

**SERVICE QUALITY AND CUSTOMER SATISFACTION OF  
COMMERCIAL BANK IN NEPAL  
(With Reference to Citizens Bank International Limited)**

A Dissertation submitted to the Office of the Dean, Faculty of Management in partial  
fulfilment of the requirements for the Master's Degree

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## **CERTIFICATION OF AUTHORSHIP**

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled **“SERVICE QUALITY AND CUSTOMER SATISFACTION OF COMMERCIAL BANK IN NEPAL (With Reference to Citizens Bank International Limited)”**. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes.

The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

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## REPORT OF RESEARCH COMMITTEE

Ms. Jeena Manandhar has defended research proposal entitled "**SERVICE QUALITY AND CUSTOMER SATISFACTION OF COMMERCIAL BANK IN NEPAL (With Reference to Citizens Bank International Limited)**" successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Prof. Keshav Raj Joshi, PhD and submit the thesis for evaluation and viva voce examination.

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## APPROVAL SHEET

We have examined the dissertation entitled "**SERVICE QUALITY AND CUSTOMER SATISFACTION OF COMMERCIAL BANK IN NEPAL (With Reference to Citizens Bank International Limited)**" presented by Ms. Jeena Manandhar for the degree of Master of Business Studies. We hereby certify that the dissertation is acceptable for the award of degree.

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## ABBREVIATIONS

ANOVA	=	Analysis of Variances
ASU	=	Assurance
COM	=	Communication
CUS	=	Customer Satisfaction
CZBIL	=	Citizen Bank Inter
e	=	Error
EMP	=	Empathy
e-SQ	=	Electronic Service Quality
Max	=	Maximum
Min	=	Minimum
N	=	Number of Observation
PLS	=	Partial Least Square
r	=	Correlation Coefficient
REL	=	Reliability
RES	=	Responsiveness
SEM	=	Structural Equation Model
SPSS	=	Statistical Package for Social Sciences
TNG	=	Tangibility
$\alpha$	=	Intercept Term

## ABSTRACT

This study discussed the critical relationship between service quality and customer satisfaction within the context of Nepalese commercial banks. The banking sector relies heavily on these dynamics, making it crucial to understand the factors that drive customer satisfaction. The problem revolves around the need to comprehensively assess the current state of service quality and its direct impact on customer satisfaction in Nepal's commercial banks. This study aims to bridge existing research gaps and provide valuable insights into these complex dynamics.

To achieve its objectives, the research method employed a quantitative approach, utilizing both descriptive and causal comparative research designs. The study focused on the entire customer base of Citizen Bank International Ltd. in Nepal, with a sample size of 400 customers. The convenience sampling approach facilitated practical data collection, with structured questionnaire surveys using a five-point Likert scale as the primary instrument for data collection.

Statistical software, including Microsoft Excel and SPSS, played a pivotal role in the data analysis. The research scrutinized descriptive statistics, correlation analysis using the Pearson correlation coefficient, and multivariate regression analysis to unravel the intricate relationships between service quality dimensions and customer satisfaction.

The findings revealed generally positive customer perceptions of service quality in Nepalese commercial banks. Key dimensions like reliability, empathy, responsiveness, tangibility, assurance, and communication were assessed. These dimensions collectively contributed to customer satisfaction, with reliability, empathy, responsiveness, assurance, and communication emerging as significant determinants. Notably, reliability, responsiveness, and communication strongly influenced customer satisfaction, while tangibility exhibited a negative impact.

This study sheds light on the vital relationship between service quality and customer satisfaction in Nepalese commercial banks. It provides practical insights for bank management to enhance these dimensions strategically and future researchers.

**Key Words:** service quality, customer satisfaction, reliability, empathy, responsiveness, tangibility, assurance, communication

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

In today's era of globalization, achieving high levels of customer satisfaction is a challenging task, particularly in the service sector. Many organizations have recognized the need to improve their service quality in order to tackle this challenge. Service quality plays a crucial role in the service sector as it helps maintain a competitive advantage in the market. It serves as a strategic tool to strengthen competitive advantages and enhance profitability in business (Tam, 2004). Numerous service sectors utilize service quality as a strategic component to attract and retain customers. Therefore, service quality is closely linked to customer satisfaction, which in turn influences customer loyalty. Service providers must understand how clients perceive and evaluate their services in order to deliver superior service. Clients expect to be satisfied by the various services offered by service sectors (Zeithaml et al., 2002). Empirical research has highlighted the close relationship between service quality and customer satisfaction (Bitner et al., 1990), making this relationship critical in-service sectors such as banking. In the banking sector, high-quality services attract clients, and advancements in technology have allowed banks to enhance their service quality through features such as ATMs, online banking, mobile banking, and Visa cards. Clients tend to be loyal to products and services that offer greater value compared to those of competitors. Therefore, banks can increase their profits by staying ahead of competitors in terms of the services they provide. Consequently, it is imperative for banking institutions to prioritize service quality to satisfy customers and cultivate customer loyalty.

Customer satisfaction has been a subject matter of keen interest to organizations and researchers in modern era. The primary goal of organizations is to maximize profits and to minimize cost. Profit maximization can be achieved through increase in sales with lesser costs. One of the factors that can help to increase sales is customer satisfaction, because satisfaction leads to customer loyalty (Wilson et al., 2008).

Consumer satisfaction is crucial from the perspective of the consumer in order to maintain the relationship with the bank. Since the sustainability of bank branches depends on the degree of

service quality they provide, service quality is of the utmost importance when analyzing their performance (Portela & Thanassoulis, 2005). Due to the benefits of client retention, business organizations' main objective is to achieve customer loyalty, which may be accomplished by providing excellent customer service (Ehigie, 2006).

Service quality is the extent to which customers' perceptions of service meet and/or exceed their expectations (Zeithaml et al., 1990). Thus, service quality refers to how well or poorly consumers are treated by a company. Service quality is defined by Parasuraman as "the differences between customer expectations and perceptions of service" (Parasuraman, 1988). They stated that gauging the quality of a service by comparing it to what is expected against what is perceived as being provided was a legitimate method that may help management spot holes in the services they provide.

Customer satisfaction is the goal of offering high-quality services. The best technique to determine whether the services are good or terrible and whether the consumers will or will not be satisfied with them is to assess service quality. According to a researcher's study, "three components of service quality, called the 3 "Ps" of service quality" were listed (Haywood, 1988). According to the study, service quality is made up of three components. They are physical facilities, processes and procedures, personal behavior on the part of serving staff, and professional judgment on the part of serving staff but to get good quality service.

Numerous empirical studies conducted in different countries, including Iran, Bangladesh, Jordan, Hong Kong, and Nepal, have consistently highlighted the significance of service quality, customer satisfaction, and customer loyalty in the banking sector. For instance, research conducted by Mahamad & Ramayah (2010) in Tehran, Iran revealed that there is often a gap between customer expectations and the actual service provided by banks, and customer satisfaction acts as a mediator that bridges this gap. Similarly, in Bangladesh, Siddiqi (2011) found a positive relationship between customer satisfaction and customer loyalty in the banking sector. In Jordan and Hong Kong, service quality dimensions were found to have a positive impact on customer satisfaction in the banking sector. Furthermore, researchers in Jordan emphasized the importance of service quality dimensions as a means of measuring the quality of services in the banking sector (Al-Azzam, 2015). These findings collectively

underscore the universal recognition of the crucial role played by service quality, customer satisfaction, and customer loyalty in the banking industry worldwide, including Nepal.

In Nepal, the banking sector plays a significant role in financial intermediation, including savings mobilization, credit provision, and overall economic development. However, Nepalese commercial banks are also experiencing significant changes in the financial service environment, innovation, and increased competition due to liberalization, resulting in a wide range of product offerings. To address these market challenges, banks in Nepal are shifting from a producer-oriented approach to a customer-centric approach that emphasizes managing the relationship between activities and customers. To achieve this, Nepalese banks must prioritize the delivery of high-quality services to customers by closely monitoring and evaluating processes at every stage, ensuring that customers receive value from the banking services provided. The provision of quality services is crucial as it leads to customer satisfaction, and satisfied customers are more likely to remain loyal to the company if the products and services meet their perceived preferences and expectations (Mamo, 2017).

When customers decide whether the banking services, they are receiving are adequate or not, they have expectations and criteria in mind. In addition, because of the intense competition in the banking industry, customers' and potential customers' perceptions vary depending on the services they need (Amoako, 2012). The accurate assessment of customer satisfaction aids in customer retention, brand recognition, increased profitability, and improved service quality for banks. These are the main customer-focused opportunities and problems facing Nepal's banking industry. A bank may readily gauge the effectiveness of the company, its potential and place in the industry, and the areas that need to be polished and improved by looking at how satisfied its customers are. However, obtaining a happy consumer does not happen miraculously over night; it takes time and abundant effort (Pradhananga, 2014).

Since the customer is the origin and means to achieve objectives of any organization, including the banking sector, this study will try to assess the customer satisfaction and service quality of commercial banks in Nepal.

## **1.2 Problem Statement**

Customer satisfaction has been researched in a variety of ways internationally, including measurement and connections to other business factors. Customers' pleasure may be measured

in a number of ways (Levy, 2009). In the meantime, other authors have shown that elements such as product and service quality, price, as well as individual and environmental circumstances, are some of the determinants of customer happiness (Wilson et al.). The relationship between comprehensive quality management and customer satisfaction has not been in-depth studied by Nepalese researchers.

Customer satisfaction varies from person to person and is influenced by a wide range of factors, some of which may be psychological and others of which may be physical. It evaluates whether a company's goods and services meet or exceed customers' expectations. All of the commercial banks in Nepal are now providing a variety of services that not only increase their clients' pleasure but also help the industry grow. The need for banks to understand service quality and customer satisfaction levels has increased due to increased competition (Pathak, 2015). the following questions was asked for this study:

1. What is the current status of service quality in terms of reliability, empathy, responsiveness, tangibility, assurance, communication, and customer satisfaction of commercial banks in Nepal?
2. Is there any relationship between service quality and customer satisfaction of commercial bank in Nepal?
3. What is the effect of effects of service quality and customer satisfaction on the performance of commercial banks in Nepal?

### **1.3 Objectives of the Study**

The main objective of this study is to assess customer satisfaction with the service quality of Nepalese commercial banks and analyze the service quality factors of customer satisfaction in these banks. The specific objectives of this study were as follows:

1. To assess the current status of service quality in commercial banks in Nepal, considering dimensions such as reliability, empathy, responsiveness, tangibility, assurance, communication, and customer satisfaction.
2. To examine the correlation between service quality and customer satisfaction within the commercial banking sector in Nepal.
3. To analyze the effects of service quality and customer satisfaction on the performance of commercial banks in Nepal.

#### **1.4 Rationale of the Study**

Service quality is crucial, particularly for the expansion and development of businesses in the service industry. It functions as a precursor to client satisfaction. Due to the service sector's underrepresentation in the economy's dominance, quality was previously exclusively assessed for physical products. The measurement of service quality became crucial as the importance of the service sector in the economy increased. Undoubtedly, because of the conviction that delivering high service quality is necessary for achieving customer satisfaction and a number of other desirable behavioral outcomes, research on the connections between service quality, satisfaction, and behavioral outcomes has exploded in recent years (Ghost & Gnanadhas, 2011).

This study contributes to our understanding of how customers see the services that banks offer. Determining disparities in service quality and customer satisfaction among various categories of commercial banks is one of the key concerns facing Nepalese commercial banks. To improve how well commercial banks work, the effects of service quality and customer happiness should be examined. Based on the services they provide to consumers; it is possible to determine the current state of commercial banks. In this study, consumer satisfaction with service quality in Nepalese commercial banks is shown for various customer groups. Additionally, it helps to understand the relationship between various aspects of service quality (reliability, empathy, responsiveness, tangibility, assurance, and communication of commercial banks in Nepal) and customer satisfaction in the Nepalese banking sector to identify customer perceptions of the service quality offered by Nepalese commercial banks and determine the level of customer satisfaction in those institutions.

