns and healthcare.

- **Technology Acceptance Model**

The Technology Acceptance Model proposed by (Bagozzi, Davis and Warshaw, 1992) appears to be the most widely used innovation adoption model. This model has been used in a variety of studies to explore the factors affecting individual's use of new technology. The sequential relationship of belief–attitude–intention– behavior in TAM enables us to predict the use of new technologies by users. In fact, TAM is an adaptation of Theory of Reasoned Action (TRA) in regard to information systems which notes that perceived usefulness and perceived ease of use determine an individual's attitudes towards their intention to use an innovation with the intention serving as a mediator to the actual use of the system. Perceived usefulness is also considered to be affected directly by perceived ease of use.

- **Disconfirmation theory**

Disconfirmation theory argues that „satisfaction is related to the size and direction of the disconfirmation experience that occurs as a result of comparing service performance against expectations. Szymanski and Henard (2001) found in the meta analysis that the disconfirmation paradigm is the best predictor of customer satisfaction (Gardachew, 2010). Fang, Tian, and Tice (2010) cite Oliver's updated definition on the disconfirmation theory, which states Satisfaction is the guest's fulfillment response. It is a judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment, including levels of under- or over-fulfillment.

6.2 Conceptual review

This is the process of evaluating the variables of the current study with the previous studies. The variables (Dependent and independent) might be different from one to another with the changes of time. In this study the dependent variable is customer's satisfaction because it may be changed by internal and external forces. Similarly,

independent variable of the study is electronic banking instruments like internet banking, electronic fund transfer, mobile banking, sms banking and so on (Amaoko, 2012).

6.3 Empirical review

Several studies have been done to examine the effects of e-banking on customer satisfaction. Some of these studies including a work by Ishengoma (2011) conducted a study on the analysis of mobile banking for financial inclusion in Tanzania. The study employed a TAM to explain the concept of customer perception of usefulness (benefits of electronic banking) and customer perception of ease of use. The findings show that the perceived risk of use affected the usage behavior of the customers; however the customer perception of benefits pushed the customers to use the mbanking services. The study did not take into account the totality of electronic banking products, which in turn leaves the question of electronic banking impacts to customers of other alternatives (ATM, Internet banking) unanswered.

Amaoko (2012) of Ghana, in his research found that, ICT has contributed positively to the provision of banking services and growth of the Ghanaian banking industry. It was also reported that, e-banking is not yet developed in Ghana. The study recommended that banks should develop user friendly systems and applications for general population. Government and banks should play a key in enhancing ICT infrastructure, put in place incentives like tax reduction, and make PC available and affordable for every Ghanaian. Financial institutions should offer programs to reassure customer's safety with regards to ICT through sensitization. Lastly the banking institutions should also come out with more electronic products and services to reduce the turnaround time of customers, such products will give them the opportunity to sit at the comfort of their homes, workplaces and transact business with the banks.

6.4 Research gap

Although, there are abundant studies on customer satisfaction and e-banking worldwide, the focus of those studies was both on customer satisfaction and on service quality offered by the banks as well as on the organizational. For instance of these studies are Sonja (2010) conducted a study on the impacts of computerization in banking industry in Uganda, Ishengoma (2011) in Tanzania, Shamsuddoha and Alamgir (2010) investigated customer loyalty and customer satisfaction in India.

Santouridis (2009) of Greece investigated factors leading to customer loyalty and Amaoko (2012) of Ghana conducted a study on the effects of ICT on e-banking. However, this study will mainly address the effects of electronic banking on customer satisfaction in Nepalese banking industries.

Previous studies fail to coverage the impact of electronic banking on customer satisfaction of government Teachers whose working area is in Dhangadhi Sub-Metropolitan. They only focus to get satisfaction level from different city of Nepal except Dhangadhi. Not only that, previous studies are fail to cover government teachers satisfaction about e-banking. As per government rules and regulations the duty time of them is 10:00 AM to evening 04:00 PM so they are obligated to use e-banking for the banking transactions and it does matter.

Thus, research gap weakness are found in past studies, this research have been conducted to find out the impact of e-banking on customer satisfaction by collecting the data from government Teachers who is working in Dhangadhi sub-Metropolitan.