As a result, the discussion above demonstrates the growing importance of studies focused on consumer satisfaction with the service quality of Nepalese commercial banks. Using more recent data in the context of Nepal, this study focuses on the variables determining customer satisfaction at Nepalese commercial banks.

### **1.5 Limitations of the Study**

This study has focused on service quality dimensions and their impact on customer satisfaction in Nepalese commercial banks. Following were the limitation of this study.

1. Relying solely on primary data collected for the study may have limitations such as potential biases in data collection, limited scope of information, and potential challenges in obtaining a representative sample.
2. The study was limited to examining the experiences and perceptions of customers specifically from CZBIL, which may restrict the generalizability of findings to customers of other banks.
3. The study's sample size of 400 customers may not be sufficient to represent the entire population of bank customers in Nepal, which could limit the generalizability of the findings.
4. The study may not encompass all the factors that contribute to customer satisfaction and service quality, potentially missing important dimensions that could impact the results.
5. Due to the focus on a specific bank and the context of Nepal, the findings of the study may have limited generalizability to other banks or countries with different banking systems or customer preferences.
6. The study may not account for external factors that could impact customer satisfaction and service quality, such as economic conditions, regulatory changes, or industry trends, potentially limiting the completeness of the analysis.
7. By relying on a single data collection method (e.g., surveys), the study may miss out on capturing nuanced or detailed information that could have been obtained through additional methods such as interviews or observation.

## **CHAPTER II**

### **LITERATURE REVIEW**

#### **2.1 Theoretical Review**

The theoretical review chapter of a dissertation provides an overview of the existing theoretical frameworks, concepts, and research related to the topic of the study. It serves as the foundation for the research by presenting relevant theories and concepts that inform the research questions and hypotheses. In the case of a study exploring service quality and customer satisfaction, the theoretical review chapter would focus on theories and concepts related to these areas. The researcher would seek to gain a comprehensive understanding of the theory and existing literature that explore service quality and customer satisfaction in various contexts.

##### **2.1.1 The Evaluative Congruity Theory**

The Evaluative Congruity Model provides insights into the relationship between service quality, customer satisfaction, and the cognitive processes underlying consumer evaluations. According to this model, customer satisfaction is influenced by the cognitive matching process known as evaluative congruity. In the context of the thesis on service quality and customer satisfaction in the commercial banking sector of Nepal, particularly with reference to Citizens Bank International Limited, the Evaluative Congruity Model offers a framework for understanding customer satisfaction dynamics (Sirgy, 1984).

The model posits that customer satisfaction is determined by the cognitive comparison between a perception (e.g., service quality) and an evoked referent cognition (e.g., customer expectations or ideal service performance). The result of this cognitive matching process can lead to three congruity states: negative incongruity, congruity, and positive incongruity. Negative incongruity arises when there is a negative discrepancy between the perceived service quality and the customer's expectations, resulting in dissatisfaction. Congruity occurs when there is little or no significant discrepancy, leading to a neutral or satisfied evaluation state. Finally, positive incongruity arises when there is a positive discrepancy, indicating that the perceived service quality exceeds the customer's expectations and generating satisfaction.

This theory suggests that customer satisfaction with the services provided by Citizens Bank International Limited can be influenced by the congruity between customers' perceptions of

service quality and their evoked referent cognition, which may include expectations or ideal service performance. The model implies that if the perceived service quality meets or exceeds customers' expectations, positive congruity will be established, leading to customer satisfaction. Conversely, if there is a negative incongruity between perceived service quality and customer expectations, it may result in dissatisfaction and prompt customers to consider alternative actions to alleviate their dissatisfaction.

By examining multiple cognitive congruities related to service quality, such as the congruity between perceived and expected service performance, the study can gain a deeper understanding of the factors influencing customer satisfaction in the context of commercial banking in Nepal, with a specific focus on Citizens Bank International Limited. It acknowledges that customer satisfaction is not solely determined by a single congruity but rather by the occurrence of multiple comparison processes. Therefore, the Evaluative Congruity Model offers a theoretical lens through which the study can explore the complex dynamics of customer satisfaction and its relationship with service quality in the banking sector, ultimately contributing to a comprehensive understanding of customer loyalty and organizational performance in the Nepalese banking industry.

### **2.1.2 The Comparison Level Theory**

Critiques of the Expectancy-Disconfirmation paradigm have highlighted limitations in its reliance on predictive expectations created by manufacturers or company reports, neglecting other sources of expectations. This is particularly relevant to the study on service quality and customer satisfaction in the commercial banking sector of Nepal, with a specific focus on Citizens Bank International Limited.

La Tour and Peat (1979) have argued that the Expectancy-Disconfirmation paradigm overlooks important factors like consumers' past experiences and the experiences of other consumers with similar products. They proposed a modification of the Comparison Level Theory, originally introduced by Thibaut and Kelley (1959).

In contrast to the predictive expectations used in the Expectancy-Disconfirmation paradigm, the Comparison Level Theory suggests that the comparison level for a product is determined by multiple factors. Firstly, consumers' prior experiences with similar products shape their expectations and serve as a comparison standard. Secondly, situationally produced

expectations, which are influenced by advertising and promotional efforts, contribute to the comparison level. Lastly, the experiences of other consumers who act as referent persons also influence the comparison level.

Applying this critique and the Comparison Level Theory to the study on service quality and customer satisfaction in the Nepalese commercial banking sector, it becomes evident that customer satisfaction cannot solely rely on predictive expectations set by the bank or its reports. Rather, customers' past experiences with similar banking services, situationally produced expectations influenced by marketing efforts, and the experiences of other customers play crucial roles in determining their satisfaction levels.

By considering these additional determinants of the comparison level, the study can offer a more comprehensive understanding of customer satisfaction in relation to service quality in the context of Citizens Bank International Limited. It recognizes that customer satisfaction is influenced by a broader range of factors beyond the predictions made by the bank, emphasizing the importance of considering customers' past experiences, situational expectations, and the experiences of their peers. This approach will contribute to a more nuanced understanding of the factors driving customer satisfaction and inform strategies for improving service quality and fostering customer loyalty in the Nepalese banking industry.

### **2.1.3 The Value Percept Theory**

Westbrook and Reilly (1983) challenge the Expectancy-Disconfirmation paradigm as the most suitable model for explaining customer satisfaction. They propose the Value-Percept Disparity theory as an alternative. Criticizing the reliance on predictive expectations, they argue that customer satisfaction is more likely to be determined by comparative standards other than expectations. According to the value-percept theory, satisfaction is an emotional response triggered by a cognitive evaluative process comparing perceptions to one's values, needs, wants, or desires. The theory suggests that a growing disparity between one's perceptions and values indicate increasing dissatisfaction.

In their study, Westbrook and Reilly (1983) compared the expectation-confirmation model with the value-percept disparity model. They found that disconfirmation of expectations had a stronger impact on satisfaction than the disparity between value and perceptions. They concluded that both expectations and values are needed to explain customer satisfaction, as

neither model alone was sufficient. Recent studies also suggest the integration of desires and expectations into a single framework, recognizing their combined influence on consumer satisfaction. While the Value-Percept theory has received less support compared to the Expectancy-Disconfirmation paradigm in the context of hospitality and tourism services, the importance of considering both desires and expectations remains significant in understanding customer satisfaction.

## **2.2 Conceptual Review**

### **2.2.1 SERVQUAL Model**

The SERVQUAL Model, introduced in 1985, is a widely used tool for measuring service quality. It focuses on identifying the gap between customer expectations and the actual service received. The model consists of five dimensions of service quality: tangibility, reliability, responsiveness, assurance, and empathy. In the banking sector, these dimensions play a crucial role in assessing service quality (Parasuraman et al., 1985).

Tangibility in the banking sector pertains to the physical facilities, equipment, signage, and personnel appearance. It is important for banks to maintain adequate staff, advanced equipment, and an easily accessible physical layout to enhance customer satisfaction. Reliability emphasizes the delivery of promised services. Banks with a strong reputation and dependability consistently fulfill their commitments to customers, while also ensuring a high level of security.

Responsiveness focuses on the willingness of organizations to assist customers promptly and accurately. Banks often customize their services based on customer needs and provide personalized attention, which contributes to higher customer satisfaction. Assurance entails inspiring trust and confidence in customers through detailed explanations of products and services. Bank staff should ensure that customers understand the offerings and feel comfortable with the provided services.

Finally, empathy involves treating each customer as an individual, recognizing their unique preferences and needs. Bank employees should provide personalized service to enhance customer satisfaction. Overall, organizations in the service sector, particularly in banking, should prioritize enhancing service quality, quickly addressing any issues through research and

feedback, and effectively assessing customer satisfaction. Service quality has become a crucial factor in competition within the service sector.

### **2.2.2 Service Quality**

Service quality plays a significant role in helping companies differentiate themselves from competitors and gain a competitive edge, leading to customer satisfaction. It has garnered attention from both researchers and practitioners. In the realm of services marketing, service quality is defined as the overall evaluation of a service by the customer. By focusing on improving service quality, companies can deliver services that meet or exceed customer expectations, resulting in higher customer satisfaction (Nyeck et al., 2002).

Understanding service quality involves recognizing the unique characteristics of services, such as intangibility, heterogeneity, and inseparability, which contribute to the measurement of service quality. In this study, service quality is defined as the disparity between customers' expectations of service performance prior to the service encounter and their perceptions of the actual service received. Customer expectations serve as a benchmark for evaluating service quality, with higher quality associated with performance that surpasses expectations (Nasr et al., 2012).

Perceived service encompasses the customer's overall perception of a service, considering both technical and functional dimensions. The customer's perception is influenced by the outcome of the service, which can be value-added or indicative of quality, as well as the process, which involves the customer's role in the service encounter. Perceived quality, distinct from satisfaction, is considered an attitude resulting from customers' comparisons between their expectations and their actual perceptions of service performance.

By gaining a deeper understanding of customer attitudes, companies can better assess how customers perceive service quality and work towards enhancing it. This study aims to fill the research gap by investigating the relationship between service quality and customer satisfaction, particularly in the context of Nepal's commercial banks. Previous research in Nepal has primarily focused on other aspects of banking, rather than exploring strategies for improving service quality and leveraging technology to enhance customer satisfaction. Through this study, the role of technology in service quality and its impact on customer

satisfaction will be examined, with a focus on leveraging modern technologies to create a conducive financial environment for efficient service delivery (Gustafsson et al., 1999).

### **2.2.3 Customer Satisfaction**

Customer satisfaction is determined by the alignment between customers' expectations and their perceptions of service performance. It is closely linked to perceived service quality and is often assessed through the expectancy-disconfirmation paradigm. When customers compare their initial expectations with the actual quality of the service or product they receive, they experience satisfaction. This satisfaction is specific to each transaction or can be cumulative, taking into account the overall evaluation of the service experience (Magi & Julander, 1996).

Customer satisfaction is an attitude that develops as a result of interactions between customers and service providers. It is influenced by multiple factors and can be measured using various indicators. Affective evaluation plays a role in shaping customer satisfaction, and this evaluation typically occurs after the purchase experience. Organizations that consistently meet customer expectations and satisfy their needs benefit from higher customer retention rates and increased profitability (Jones & Suh, 2000).

To maintain customer satisfaction, it is crucial for service providers to understand customers' expectations and perceptions of the services they offer. By assessing service quality and striving to meet customer expectations, organizations can enhance customer satisfaction. The Commercial Bank of Nepal can focus on improving service quality and prioritizing customer satisfaction to achieve positive outcomes (Wicks & Roethlein, 2009).

### **2.3 Empirical Review**

Gonu et al. (2023) examined 'Customer orientation, service quality and customer satisfaction interplay in the banking sector: An emerging market perspective'. The objective of this study was to investigate whether service quality had an impact on the relationship between customer orientation and customer satisfaction. The research employed a quantitative approach and utilized a descriptive survey design. Data from 391 customers of commercial banks were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). The findings revealed that customer orientation was a significant predictor of customer satisfaction in the banking industry. Furthermore, it was observed that customer satisfaction could be enhanced

by improving service quality, and service quality played a partial mediating role in the relationship between customer orientation and customer satisfaction. Based on the results, the study recommended that policymakers should formulate comprehensive policies and guide commercial bank management in implementing customer orientation programs.

Herman (2022) analyzed 'The Impact of Service Quality on Customer Satisfaction: A Case Study in Educational Institutions'. The purpose of this study was to ascertain how service quality affects student satisfaction. 81 people made up the study's sample. The researcher employed both descriptive and quantitative analysis techniques to examine the study's data. According to the findings of the descriptive analysis, respondents' responses to the variables measuring service quality and student happiness are both in agreement. According to research findings from quantitative analysis, student happiness is positively and significantly impacted by service quality.

Rahuman et al. (2022) analyzed 'Service Quality and Customer Satisfaction: Evidence From State Commercial Banks in Ampara District'. The research study conducted an empirical examination of the effects of service quality dimensions on improving customer satisfaction in state commercial banks located in the Ampara district. A deductive approach was used to quantitatively analyze the data. The study aimed to identify the factors that determine service quality and customer satisfaction. Data was collected from 275 customers in the Ampara district, and a conceptual model was developed, categorizing factors into human-related and non-human-related categories. Hypotheses were formulated to investigate the relationship between service quality and customer satisfaction. The research study empirically demonstrated a positive relationship between service quality and customer satisfaction, with human-related factors having a greater impact on customer satisfaction compared to non-human-related factors. Specifically, reliability and assurance emerged as the most influential determinants of customer satisfaction in the state commercial banking industry. Based on the findings, the study recommended that state commercial banks prioritize their efforts on improving human-related factors over non-human-related factors in order to enhance their service quality and attract and retain valuable customers.

Tien et al. (2021) explored 'Factors affecting customer satisfaction on service quality at joint stock commercial banks in Vietnam'. Emerging from the practical necessity of attracting a

large customer base, maximizing the market potential, dominating market share, and maximizing profitability, the study aimed to investigate and improve customer satisfaction at Bac A Bank. The research involved surveying 200 customers through interview questionnaires, utilizing a convenient non-probability sampling method. Variables were measured using a 5-level Likert scale, and data analysis was performed using SPSS software. The study examined the influence of five factors, namely reliability, responsiveness, service capacity, empathy, and tangibility, on customer satisfaction. Furthermore, the research explored the variations in customer satisfaction based on individual characteristics such as age, gender, education level, occupation, income, and duration of service usage. Based on the research findings and in consideration of the bank's development objectives and strategies, the study proposed several solutions aimed at enhancing customer satisfaction.

Nunkoo et al. (2020) evaluated 'Service quality and customer satisfaction: The moderating effects of hotel star rating'. By employing a multi-group analysis and conducting an importance-performance map analysis using PLS-SEM, the study successfully differentiated the performance scores of service quality and their impacts on customer satisfaction across accommodations with different star ratings. The findings revealed that for one-star and two-star category accommodations, the most crucial factors influencing satisfaction were the quality of the accommodation infrastructure and the expertise of the employees. However, both factors were found to have relatively low levels of performance. In the case of three-star establishments, safety and security, along with room quality, emerged as significant determinants of satisfaction, although they fell short in terms of safety and security performance. For four-star and five-star accommodations, waiting time and customer interaction, which both received above-average performance scores, were identified as influential factors for customer satisfaction.

Mulazid et al. (2020) analyzed 'Attributes of Islamic bank service quality: A survey to map metropolitan customer satisfaction'. The objective of this study was to examine the service quality of Islamic banking in Jakarta. The researchers collected data randomly from customers in metropolitan areas using the CARTER approach, which includes Compliance, Assurance, Reliability, Tangibles, Empathy, and Responsiveness as dimensions to measure the customer satisfaction index and conduct an importance performance analysis. The overall findings indicated that customers in metropolitan areas were satisfied with the services provided by

Islamic banks. However, certain gaps were identified in specific service attributes. Consequently, there is a need for continuous improvement in areas such as utilizing information technology effectively (e-Banking), enhancing the banks' responsiveness to address problems and complaints promptly, and fostering a hospitable environment where employees attentively serve customers. The study highlights the importance of addressing the identified gaps to further enhance the service quality of Islamic banking. Improving the utilization of information technology can enhance the efficiency and convenience of e-Banking services. Additionally, enhancing responsiveness to customer issues and complaints is crucial for ensuring customer satisfaction. Finally, fostering a hospitable and customer-centric culture among employees is essential for providing exceptional service experiences. By addressing these areas for improvement, Islamic banks can strive towards delivering superior service quality to their customers in the metropolitan areas of Jakarta.

Khatab et al. (2019) examined 'The influence of service quality on customer satisfaction: Evidence from public sector and private sector banks in Kurdistan/Iraq'. The aim of this research study was to assess the satisfaction levels of banking clients regarding the quality of services provided by their banks and their overall satisfaction with the bank. The study examined service quality from various perspectives and aimed to identify which dimensions of service quality could enhance customer satisfaction. Stratified random sampling was employed to select respondents from diverse demographic backgrounds, and both government and private sector banks were included in the sample. A structured questionnaire was used to collect data from 384 participants through convenience sampling. The findings revealed a significant and positive association between service quality, including its dimensions, and customer satisfaction. Given the significant growth and fierce competition in the banking sector, particularly in the Kurdistan region, this study sought to explore this phenomenon and provide empirical evidence highlighting the crucial role of service quality in customer satisfaction.

Hammoud et al. (2018) analyzed 'The impact of e-banking service quality on customer satisfaction: Evidence from the Lebanese banking sector'. The objective of this study was to explore the relationship between dimensions of E-Banking service quality and customer satisfaction, specifically identifying the dimension that had the greatest potential to influence customer satisfaction. Data was collected through a survey distributed among clients of banks

in the Lebanese banking sector. Statistical analysis of the data was conducted using structural equation modeling with SPSS and Amos (20). The results revealed that reliability, efficiency, and ease of use; responsiveness and communication; and security and privacy all had a significant impact on customer satisfaction. Among these dimensions, reliability was found to have the strongest influence on customer satisfaction. The implementation of E-Banking has become crucial for banks to enhance customer satisfaction and gain a competitive edge. Understanding the relative importance of different service quality dimensions can assist the banking industry in prioritizing areas that have the greatest impact on customer satisfaction. Finding of the research revealed that four independent variables (efficiency and ease of use, reliability, security and privacy, and responsiveness and communication) as related to the quality of E-Banking services have a significant effect on customer satisfaction in the Lebanese banking sector

Hennayake (2017) assessed 'Impact of service quality on customer satisfaction of public sector commercial banks: A study on rural economic context'. Against this research backdrop, the primary objective of this study was to explore how perceived service quality factors affect customer satisfaction. Data was collected from 210 respondents in the Puttlam District. A deductive approach was employed to develop the conceptual framework and formulate hypotheses accordingly. The survey method was utilized for data collection, and data analysis was performed using SPSS 20 software. The hypotheses were tested through correlation and regression analyses. The findings revealed that the Human Related Factors of perceived service quality had a significant influence on customer satisfaction, with Reliability and Responsiveness emerging as the most influential factors. The study concludes by providing managerial implications and research propositions for the service marketing domain.

Ali and Omar (2016) analyzed 'Relationship between e-banking service quality and customer satisfaction in commercial banks in Jordan'. The purpose of this study was to investigate the correlation between e-banking service qualities and customer satisfaction in the commercial banking industry of Jordan. The research employed Partial Least Squares Structural Equation Modeling (PLS-SEM) to analyze the causal relationships between exogenous variables and the endogenous variable. A model was developed and subsequently tested using the Partial Least Squares (smart PLS) procedure with data collected from a survey, resulting in 107 usable questionnaires. The findings indicated that the efficiency of online service quality and

responsiveness of online service quality had a significant and positive impact on customer satisfaction within the commercial banking industry in Jordan. These findings suggest that the relationship between the efficiency of online service quality, responsiveness of online service quality, and customer satisfaction can contribute to the profitability of commercial banks.

Osman et al. (2015) examined 'An empirical study of direct relationship of service quality, customer satisfaction and bank image on customer loyalty in Malaysian commercial banking industry'. The objective of this study was to investigate the direct effects of service quality, customer satisfaction, and image on customer loyalty in the Malaysian commercial banking industry. The research utilized a Structural Equation Model (SEM) to analyze the causal relationships between the exogenous variables and the endogenous variable. A model was developed and tested using the Partial Least Square (PLS) procedure with data obtained from a survey, resulting in 512 usable questionnaires. The findings revealed that service quality, customer satisfaction, and image had significant and positive impacts on customer loyalty in the Malaysian commercial banking industry. To enhance the study's robustness, it is suggested to employ an experimental design and gather longitudinal data in the Malaysian commercial banking industry using reliable measures. The results imply that the relationship between service quality, satisfaction, trust, and customer loyalty can ultimately contribute to the profitability of commercial banks.

Karim and Chowdhury (2014) assessed 'Customer satisfaction on service quality in private commercial banking sector in Bangladesh'. Researcher claimed that customer satisfaction plays a vital role in the success of service-oriented organizations, including banks. Service quality has been recognized as a key factor influencing customer satisfaction. This study aimed to examine the impact of service quality on customer satisfaction in the private sector banks of Bangladesh. The study focused on five dimensions of service quality, namely tangibility, reliability, responsiveness, empathy, and assurance, as proposed by Parasuraman, Zeithaml, and Berry in 1985. Data was collected through a structured questionnaire using a 5-point Likert scale via a survey approach. The sample size consisted of 110 participants selected conveniently. The collected data was analyzed using SPSS software (version: 17). The results of the study revealed that tangibility, reliability, responsiveness, assurance, and empathy had a significant and positive influence on customer attitudes and satisfaction. This implies that the

dimensions of service quality are crucial for enhancing customer satisfaction in the private commercial banking sector of Bangladesh.

Ariff et al. (2013) examined 'The impacts of service quality and customer satisfaction on customer loyalty in internet banking'. This study investigated the relationship and impact of e-service quality (e-SQ) and e-satisfaction on e-loyalty in the context of internet banking. A modified version of the E-SERVQUAL instrument was utilized to assess e-SQ for the internet banking service provided by a commercial bank in Malaysia. Questionnaires were randomly collected from 265 users of internet banking. The findings revealed that e-SQ for internet banking service encompassed assurance-fulfillment, efficiency-system availability, privacy, contact-responsiveness, and website aesthetics and guide. The aspects of website aesthetics and guide, efficiency-system availability, and contact-responsiveness of e-SQ positively influenced e-satisfaction. Furthermore, e-satisfaction was significantly associated with e-loyalty. The study also identified that e-satisfaction partially mediated the relationship between website aesthetics and guide of e-SQ and customer e-loyalty. The results emphasized the importance of the attractiveness and appearance of banks' websites, as well as the provision of information and guidance, in influencing internet banking users. This suggests that in the realm of internet banking, besides the technical and functional aspects of banks' websites and e-SQ, factors such as website aesthetics and guidance play a crucial role in ensuring quality e-SQ, which ultimately leads to e-satisfaction and e-loyalty.

Auka (2012) analyzed 'Service quality, satisfaction, perceived value and loyalty among customers in commercial banking in Nakuru Municipality, Kenya'. Researcher Claimed that Service firms have increasingly acknowledged the importance of customer loyalty in establishing and sustaining a competitive advantage. Customer loyalty has a positive impact on firm performance. However, there is limited consensus on the factors that determine customer loyalty in commercial banks. Thus, this research paper aimed to investigate the influence of service quality, perceived value, and satisfaction on customer loyalty in commercial banks. To achieve this objective, data was collected using a questionnaire from 381 respondents who were selected through stratified random and systematic sampling methods. The collected data was analyzed using Pearson correlation and regression techniques. The findings revealed a positive and significant relationship between service quality, customer satisfaction, customer value, and customer loyalty. The study also identified service quality,

customer value, and satisfaction as critical success factors that contribute to the competitiveness of an organization. Based on these findings, it is recommended that banks adopt a model that incorporates these three constructs to enhance customer loyalty, improve performance, and gain a competitive advantage.