7. Research methodology

Research methodology refers to the various sequential steps to be adopted by a researcher in studying problem with certain object in view. In this chapter, the focus has been made on research design, nature and sources of data, sampling procedure, coverage of data, tools used for analysis and definition of some key terms used.

7.1 Research design

Any research project would be unthinkable without a research design. Research design is an outline from which this study is brought into this format. Research design was the plan, structure and strategy of investigation conceived so as to obtain answers to research questions and to control variance. To conduct this study, descriptive and correlational research designs will be adopted.

7.2 Population and sample

Purposive sampling will be taken to select the samples among population. There are many commercial banks, development banks and finances as well as co-operatives are providing the electronic banking like Mobile Banking, Internet Banking, Mobile Smart, ATM Cards, Swift transfer, Telephone Banking, Topup &Utility Payment, Remittances

etc to their customers during the research period. The study will select 150 government teachers who using digital banking from the different financial institutions in Dhangadhi Sub- Metropolitan to find out the results.

7.3 Nature and sources of data

This study will heavily base on Primary data So, qualitative data would be taken for the study of the research. Primary data will be acquired from the public via questionnaire. The secondary data will use for supporting the study it needed and to get the findings of other researchers in the area (empirical study). The sources of secondary data will be library books, newspapers on business, magazines on business, data of relevant banks and financial institutions, reports of NRB (Nepal Rastra Bank) reports of Nepal Banker's Association, Annual report of banks and financial institutions etc.

7.4 Data collection instrument & procedure

A questionnaire will be prepared taking the objective of the research study into consideration. The questionnaire will be filled by taking the response of the respondents. For convenience, respondents will be selected from the e-banking users who are using Internet Banking, Mobile Banking, SMS Banking, Cards, Telephone Banking, swift etc. in Dhangadhi Sub- Metropolitan.

7.5 Data processing procedure and data analysis method

Various statistical tools like percentage, averages, variance, coefficient of correlation, coefficient of determination, paired t-test, etc. will be used to analyze the primary as well as secondary data.

i) Averages (\bar{X}): Average or arithmetic mean is the quantity obtained by summing two or more numbers or variables and then dividing it by the number of variables. It converts a huge unwieldy data into single value, which represents the entire data. Its value lies between the two extreme observations i.e. largest and smallest item. For this study, weighted arithmetic mean has been used to various variables.

ii) Correlation coefficient (r): Correlation analysis is the statistical tool that can be used to describe the degree to which one variable is linear to another. It measures the direction of relationship between two sets of figures.

iii) Regression: Regression analysis is a set of statistical methods used for the estimation of relationships between a dependent variable and one or more independent variables. It can be utilized to assess the strength of the relationship between variables and for modeling the future relationship between them. This analytical tool helps to find the relationship between e-banking and customer satisfaction for this study.

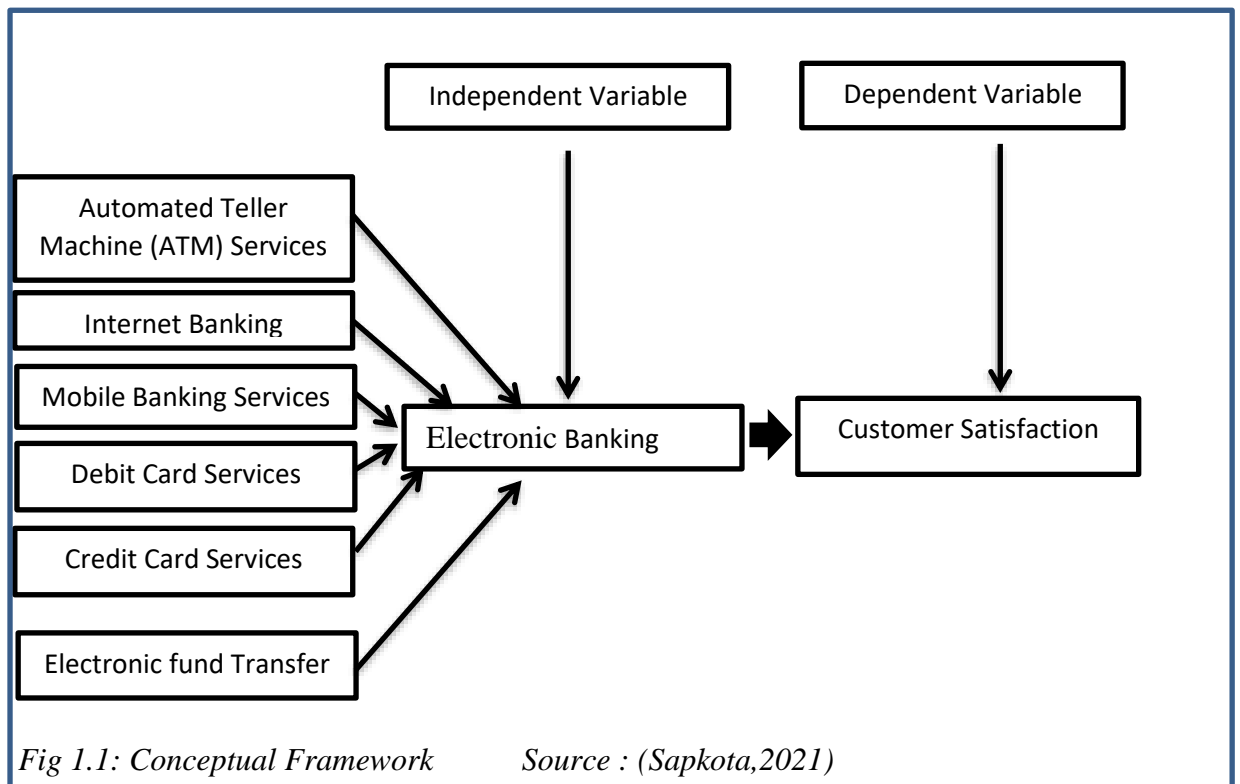
7.6 Research framework and definition of variables