Table 1

*Summary of Empirical Review*

S.N.	Authors	Article/Thesis	Objective	Methodology	Finding
1	Gonu et al. (2023)	Customer orientation, service quality and customer satisfaction interplay in the banking sector: An emerging market perspective The Impact of Service Quality on Customer Satisfaction: A Case Study in Educational Institutions	To respond to the question of whether service quality could influence the effect of customer orientation on customer satisfaction.	Descriptive Survey Design	Customer satisfaction had improved when there was an enhancement in service quality, and service quality played a partial role in the relationship between customer orientation and customer satisfaction.
2	Herman (2022)	Service Quality and Customer Satisfaction: Evidence From State Commercial Banks in Ampara District	To ascertain how service quality affects student satisfaction	Descriptive And Quantitative Analysis	Student happiness is positively and significantly impacted by service quality.
3	Rahuman et al. (2022)	Service Quality and Customer Satisfaction: Evidence From State Commercial Banks in Ampara District	To examine the relationship exist between the service quality and customer satisfaction. The	Descriptive Approach	There is a positive relationship exist between the service quality and customer satisfaction while human related factors have great impact on customer satisfaction than the non- human related factors.

4	Tien et al. (2021)	Factors affecting customer satisfaction on service quality at joint stock commercial banks in Vietnam	To examine the influence of five factors, namely reliability, responsiveness, service capacity, empathy, and tangibility, on customer satisfaction	Descriptive Approach And Correlational Research Design	Customer satisfaction is influenced by five factors: Reliability, Responsiveness, Service capacity, Empathy, and Tangibility. Among these factors, Tangibility and Empathy were identified as having the most significant impact. The findings of the research indicate that customer satisfaction is influenced by five factors: Reliability, Responsiveness, Service capacity, Empathy, and Tangibility. Among these factors, Tangibility and Empathy were identified as having the most significant impact.
5	Nunkoo et al. (2020)	Service quality and customer satisfaction: The moderating effects of hotel star rating	To analyze the Service quality and customer satisfaction in hotel sector	Partial Least Squares Structural Equation Modelling (PLS-Sem)	One-star and two-star category accommodations, the most crucial factors influencing satisfaction were the quality of the accommodation infrastructure and the expertise of the employees.
6	Mulazid et al. (2020)	Attributes of islamic bank service quality: A survey to map metropolitan customer satisfaction	To examine the service quality of Islamic banking in Jakarta.	CARTER	Customers in metropolitan areas were satisfied with the services provided by Islamic banks. However, certain gaps were identified in specific service attributes
7	Khatab et al. (2019)	The influence of service quality on customer satisfaction: Evidence from public sector and private sector banks in kurdistan/iraq	To assess the satisfaction levels of banking clients regarding the quality of services provided by their banks and their overall	Description And T-Test	There is a significant and positive association between service quality, including its dimensions, and customer satisfaction.

			satisfaction with the bank.		
8	Hammoud et al. (2018)	The impact of e-banking service quality on customer satisfaction: Evidence from the Lebanese banking sector	To explore the relationship between dimensions of E-Banking service quality and customer satisfaction	Structural Equation Modeling	Four independent variables (efficiency and ease of use, reliability, security and privacy, and responsiveness and communication) as related to the quality of E-Banking services have a significant effect on customer satisfaction in the Lebanese banking sector
9	Hennayake (2017)	Impact of service quality on customer satisfaction of public sector commercial banks: A study on rural economic context	To explore how perceived service quality factors affect customer satisfaction.	Descriptive , Correlation And Regression Analysis	Human Related Factors of perceived service quality had a significant influence on customer satisfaction, with Reliability and Responsiveness emerging as the most influential factors
10	Ali & Omar (2016)	Relationship between e-banking service quality and customer satisfaction in commercial banks in Jordan	To examine the relationship between e-banking service qualities on customer satisfaction in the commercial banking industry in Jordan.	Partial Least Squares Structural Equation Modelling (PLS-Sem)	Efficiency of online service quality and Responsiveness of online service quality have significant and positive influence on customer satisfaction in the commercial banking industry in Jordan.
11	Osman et al. (2015)	An empirical study of direct relationship of service quality, customer satisfaction and bank image on	To develop a direct effect understanding of service quality, customer satisfaction and image on customer	Partial Least Square (PLS)	Service quality, customer satisfaction, and image had significant and positive impacts on customer loyalty in the Malaysian commercial banking industry.

		customer loyalty in Malaysian commercial banking industry	loyalty in Malaysian commercial banking industry		
12	Karim & Chowdhury (2014)	Customer satisfaction on service quality in private commercial banking sector in Bangladesh	To examine the impact of service quality on customer satisfaction in the private sector banks of Bangladesh.	Descriptive Analysis And Regression Analysis	Tangibility, reliability, responsiveness, assurance, and empathy had a significant and positive influence on customer attitudes and satisfaction.
13	Ariff et al. (2013)	The impacts of service quality and customer satisfaction on customer loyalty in internet banking	To examine the relationship and impacts of e-service quality (e-SQ) and e-satisfaction on e-loyalty in internet banking.	Hierarchical Regression Analysis	There is importance of attractiveness, appearance, and the provision of information and guidance in internet banking websites for users. The findings suggest that, in addition to technical and functional aspects such as efficiency, fulfillment, and system availability, the aesthetic value and proper guidance of websites are crucial factors in ensuring the quality of e-SQ, which ultimately leads to e-satisfaction and e-loyalty.
14	Auka (2012)	Service quality, satisfaction, perceived value and loyalty among customers in commercial banking in Nakuru Municipality, Kenya	To analyze the influence of service quality, perceived value, and satisfaction on customer loyalty in commercial banks. to investigate the influence of service quality, perceived value, and satisfaction on	Pearson Correlation And Regression Techniques	There is a positive and significant relationship between service quality, customer satisfaction, customer value, and customer loyalty.

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customer  
loyalty in  
commercial  
banks.

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### 2.3 Research Gap

Based on the literature review, significant research gaps are evident in the areas of context, time frame, variables, and methodology. Previous studies have not adequately explored the specific context of service quality and customer satisfaction in commercial banks in Nepal, particularly focusing on Citizens Bank International Limited, indicating a context gap. Moreover, there is a time gap as recent data up to 2023 has not been utilized, potentially overlooking recent developments in the banking sector. Additionally, certain dimensions of service quality, such as reliability, empathy, responsiveness, tangibility, assurance, and communication, have not been thoroughly investigated in the Nepalese banking context, highlighting a variable gap. Lastly, variations in research methodologies and analytical techniques employed in previous studies pose a methodology gap, limiting the comparability of results. This study addresses these gaps by employing descriptive and causal comparative research designs, analyzing key dimensions of service quality, including reliability, empathy, responsiveness, tangibility, assurance, and communication.

Agbor (2011) conducted a study examining the correlation between customer satisfaction and service quality. The research yielded distinct findings regarding the relationship between different dimensions of service quality and customer satisfaction. Specifically, the study revealed that ICA and Forex exhibited a significant relationship between service quality and customer satisfaction, whereas Umeå University did not show a significant relationship between these factors. Additionally, the overall results indicated that responsiveness, empathy, and reliability were significantly associated with service quality, while reliability and empathy were significantly related to customer satisfaction. However, responsiveness did not

demonstrate a significant correlation with customer satisfaction. Notably, service quality was found to have a significant impact on customer satisfaction.

In the context of Nepal, research on customer happiness and service quality within commercial banks is scarce. Previous studies have primarily focused on different aspects of banking rather than exploring strategies to enhance service quality and guidelines for banks to effectively utilize advanced technology for service provision. Additionally, no research has been conducted to illustrate the influence of technology on service quality and its potential to increase customer satisfaction through innovative service delivery methods. This study aims to bridge this research gap by examining the role of technology as a factor in service quality within the service industry. By exploring the impact of technology on service quality, this study aims to contribute to a deeper understanding of customer satisfaction and service quality dynamics in Nepal's commercial banking sector. Furthermore, the study seeks to optimize the utilization of modern technologies in service delivery, ultimately fostering a more favorable financial environment for the provision and receipt of services.

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

This chapter delves into the intricacies of the research methodology employed to achieve the study's objectives. Utilizing a quantitative research design, the study hinged on the distribution of structured questionnaires amongst patrons of Nepal's commercial banks, thereby elucidating their perspectives and experiential insights. Supplementary information was also gleaned from secondary sources to augment the dataset. Subsequently, a precise analysis of the amassed data was executed employing statistical tools such as correlation and regression analyses. This analytical undertaking unearthed the intricate interrelations between multifaceted variables, including the nuanced dynamics between service quality and customer satisfaction. In essence, this chapter serves as an intellectual compass, navigating through the methodological underpinnings that facilitated a comprehensive exploration of the realms of service quality and customer satisfaction within Nepal's commercial banking sector.

#### **3.1 Research Design**

A research design is essentially the architectural structure that orchestrates the orchestration of data collection and analysis, harmonizing the essential alignment of research objectives with the practical intricacies of data gathering (Bloomfield & Fisher, 2019). It's a conceptual framework that underpins the entire research endeavor. In this context, the research design is akin to a precisely charted course guiding the expedition into the realm of investigation.

In the context of this study, a comprehensive quantitative approach was adopted, encompassing both descriptive and causal comparative research designs. The descriptive design facilitated a methodical delineation and explication of the distinctive attributes characterizing the variables under scrutiny. This approach lent clarity to the inherent characteristics of service quality and customer satisfaction within Nepal's commercial banking sector. Simultaneously, the causal comparative design delved into the intricate interplay of cause-and-effect relationships woven into the fabric of these variables. By scrutinizing how changes in one variable could potentially reverberate across another, this design illuminated the intricate dynamics at play within the commercial banking landscape.

### **3.2 Population and Sample, and Sampling Design**

The population under consideration for this study comprised all customers associated with the various branches of Citizen Bank International Ltd in Nepal. This encompassed a diverse array of individuals who have engaged with the bank's services. However, for the specific focus of examining customer satisfaction levels, the study homed in on a particular subset of this population. This subset was confined to the customer base of Citizen Bank International Ltd. (CZBIL), one of the prominent commercial banks in Nepal. By narrowing the focus to CZBIL, the study aimed to derive insights specifically applicable to this bank's operations and customer interactions.

To enable a comprehensive yet manageable analysis, a sample was carefully selected from the CZBIL customer population. The sample, in this context, represented a smaller group chosen from the larger population of CZBIL customers. In total, 400 customers were selected as the sample size. This sample size was thoughtfully determined to strike a balance between capturing a sufficient diversity of customer experiences and ensuring the feasibility of data collection, processing, and analysis within the study's defined scope and resources.

The sampling design employed in this study was characterized by a convenience sampling approach. This method was chosen as it provided practicality and accessibility in selecting the sample. In essence, the researcher had the flexibility to choose participants based on their availability and willingness to participate. This convenience sampling method allowed the researcher to efficiently gather data from CZBIL customers, streamlining the process and enabling a manageable study within the constraints of time and resources.

### **3.3 Nature and Sources of Data and the Instrument of Data Collection**

The foundation of this research study was firmly grounded in a quantitative research approach, which relied on the systematic collection and analysis of numerical data to achieve its research objectives. This approach aimed to provide a robust and structured framework for understanding the relationships between variables under investigation. By employing this approach, the study aimed to derive objective and quantifiable insights that could contribute to a deeper comprehension of the research problem.

Central to the data collection strategy was the selection of a suitable instrument that could effectively capture the required information from the study participants. To this end, a research questionnaire was precisely designed and chosen as the primary tool for gathering primary data. This questionnaire was precisely structured, integrating a variety of question formats such as multiple-choice questions and a Five-point Likert scale. This judicious mix of question formats ensured a comprehensive coverage of the research dimensions, allowing for both quantitative and qualitative insights. The structured questionnaire, serving as the cornerstone of data collection, was thoughtfully engineered to solicit pertinent responses from the respondents and facilitate a methodical analysis.

With a firm foundation in place, the data collection process was executed with precise care. The structured questionnaires, embodying the core of the data collection endeavor, were systematically distributed among the identified respondents. These respondents were thoughtfully selected from the sample population to ensure a representative cross-section of participants. Clear instructions and guidance were provided to the respondents, equipping them to provide accurate and meaningful responses to the questionnaire items. Each respondent's perspective was captured through a precise marking of choices and preferences using the provided Likert scale. Once this critical phase was completed, the collected questionnaires were gathered from the respondents, signifying the conclusion of the data collection process.

### **3.4 Method of Analysis**

Following the data collection phase, a thorough and detailed process will be initiated. This process involves meticulously reviewing the data to identify and rectify any errors, systematically categorizing it, and ensuring accurate documentation. This task will be facilitated through the utilization of computer tools such as Microsoft Excel and SPSS, which will enhance the efficiency of the process. The primary objective of this step is to ensure the accuracy of the data and its alignment with the initial research objectives.

The subsequent phase involves data analysis, aiming to comprehend participants' responses and their correlations with various factors under examination. This analytical stage will encompass the application of diverse statistical tests and calculations. This includes determining averages, assessing variations, and exploring potential associations among different variables. The statistical tools adopted in this study will provide a comprehensive

framework for interpreting the collected data and extracting meaningful insights. Ultimately, this analytical endeavor serves to uncover patterns, trends, and relationships within the data, contributing to a robust and insightful research outcome. Following were the statistical tools used for this study.

### 3.4.1 Descriptive Statistics

Descriptive statistics refers to the analysis and summarization of data using various numerical and graphical techniques to gain insights into its key characteristics and trends (Trochim, 2006). In this study, descriptive statistics were employed to assess the present status of service quality dimensions, including reliability, empathy, responsiveness, tangibility, assurance, communication, and customer satisfaction, within the context of commercial banks in Nepal. These statistical methods allowed for the examination of central tendencies, dispersion, and patterns of these variables, providing a comprehensive overview of the current state of service quality in the banking sector. This approach facilitated the identification of potential strengths and areas for improvement, aiding in strategic decision-making to enhance the overall quality of services provided by the banks.

### 3.4.2 Correlation Analysis

Correlation analysis is a statistical technique that assesses the degree of linear relationship between two or more variables. It quantifies the strength and direction of the association between variables. In the context of this study, correlation analysis was employed to examine the relationship between service quality dimensions, such as reliability, empathy, responsiveness, tangibility, assurance, communication, and customer satisfaction in commercial banks of Nepal. This analysis helps to understand how changes in one variable are related to changes in another variable, shedding light on the interdependencies between these constructs (Mukaka, 2012). Karl Pearson Correlation coefficient was used in this study to evaluate the relationship.

The correlation coefficient between two variables is also calculated by using the following formula:

$$\text{Correlation Coefficient}(r) = \frac{n \sum xy - \sum x \sum y}{\sqrt{n \sum x^2 - (\sum x)^2} \sqrt{n \sum y^2 - (\sum y)^2}}$$

Where,

n = Number of responses

x = Value of independent variable

y= Value of dependent variable

### 3.4.3 Regression Analysis

Regression analysis is a statistical technique used to examine the relationship between a dependent variable and one or more independent variables. In the context of this study, regression analysis was employed as a causal research design to assess the impact of service quality dimensions, such as reliability, empathy, responsiveness, tangibility, assurance, communication, on the dependent variable of customer satisfaction in commercial banks of Nepal. This analysis allows for the identification and quantification of the extent to which variations in the independent variables contribute to variations in the dependent variable, providing insights into the strength and nature of the relationships (Hair et al., 2014). Regression equation used for this study was as follows.

$$Y_{CUS} = \alpha + \beta_1 REL + \beta_2 EMP + \beta_3 RES + \beta_4 TNG + \beta_5 ASU + \beta_6 COM + e \dots\dots\dots Eq (1)$$

Where,

CUS = Customer Satisfaction

REL = Reliability

EMP = Empathy

RES = Responsiveness

TNG = Tangibility

ASU = Assurance

COM = Communication

e = Error

$\alpha$  = Intercept Term

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6$  = Coefficients

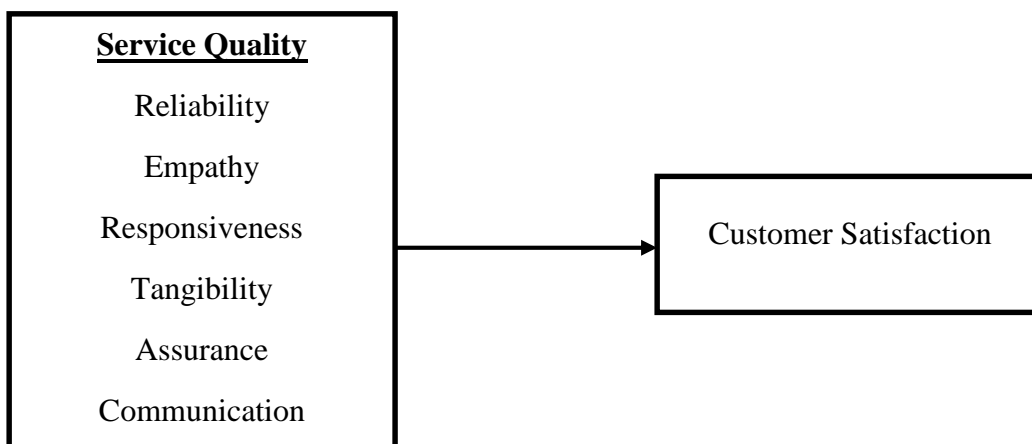
### 3.5 Research Framework and Definition of Variables

A conceptual framework serves as an intricate analytical instrument that spans various dimensions and contexts. It elucidates the intricate journey of research, providing a solid foundation for inquiry. The overarching objective of a conceptual framework lies in imbuing research discoveries with heightened significance, fostering congruence with prevailing theoretical constructs within the research domain, and facilitating broader applicability.

In the context of this research, the conceptual framework encompasses a set of interrelated elements that form the crux of the investigation. Specifically, the study is anchored in the utilization of service quality as the independent variable, comprising multifaceted dimensions such as Reliability, Empathy, Responsiveness, Tangibility, Assurance, and Communication. These dimensions collectively shape the quality of service provided by the research subjects.

#### Independent Variable

#### Dependent Variable



*Figure 1 Research Framework based on Ghimire (2021)*

Variables used in this study was as follows.

### **Reliability**

Reliability, as a fundamental aspect of service quality, refers to the consistency and dependability of a service provider's ability to deliver accurate and promised services to customers (Parasuraman et al., 1988). It assures customers that the service will be performed accurately and consistently, which fosters trust and confidence in their interactions with the service provider.

### **Empathy**

Empathy in the context of service quality reflects the service provider's capacity to understand and address the unique needs, concerns, and emotions of customers (Liao & Chuang, 2004). This dimension involves showing genuine care and consideration for customers, creating a personalized and human connection that enhances their overall experience.

### **Responsiveness**

Responsiveness pertains to the willingness and ability of service providers to promptly address customer inquiries, requests, and concerns (Spreng et al., 1996). It plays a crucial role in enhancing customer satisfaction by minimizing wait times and demonstrating attentiveness to customer needs, thereby building positive perceptions of service quality.

### **Tangibility**

Tangibility focuses on the physical and visual elements of the service encounter, including the appearance of facilities, equipment, and service personnel (Carman, 1990). These tangible cues contribute to forming customers' perceptions of professionalism, competence, and overall service quality.

### **Assurance**

Assurance involves instilling confidence and trust in customers by demonstrating the competence, knowledge, and professionalism of service personnel (Zeithaml et al., 1996). It assures customers that their needs will be met and their interactions will be handled with expertise, enhancing their overall satisfaction.

## **Communication**

Communication, as a vital dimension of service quality, plays a pivotal role in shaping customer satisfaction within the context of commercial banking and various service industries. Effective communication involves the clear and efficient exchange of information, ideas, and feedback between customers and service providers. Here's a closer look at how communication impacts customer satisfaction (Parasuraman & Zinkhan, 2002).

## **Customer Satisfaction**

Customer satisfaction is a multifaceted construct representing the extent to which customers' expectations and perceptions of a product or service align positively (Anderson & Sullivan, 1993). It's a crucial indicator of the overall success of a business, influencing customer loyalty, repeat purchase behavior, and word-of-mouth recommendations (Fornell, 1992). This alignment between customer expectations and their perceived experiences determines whether customers view their interaction with a product or service provider as favorable, underscoring the significance of satisfying customers' needs and preferences (Oliver, 1997).

## **CHAPTER IV**

### **RESULTS AND DISCUSSION**

In this chapter, the main focus is on the presentation and analysis of the data gathered in the course of the study. The goal is to conduct a thorough examination of the findings and to uncover their implications, with special attention given to comparing these results with those of earlier research endeavors. Through a meticulous analysis, this chapter seeks to illuminate the connection between the independent variables and customer satisfaction, all the while extracting pertinent insights from prior studies to furnish a more extensive backdrop for the research finding

#### **4.1 Demographic Profile of Respondents**

In the demographic profile section of the questionnaire, the researcher systematically collected vital information from the respondents to gain a deeper understanding of the sample composition. These demographic details encompassed key aspects such as gender, age group, profession, monthly income level, account type, and academic qualifications. The purpose behind gathering this demographic data was to ensure the inclusivity and representativeness of the sample. This diverse representation was critical in facilitating a comprehensive and well-rounded analysis of service quality and customer satisfaction within the commercial banks of Nepal.

These demographic variables offer a multifaceted view of the respondents' backgrounds, adding a layer of complexity to the interpretation of research findings. By considering factors like age, profession, income, and education, the study aimed to capture a broad spectrum of customer perspectives, allowing for more nuanced insights into how various demographic groups perceive and interact with the banking services provided. This inclusive approach enhances the study's applicability and the relevance of its conclusions to different segments of the population.

Table 2  
*Demographic Profile of Respondents*

	<b>Variables</b>	<b>Frequency</b>	<b>Percent</b>
Gender	Male	274	68.50
	Female	126	31.50
	Total	400	100.00
Age Group	Below 20	16	4.00
	20 to 35	179	44.75
	36 to 50	160	40.00
	51 and above	45	11.25
	Total	400	100.00
Profession	Business	81	20.25
	Self Employed	90	22.50
	Employment	211	52.75
	Other	18	4.50
	Total	400	100.00
Level of Monthly Income	Below 20,000	23	5.75
	20,001 to 40,000	102	25.50
	40,001 to 60,000	184	46.00
	60001 and above	91	22.75
	Total	400	100.00
Type of Account	Saving Account	252	63.00
	Fixed Account	71	17.75
	Current Account	43	10.75
	Other Account	34	8.50
	Total	400	100.00
Academic Qualification	SLC	27	6.75
	10+2	33	8.25
	Bachelors	296	74.00
	Masters and above	44	11.00
	Total	400	100.00

*Source: Field Survey, 2023*

Table 2 provides the demographic profile of respondents. The gender distribution within the sample was fairly balanced, with 274 respondents (68.50%) identifying as male and 126 respondents (31.50%) as female.

Respondents spanned a range of age groups, with 16 individuals (4.00%) falling below the age of 20, 179 respondents (44.75%) aged between 20 and 35, 160 respondents (40.00%) between 36 and 50, and 45 respondents (11.25%) aged 51 and above.