Conceptual framework

Conceptual framework is an analytical tool used to make conceptual differences or organize ideas. It is within the framework of this theory that the entire study proceeds. It explains the relationship among the dependent and independent variables explaining how one variable makes an impact on the other.

In this study the dependent variable is electronic banking system that has been providing by the financial institutions to their customers to enhance their technological facility. The dependent variable is customer's satisfaction because people have different behaviour and different people can perceived same facility by the different way.

Below is a figurative representation of the variables to be explored by this research study:-



Dependent variables

The value of dependent variable is derived from the value of other variables. Sekraran (2012) dependent variable is the one on which the researcher have primary interest. The researcher tries to predict, describe or explain its variability. Customer Satisfaction is a dependent variable for the current study. The independent variables can increase or decrease to the dependent variable. To find out the impact of independent variable on the dependent variable, this study used the regression and the correlation methods.

Independent variables

Sekraran (2012) explained the independent variable as the one which influences the dependent variables in either positive or negative way. In this study, Automated Teller Machine (ATM), Internet Banking Services (IBS), Mobile Banking Services (MBS), Credit Card Services (CCS), Debit Card Services (DCS) and Electronic Fund Transfer Services (EFTS) are independent variables.

8. Expected results

The expected results of the study depend on its objectives which are as below.

- i) This study will find out the present pattern of the electronic banking. It shows the financial literacy of government Teachers.
- ii) This study will explore the impact of electronic banking services on customer satisfaction i.e. positive or negative.
- iii) Study will discover the prospects and challenges associated with electronic banking usage.

9. Chapter plan

A chapter plan is an outline that helps us to organize material in a way that is easy to comprehend. It can be a very useful tool in helping to find the main points of the chapter. This report has been divided into five chapters.

Chapter I: Introduction

Chapter one gives detail about the study area and the concept note about the research problem under study. It includes background of the study, problem statement, objectives, operational definitions, significance of the study, limitations and the conceptual frame work.

Chapter II: Literature Review

Review of literature gives the investigator a thorough and profound knowledge of the research topic. It provides guidelines to use statistical methods for analysis of collected data.

Chapter III: Research Methodology

This chapter discusses in detail the research methodology applied in the context of this study. It includes research design, data sources, variables, population, sample and sampling techniques, research tools and techniques and plan for data analysis.

Chapter IV: Results and Discussion

Data analysis includes tabulation, coding and classification of the data gathered in accordance with the research design, to perform quantitative and qualitative analysis. The details about the analysis and interpretation of the findings are described here.

Chapter V: Summary and Conclusion

This chapter presents the brief background of the study, objectives, literature review and methodologies. Major findings are summarized. Conclusion includes theorization based on findings and, finally, the recommendations based on those findings are stated.

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