The sample encompassed a diverse range of professions, with 81 respondents (20.25%) engaged in business, 90 (22.50%) identifying as self-employed, 211 (52.75%) employed in various occupations, and 18 (4.50%) falling into the "Other" category.

The income distribution revealed that 23 respondents (5.75%) earned below 20,000, 102 respondents (25.50%) reported incomes ranging from 20,001 to 40,000, 184 respondents (46.00%) fell within the bracket of 40,001 to 60,000, and 91 respondents (22.75%) enjoyed monthly incomes of 60,001 and above.

The majority of respondents 252 (63.00%) held saving accounts, followed by 71 (17.75%) with fixed accounts, 43 (10.75%) maintaining current accounts, and 34 (8.50%) with other types of accounts.

The academic background of respondents varied, with 27 individuals (6.75%) holding SLC qualifications, 33 (8.25%) having completed 10+2, 296 (74.00%) possessing bachelor's degrees, and 44 (11.00%) achieving master's degrees or higher.

## **4.2 Descriptive Statistics**

Descriptive statistics were employed to comprehensively examine the public's perception of various key factors, including reliability (REL), empathy (EMP), responsiveness (RES), tangibility (TNG), assurance (ASU), and communication (COM), in relation to their impact on customer satisfaction. This statistical analysis facilitated a thorough understanding of how individuals perceived these critical aspects of service quality and how they collectively influenced the overarching concept of customer satisfaction. Through measures such as mean scores, standard deviations, and frequency distributions, the study gained valuable insights into the extent to which each of these variables contributed to shaping public opinion and, consequently, customer satisfaction.

Table 3  
*Descriptive Statistics*

<b>Variables</b>	<b>N</b>	<b>Min</b>	<b>Max</b>	<b>Mean</b>	<b>S.D.</b>
REL	400	1.00	5.00	3.985	0.672
EMP	400	1.00	4.80	3.929	0.673
RES	400	1.00	4.60	3.508	0.522
TNG	400	1.00	4.60	3.423	0.568
ASU	400	1.00	4.80	3.456	0.526
COM	400	1.80	4.40	3.336	0.478
CUS	400	1.50	4.63	3.753	0.459

*Source: Field Survey, 2023*

The respondents' perception of reliability in service quality, with a mean of 3.985 and a standard deviation of 0.672, indicates that, on average, customers perceived the reliability of service provided by commercial banks in Nepal to be fairly high. This suggests that customers generally believe that the banks consistently deliver on their promises and commitments, which can contribute positively to their overall satisfaction.

In terms of empathy, the respondents had an average perception score of 3.929, with a standard deviation of 0.673. This implies that customers perceive commercial banks to exhibit a reasonably high level of empathy in their interactions. High empathy in service interactions can enhance customer satisfaction as it implies that banks are responsive to individual customer needs and concerns.

The mean perception score for responsiveness in service quality was 3.508, with a standard deviation of 0.522. This suggests that while banks are generally perceived as responsive to customer needs, there is some variability in this perception. Improved responsiveness can be a key factor in boosting customer satisfaction, as customers value timely and efficient service.

Regarding tangibility, customers had an average perception score of 3.423, with a standard deviation of 0.568. This indicates that customers generally perceive the physical facilities, appearance, and materials of commercial banks in Nepal to be satisfactory. Tangibility plays a role in forming the overall impression of service quality and can influence customer satisfaction.

In terms of assurance, the mean perception score was 3.456, with a standard deviation of 0.526. This suggests that customers perceive commercial banks to provide a reasonable level of assurance in terms of building trust and confidence. Assurance can positively impact customer satisfaction by instilling a sense of security and reliability in the services offered.

The perception of communication in service quality had a mean score of 3.336, with a standard deviation of 0.478. This implies that customers perceive communication by commercial banks to be moderately effective. Effective communication can enhance customer satisfaction by ensuring clarity, transparency, and mutual understanding.

Finally, in terms of customer satisfaction, respondents had an average perception score of 3.753, with a standard deviation of 0.459. This indicates that, on average, customers in Nepal were moderately satisfied with the services provided by commercial banks. Customer satisfaction is a crucial outcome, and these perceptions of service quality dimensions collectively contribute to it.

#### **4.3 Correlation Analysis**

Correlation analysis played a pivotal role in this study as it was utilized to delve into the intricate web of relationships between the various dimensions of service quality, including reliability (REL), empathy (EMP), responsiveness (RES), tangibility (TNG), assurance (ASU), and communication (COM), and their impact on customer satisfaction (CUS). This analytical technique enabled a quantitative assessment of the strength and direction of these relationships. By examining the correlation coefficients, the study could discern whether these service quality dimensions were positively or negatively associated with customer satisfaction.

Table 4

*Correlation Analysis*

		REL	EMP	RES	TNG	ASU	COM	CUS
REL	Pearson Correlation	1						
	Sig. (2-tailed)							
EMP	Pearson Correlation	.801**	1					
	Sig. (2-tailed)	0						
RES	Pearson Correlation	.656**	.680**	1				
	Sig. (2-tailed)	0	0					
TNG	Pearson Correlation	.376**	.402**	.625**	1			
	Sig. (2-tailed)	0	0	0				
ASU	Pearson Correlation	.473**	.341**	.327**	.426**	1		
	Sig. (2-tailed)	0	0	0	0			
COM	Pearson Correlation	.414**	.278**	.160**	.164**	.807**	1	
	Sig. (2-tailed)	0	0	0.001	0.001	0		
CUS	Pearson Correlation	.735**	.607**	.529**	.246**	.507**	.541**	1
	Sig. (2-tailed)	0	0	0	0	0	0	

*Source: Field Survey, 2023*

The correlation analysis indicates a strong and highly significant positive relationship (Pearson correlation coefficient = .735,  $p = 0.000$ ) between the reliability of services (REL) and customer satisfaction (CUS). This suggests that customers who perceive higher levels of reliability in the services provided by the commercial bank are more likely to report higher levels of satisfaction. The correlation between Reliability and customer satisfaction is highly significant ( $p < 0.05$ ), indicating a strong relationship between these variables. Customers' perceptions of a bank's reliability significantly related with their overall satisfaction.

The correlation analysis shows a significant positive correlation (Pearson correlation coefficient = .607,  $p = 0.000$ ) between empathy (EMP) and customer satisfaction (CUS). This implies that customers who feel that the bank's staff demonstrates empathy and understands their needs are more likely to be satisfied with the services. The correlation between Empathy and customer satisfaction is also highly significant ( $p < 0.05$ ). This suggests that the bank's ability to empathize with customers and understand their needs plays a crucial role in determining customer satisfaction.

There is a significant positive correlation (Pearson correlation coefficient = .529,  $p = 0.000$ ) between responsiveness (RES) and customer satisfaction (CUS). This means that customers who perceive that the bank is responsive to their inquiries and requests are more likely to report higher levels of satisfaction. Similarly, the correlation between Responsiveness and customer satisfaction is highly significant ( $p < 0.05$ ). This implies that customers greatly value the responsiveness of the bank in addressing their inquiries and concerns.

The correlation analysis reveals a positive but relatively weaker relationship (Pearson correlation coefficient = .246,  $p = 0.000$ ) between tangibility (TNG) and customer satisfaction (CUS). This suggests that the physical attributes and appearance of the bank's facilities and materials have a less pronounced impact on overall customer satisfaction compared to other service quality dimensions. The correlation between Tangibility and customer satisfaction is highly significant ( $p < 0.05$ ). Tangibility, which relates to the physical aspects of service, evidently contributes significantly to overall customer satisfaction.

Assurance (ASU) also exhibits a significant positive correlation (Pearson correlation coefficient = .507,  $p = 0.000$ ) with customer satisfaction (CUS). This indicates that when customers perceive a high level of assurance in the bank's services, such as competence and courtesy of staff, their satisfaction tends to be higher. The correlation between Assurance and customer satisfaction is highly significant ( $p < 0.05$ ). Customers' confidence in the bank's ability to provide quality service is a substantial determinant of their satisfaction.

The correlation analysis demonstrates a significant positive correlation (Pearson correlation coefficient = .541,  $p = 0.000$ ) between communication (COM) and customer satisfaction (CUS). This implies that effective communication, both verbal and non-verbal, positively influences customer satisfaction. The correlation between Communication and customer satisfaction is highly significant ( $p < 0.05$ ). Effective communication by the bank significantly influences how satisfied customers are with the services provided.

In summary, all the service quality dimensions, including reliability, empathy, responsiveness, tangibility, assurance, and communication, exhibit statistically significant positive correlations with customer satisfaction. This suggests that enhancing these aspects of service quality can lead to increased customer satisfaction in the context of commercial banking.

#### 4.4 Regression Analysis

Regression analysis served as a robust analytical tool in this study, allowing for an in-depth exploration of the impact of multiple dimensions of service quality, encompassing reliability (REL), empathy (EMP), responsiveness (RES), tangibility (TNG), assurance (ASU), and communication (COM), on customer satisfaction (CUS). This statistical technique facilitated the assessment of the strength and significance of the relationships between these service quality dimensions and customer satisfaction. By employing regression analysis, the study could discern not only the direction of these relationships but also quantify the extent to which changes in service quality dimensions influenced customer satisfaction.

Table 5

*Model Summary of Regression Model*

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.795 <sup>a</sup>	0.632	0.626	0.28078	1.995

a. Predictors: (Constant), COM, RES, TNG, EMP, REL, ASU

b. Dependent Variable: CUS

*Source: Field Survey, 2023*

Table 5 provides a summary of the regression model used in the study. The model's goodness of fit is assessed through several statistical measures. The R-squared value, denoted as R Square, indicates that approximately 63.2% of the variance in customer satisfaction (CUS) can be explained by the predictors included in the model, which are COM, RES, TNG, EMP, REL, and ASU. The Adjusted R Square, a slightly more conservative measure, is 62.6%. The standard error of the estimate, representing the model's accuracy, is approximately 0.28078. The Durbin-Watson statistic is 1.995, which checks for the presence of autocorrelation in the residuals. In this context, the model seems to have a good fit, as evidenced by the substantial R-squared value, adjusted R-squared value, and a low standard error of the estimate.

Table 6

*ANOVA Table*

ANOVA <sup>a</sup>						
	<b>Model</b>	<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
	Regression	53.190	6	8.865	112.449	.000 <sup>b</sup>
1	Residual	30.982	393	0.079		
	Total	84.172	399			

a. Dependent Variable: CUS

b. Predictors: (Constant), COM, RES, TNG, EMP, REL, ASU

Source: Field Survey, 2023

Table 6, the ANOVA table, provides a concise summary of the statistical significance and goodness of fit for the regression model. This table demonstrates that the predictors (COM, RES, TNG, EMP, REL, ASU) collectively account for a substantial portion of the variability in customer satisfaction (CUS), as indicated by the significant sum of squares (53.190) and the F-statistic (112.449) with an extremely low p-value (.000). This signifies that the regression model is statistically significant and proficient in explaining CUS. In summary, the ANOVA table underscores the model's robustness in predicting customer satisfaction, supported by its high F-statistic and low p-value, implying its statistical significance.

Table 7

*Beta Coefficient of Regression Model*

Coefficients <sup>a</sup>							
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	1.013	0.131		7.710	0.000		
REL	0.324	0.039	0.475	8.296	0.000	0.286	3.494
EMP	0.028	0.037	0.041	0.744	0.457	0.314	3.190
1 RES	0.201	0.045	0.229	4.452	0.000	0.355	2.814
TNG	-0.113	0.035	-0.140	-3.221	0.001	0.499	2.006
ASU	-0.012	0.053	-0.014	-0.226	0.821	0.254	3.932
COM	0.318	0.054	0.331	5.902	0.000	0.298	3.352

a. Dependent Variable: CUS

*Source: Field Survey, 2023*

The coefficients table (Table 7) presents the results of the multiple regression analysis, displaying the unstandardized coefficients, standardized coefficients (Beta), significance levels (Sig.), and collinearity statistics for each independent variable concerning their impact on customer satisfaction (CUS).

The unstandardized coefficient for REL is 0.324, with a significant p-value of 0.000. This indicates that reliability has a statistically significant positive impact on customer satisfaction. Additionally, the Beta value of 0.475 suggests that for every one-unit increase in REL, there is a corresponding increase in customer satisfaction. The tolerance value is 0.286, and the VIF is 3.494. These values suggest that there is no issue of multicollinearity for reliability as both the tolerance and VIF are within acceptable limits.

EMP's unstandardized coefficient is 0.028, and its p-value is 0.457, which is not statistically significant at the 5 percent level. The Beta value of 0.041 indicates a very weak positive impact of empathy on customer satisfaction. The tolerance value is 0.314, and the VIF is 3.190. These values also indicate no significant multicollinearity concerns for empathy.

RES has a significant unstandardized coefficient of 0.201 (p-value = 0.000), suggesting a positive and statistically significant impact on customer satisfaction. Its Beta value of 0.229 demonstrates its impact on CUS. The tolerance value is 0.355, and the VIF is 2.814. These values suggest that there is no significant multicollinearity issue for responsiveness.

The unstandardized coefficient for TNG is -0.113, and its p-value is 0.001, indicating a statistically significant negative impact of tangibility on customer satisfaction. The Beta value of -0.140 confirms this relationship. The tolerance value is 0.499, and the VIF is 2.006. These values indicate that there is no problematic multicollinearity for tangibility.

ASU has an unstandardized coefficient of -0.012 with a p-value of 0.821, signifying that assurance does not have a statistically significant impact on customer satisfaction at the 5 percent significance level. Its Beta value of -0.014 reaffirms this finding. The tolerance value is 0.254, and the VIF is 3.932. These values also suggest no significant multicollinearity for assurance.

The unstandardized coefficient for COM is 0.318, and its p-value is 0.000, showing a statistically significant positive impact on customer satisfaction. The Beta value of 0.331 indicates the strength of this relationship. The tolerance value is 0.298, and the VIF is 3.352. These values indicate no significant multicollinearity concerns for communication.

In summary, reliability, responsiveness, and communication are found to be statistically significant predictors of customer satisfaction, while tangibility, empathy, and assurance do not exhibit significant relationships with customer satisfaction at the 5 percent level of significance.

#### **4.5 Discussion**

This study aimed to evaluate the service quality of commercial banks in Nepal using dimensions like reliability, empathy, responsiveness, tangibility, assurance, and communication. Descriptive statistics were employed, revealing a positive customer perception. Customers consider banks reliable and trustworthy, with empathetic interactions. While responsiveness is slightly lower, banks are generally prompt in assisting customers. Tangibility, referring to physical aspects, meets customer satisfaction. Assurance instills trust and confidence, and communication, though moderately effective, plays a crucial role. Overall, customers express moderate satisfaction, indicating a generally positive experience with commercial banks in Nepal. Gonu et al. (2023) concluded that customer orientation was a significant predictor of customer satisfaction in the banking industry, which aligns with current results. Tien et al. (2021) also concluded that five factors, namely reliability, responsiveness, service capacity, empathy, and tangibility, are the factors of customer satisfaction in service quality. This aligns with current research results.

The second objective of this study involved evaluating the correlation between service quality and customer satisfaction in Nepal's commercial banking sector. Utilizing correlation analysis, notable relationships were found. Reliability strongly correlates with satisfaction, indicating customers value dependability. Empathy and responsiveness play crucial roles, correlating positively with higher satisfaction levels. Tangibility shows a positive but relatively weaker correlation. Assurance is a robust predictor of satisfaction, and effective communication emerges as a key driver, emphasizing its importance. Mohammad and Alhamadani (2011) concluded that service quality is a crucial antecedent of customer satisfaction. Similarly, Ali

and Omar (2016) revealed that the efficiency of online service quality and the responsiveness of online service quality significantly and positively influence customer satisfaction in the commercial banking industry in Jordan. These findings imply that the relationship between the efficiency of online service quality, the responsiveness of online service quality, and customer satisfaction could lead to increased profitability for commercial banks. These findings align with the results of this study, which also conclude that service quality dimensions are critical determinants of customer satisfaction. Al-Slehat (2021) revealed that the quality of banking service in all its dimensions positively affects customer loyalty. Furthermore, customer satisfaction mediates such a relationship. Accordingly, the Jordanian commercial banking sector should focus on the tangibility dimension and influence customer satisfaction to promote customer loyalty. This aligns with the current study's results. Alolayyan et al. (2018), Vencataya et al. (2019), Osman, Mohamad, and Mohamad (2015), Manimaran (2010), and Tien et al. (2021) also revealed that reliability, empathy, responsiveness, tangibility, assurance have a positive relationship with customer satisfaction, which matches with this study's results.

The third objective focuses on analyzing the effects of service quality and customer satisfaction on commercial banks' performance in Nepal, utilizing multivariate regression analysis. Among service quality dimensions, reliability strongly predicts customer satisfaction, with a positive impact. Responsiveness also significantly influences satisfaction positively. However, tangibility exhibits a noteworthy negative impact on satisfaction. Empathy shows a weak positive impact, assurance has no significant influence, and communication emerges as a strong predictor of customer satisfaction. Shanmugam and Chandran (2022) have drawn a pertinent conclusion regarding E-Banking, emphasizing its reliance on five essential factors: reliability, safety and security, assurance, technological augmentation, and quickness. Their assertion resonates particularly well with the findings of the current study. In the contemporary landscape of banking, electronic services are increasingly dependent on the Internet, and these services are indeed underpinned by the very factors highlighted by Shanmugam and Chandran (2022). Therefore, the alignment between their conclusions and the outcomes of the present research underscores the universal significance of these critical factors in the context of banking services, whether conventional or electronic. Vencataya et al. (2019), Osman, Mohamad, and Mohamad (2015), Manimaran (2010), and Tien et al. (2021) confirmed that has a positive impact on customer satisfaction, aligning with current results.

## **CHAPTER V**

### **SUMMARY AND CONCLUSION**

This chapter encompasses a succinct exposition of the comprehensive examination, its deductions, and ramifications. A concise introduction and rationale of the inquiry are encapsulated in the synopsis section, proffering a holistic perspective of the exploration. It encapsulates the principal inferences drawn from the scrutinization and discourse phase. The subsequent corollaries are expounded upon in the final segment, whilst the applicability and value of the study are deliberated upon in the implication division.

#### **5.1 Summary**

Service quality and customer satisfaction are strongly linked in the banking sector. When customers perceive high service quality, characterized by reliability, empathy, responsiveness, tangibility, assurance, and effective communication, they are more likely to experience greater satisfaction with their banking interactions. Banks that consistently deliver on these service quality dimensions tend to foster trust, build customer confidence, and meet or exceed customer expectations. In turn, satisfied customers are more likely to remain loyal, engage in repeat business, and even recommend the bank to others. Thus, service quality acts as a catalyst for enhancing customer satisfaction, which is pivotal for the long-term success and competitiveness of banks in a highly competitive financial services industry.

The main objective of this research is to examine into the realm of Nepalese commercial banks and their customers' satisfaction with service quality. To achieve this overarching objective, several specific goals were set. First and foremost, the study sought to provide an accurate assessment of the current state of service quality within Nepal's commercial banks, meticulously examining key dimensions such as reliability, empathy, responsiveness, tangibility, assurance, communication, and the resultant customer satisfaction. Secondly, the research aimed to establish and evaluate the existing correlation between service quality and customer satisfaction, shedding light on the intricate relationship within the Nepalese commercial banking sector. Lastly, an in-depth analysis was conducted to discern how service quality and customer satisfaction collectively impact the performance of commercial banks in Nepal, recognizing their significant roles in shaping the industry's landscape. Through these

specific objectives, the study aimed to provide valuable insights into the dynamics of service quality and customer satisfaction in Nepal's commercial banking sector.

This study conducted an exhaustive review of the existing literature, encompassing various critical dimensions. The theoretical review segment delved into prominent theories such as The Evaluative Congruity Theory, The Comparison Level Theory, and The Value Percept Theory, providing a strong conceptual foundation for the research. Furthermore, the conceptual review phase scrutinized the SERVQUAL Model, which is pivotal in understanding service quality, as well as exploring the intricate relationship between service quality and customer satisfaction. To bolster this, empirical reviews extensively analyzed an array of journals, articles, books, and dissertations, showcasing the breadth of previous research in the field of service quality and customer satisfaction. This meticulous review paved the way for identifying a pertinent research gap, which subsequently became a focal point of this study, aiming to bridge and contribute to the existing body of knowledge.

In this study, a quantitative research approach was meticulously crafted, encompassing both descriptive and causal comparative research designs. The study's population consisted of all customers engaged with various branches of Citizen Bank International Ltd. in Nepal. To ensure comprehensive coverage, a sample size of 400 customers from Citizen Bank International Ltd. was selected. The sampling design adopted for this study was grounded in the convenience sampling approach, which was chosen due to its pragmatic advantages. This method provided the researcher with the flexibility to select participants based on their availability and willingness to partake in the study, ultimately contributing to a more accessible and practical data collection process. The primary data source employed in this research was structured questionnaire surveys, specifically designed to gather quantitative data. These surveys utilized a five-point Likert scale, ensuring the collection of precise and quantifiable responses from participants.

In the method of analysis, this study used the power of statistical software, specifically Microsoft Excel and SPSS, to rigorously examine the collected data. The statistical tools employed included descriptive statistics, where essential metrics like mean, standard deviation, minimum, and maximum were meticulously scrutinized to gain valuable insights. Furthermore, correlation analysis, relying on the robust Pearson correlation coefficient, was

conducted to unveil relationships between variables. To delve deeper into the intricate web of relationships, a multivariate regression model was skillfully established, and regression analysis was meticulously carried out.

In the research framework, the researcher adeptly designated independent variables, encompassing various dimensions of service quality such as Reliability, Empathy, Responsiveness, Tangibility, Assurance, and communication. These dimensions collectively constituted the backdrop against which the dependent variable, namely Customer Satisfaction, was thoroughly examined. This holistic framework provided a structured foundation for exploring the intricate interplay between service quality dimensions and customer satisfaction, shedding light on the dynamics within the commercial banking sector.

The findings from this assessment reveal a generally favorable outlook among customers. Banks are seen as dependable and trustworthy, maintaining a consistent level of service quality (reliability). There is a notable level of empathy, indicating a reasonable understanding of customer needs. While responsiveness is slightly lower, banks are generally perceived as quick to assist customers. Tangibility, referring to the physical aspects of banks, reflects customer satisfaction with facilities and materials. Assurance levels are reasonable, creating a sense of trust and security. Communication, although moderately effective, remains essential for clarity and mutual understanding. On average, customers express moderate satisfaction with the services offered by commercial banks, showcasing an overall positive experience.

The correlation analysis, utilizing the Karl Pearson Correlation Coefficient, delves into the relationship between service quality dimensions and customer satisfaction in Nepalese commercial banks. Notably, reliability, empathy, responsiveness, assurance, and communication emerge as significant determinants of customer satisfaction. Reliability, characterized by dependability and trustworthiness, strongly correlates with higher satisfaction levels. Similarly, empathy and responsiveness play vital roles, with customers valuing understanding and timely service. While tangibility contributes positively, its impact is relatively weaker. Assurance in the bank's services is another robust predictor of satisfaction. Effective communication stands out as a key driver, emphasizing the importance of clarity and efficiency. In essence, these findings emphasize the critical role of these service quality dimensions in shaping customer satisfaction in Nepalese commercial banks.

In the context of service quality dimensions and their impact on customer satisfaction, several key findings emerge. Reliability is a substantial and positive predictor of satisfaction, implying that as customers perceive greater reliability, their satisfaction levels rise. Responsiveness also plays a significant and positive role, with improved responsiveness leading to increased satisfaction. However, tangibility shows a notable negative impact, suggesting that enhancements in physical aspects may actually decrease satisfaction. Empathy's impact is weakly positive, assurance has no significant influence, and communication stands out as another strong predictor of satisfaction. In summary, the study underscores the importance of reliability, responsiveness, and effective communication in shaping customer satisfaction while highlighting the complex relationship between tangibility and customer satisfaction.

This study carries significant implications for various stakeholders. For management within commercial banks in Nepal, it provides practical insights into the critical dimensions of service quality that directly impact customer satisfaction. Recognizing the influence of reliability, responsiveness, and communication, bank executives can strategically allocate resources to enhance these aspects, thereby bolstering overall customer satisfaction. Future researchers can benefit from this study's comprehensive analysis of service quality dimensions and their effects, providing a foundation for further exploration and refinement of these relationships. Policymakers and government bodies can also draw upon these findings to inform regulations and guidelines aimed at improving service quality within the banking sector, ultimately benefiting both consumers and the industry as a whole.

## **5.2 Conclusion**

The first objective of this study is to assess the current status of service quality in commercial banks of Nepal, considering dimensions such as reliability, empathy, responsiveness, tangibility, assurance, communication, and customer satisfaction. Descriptive statistics was used to assess this objective. The assessment of service quality in commercial banks of Nepal reveals a generally positive perception among customers. In terms of reliability, customers view these banks as dependable and trustworthy, with a mean rating indicating that their services are reliably consistent. The empathy dimension of service quality also fares well, with customers perceiving commercial banks as reasonably empathetic in their interactions, showcasing an understanding of customer needs. Responsiveness, although slightly lower, still

indicates that banks are generally seen as responsive to customer needs, ensuring prompt assistance. Tangibility, referring to the physical aspects of the banks, suggests that customers find the facilities and materials to be satisfactory, providing a tangible sense of reliability. Assurance signifies that customers perceive banks as providing a reasonable level of trust and confidence, instilling a sense of security. Communication, while moderately effective, still plays a crucial role in enhancing customer satisfaction, ensuring clarity and mutual understanding. Speaking of which, customers in Nepal, on average, express moderate satisfaction with the services offered by commercial banks, reflecting a satisfactory experience overall.

The second objective of this study was to evaluate the correlation between service quality and customer satisfaction within the commercial banking sector of Nepal. Correlation analysis has been used to examine such objective, with the help of Karl Pearson Correlation Coefficient. The correlation analysis highlights several notable relationships between service quality dimensions and customer satisfaction in the context of Nepalese commercial banks. Reliability emerges as a significant driving force of customer satisfaction, with a strong positive correlation indicating that customers who perceive the bank as dependable and trustworthy are notably more satisfied. Similarly, empathy plays a crucial role, as customers who feel that the bank's staff understands their needs and demonstrates empathy report higher levels of satisfaction. Responsiveness also significantly correlated with customer satisfaction, indicating that customers value timely and efficient service interactions. While tangibility shows a positive correlation, it is relatively weaker, suggesting that physical aspects have a less pronounced impact on overall satisfaction. Assurance is another robust predictor of satisfaction, with customers who feel assured in the bank's services reporting higher satisfaction levels. Effective communication emerges as a key driver of satisfaction, with customers valuing clear and efficient communication practices. These findings collectively underscore the importance of these service quality dimensions in shaping customer satisfaction within the Nepalese commercial banking sector.

The third objective of this study is to analyze the effects of service quality and customer satisfaction on the performance of commercial banks in Nepal. Multivariate regression analysis has been used to obtain conclusion of this study. Among the service quality dimensions, reliability emerges as a robust predictor of customer satisfaction, with a substantial positive

impact. The statistically significant unstandardized coefficient and Beta value indicate that for every increase in the perception of reliability, there is a corresponding increase in customer satisfaction. Similarly, responsiveness also exhibits a significant and positive influence on customer satisfaction. The substantial unstandardized coefficient signifies that an improvement in responsiveness leads to higher levels of customer satisfaction. However, tangibility reveals a noteworthy negative impact on customer satisfaction. The statistically significant unstandardized coefficient and negative Beta value suggest that improvements in tangibility may lead to decreased customer satisfaction. Empathy, assurance, and communication display varying levels of impact on customer satisfaction. While empathy demonstrates a weak positive impact and assurance exhibits no significant influence, communication emerges as another strong predictor of customer satisfaction.

In summary, this research study has showed the significance of several key service quality dimensions in influencing customer satisfaction within the context of commercial banks in Nepal. Reliability, responsiveness, tangibility, empathy, assurance, and communication have emerged as the central determinants of customer satisfaction. These findings provide valuable insights for the commercial banking sector in Nepal, emphasizing the need to prioritize and enhance these dimensions to ensure a higher level of customer satisfaction. By doing so, banks can not only improve their relationships with existing customers but also potentially attract new ones, ultimately contributing to their overall success and competitiveness in the industry.

### **5.3 Implications**

Research implications are the broader significance and consequences of research findings for both academia and practical applications. They serve as a bridge between the research outcomes and their real-world relevance. They may also highlight areas where further investigation or research is needed to deepen understanding.

#### **5.3.1 Managerial Implications**

- Given the strong positive correlation and significant impact of reliability on customer satisfaction, commercial banks should focus on consistently delivering on promises and commitments. This can instill trust and confidence in customers, leading to higher satisfaction levels.

- Responding promptly and effectively to customer inquiries and requests is essential. The significant positive correlation between responsiveness and customer satisfaction emphasizes the importance of timely customer service.
- Although tangibility showed a relatively weaker correlation with customer satisfaction, it should not be overlooked. Banks should maintain satisfactory physical facilities and appearances as they contribute to the overall impression of service quality.
- Building a customer-centric approach and demonstrating empathy can significantly impact satisfaction levels. Banks should train their staff to understand and address customer needs and concerns effectively.
- Recognize that focusing on these dimensions can not only enhance customer satisfaction but also give banks a competitive edge in the market.
- Implement a customer-centric approach across all bank operations to consistently meet and exceed customer expectations.
- Understand that customer satisfaction is not just about happy customers; it can also lead to increased profitability and customer loyalty.
- Invest in staff training programs that emphasize the importance of these service quality dimensions in ensuring a satisfied customer base.

### **5.3.2 Implications to Future Researchers**

- Future researchers can expand the scope of study to include a more diverse range of banking institutions, such as rural banks or online-based banks, to gain a comprehensive understanding of service quality and customer satisfaction in various contexts.
- Complement quantitative research with qualitative methods like interviews and focus groups to gain deeper insights into the specific factors that influence service quality and customer satisfaction.
- Explore cross-cultural differences in service quality and customer satisfaction to determine how cultural factors impact customer perceptions and expectations.
- Compare service quality and customer satisfaction across different industries to assess whether the factors identified in this study are unique to the banking sector or applicable to other service industries

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## APPENDICES

### Appendix 1 Questionnaire

Dear Valued Respondent,

This is survey research on “**SERVICE QUALITY AND CUSTOMER SATISFACTION ON COMMERCIAL BANK IN NEPAL**” which is conducted to meet the academic requirement of MBS affiliated to Shanker Dev Campus, Tribhuvan University to submit the graduate research project report. I would be thankful if you could take few minutes and complete this questionnaire for giving feedback. I also assure that your response will be kept confidential and used only at aggregate level. Your kind cooperation will be highly appreciated.

Thanking You

Jeena Manandhar

Shanker Dev Campus

### Part A: Respondent information

Please put a tick mark (✓) in the box in an appropriate option for each of the following.

1. Gender:

a. Female [  ]      b. Male [  ]

2. Age (Years):

a. Below 20 [  ]      b. 20-35 [  ]      c. 36-50 [  ]      d. 51 and above [  ]

3. Profession

a. Business [  ]      b. Self Employed [  ]      c. Employment [  ]      d. Other [  ]

4. Level of Monthly income (In Nepalese Rupees)

a. Below 20,000 [ ]      b. 20,001-40,000 [ ]      c. 40,001-60000 [ ]

d. 60,001 and above

5. Type of account you have

a. Saving a/c [ ]      b. Fixed a/c [ ]      c. Current a/c [ ]      d. Others [ ]

6. Academic qualification

a. Masters or Above [ ]      b. Bachelors [ ]      c. 10+2 [ ]      d. SLC [ ]

**Part B-Core Questions regarding Service quality and customer Satisfactions**

Please put a tick mark (✓) in the box in an appropriate option for each of the following.

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	2	3	4	5

S.N.	Reliability	1	2	3	4	5
1	The bank provides services at promised time.					
2	Employees are sincerely handling customers' problems.					
3	The bank provides all the services as promised.					
4	The bank maintains timely and error-free records.					
5	The bank provides accuracy in all type of transaction.					
S.N.	Empathy	1	2	3	4	5
1	The bank provides convenient business hours.					
2	The bank provides convenient service charge.					
3	Employees give personal attention to the customers.					
4	Employees understand the customer's specific needs.					
5	The bank focuses to fulfill customer's need.					
S.N.	Responsiveness	1	2	3	4	5
1	Employees of bank are willing to help customers.					
2	Bank provides prompt service to customers.					
3	Bank keep customer informed about when services will be performed.					
4	Employees are ready to respond to customers' request.					
5	Bank provides financial advice to the customers.					

<b>S.N.</b>	<b>Tangibility</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	Bank have up to date equipment which is sufficient and obvious for customers' usage.					
2	Customers feel comfortable while using bank physical facilities					
3	Sufficient Employee are committed to provide customers banking services.					
4	Bank's physical facilities and material associated with service are visually pleasing					
5	The bank's website and mobile app are user-friendly, providing customers with easy access to online banking services.					
<b>S.N.</b>	<b>Assurance</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	Employee's behavior brings confidence in customers.					
2	Employees are consistently polite and well- mannered.					
3	Employees have the knowledge to answer customer questions.					
4	The bank makes customers feel safe in their transactions.					
5	Customers can easily trust employee of their bank.					
<b>S.N.</b>	<b>Communication</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	Bank's website has clear and understandable information about its products and services.					
2	Bank explains about the service cost.					
3	Bank timely inform about the changes in interest rate.					
4	Bank timely inform about the changes in services.					
5	Bank assures the consumer that a problem will be handled.					
<b>S.N.</b>	<b>Customer Satisfaction</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	I am satisfied with the services provided by the bank.					
2	Banks forms and slips are easy to understand and fill.					
3	I am satisfied with the bank's ATM services.					
4	The performance of bank is more than my expectation.					
5	Online and mobile banking services of the banks are secure and reliable.					
6	The bank provides clear and understandable bank statements.					
7	I can apply for cheque book at any branch where I find convenient.					
8	I will always be the customer of this bank					

## Appendix 2 SPSS Data

### Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	274	68.5	68.5	68.5
	Female	126	31.5	31.5	100.0
	Total	400	100.0	100.0	

### Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 20	16	4.0	4.0	4.0
	20 to 35	179	44.8	44.8	48.8
	36 to 50	160	40.0	40.0	88.8
	51 and Above	45	11.3	11.3	100.0
	Total	400	100.0	100.0	

### Profession

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Business	81	20.3	20.3	20.3
	Self Employed	90	22.5	22.5	42.8
	Employment	211	52.8	52.8	95.5
	Other	18	4.5	4.5	100.0
	Total	400	100.0	100.0	

### Level of Monthly Income

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 20,000	23	5.8	5.8	5.8
	20,001 to 40,000	102	25.5	25.5	31.3
	40,001 to 60,000	184	46.0	46.0	77.3
	60001 and Above	91	22.8	22.8	100.0
	Total	400	100.0	100.0	

### Type of Account

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Saving Account	252	63.0	63.0	63.0
	Fixed Account	71	17.8	17.8	80.8
	Current Account	43	10.8	10.8	91.5
	Other Account	34	8.5	8.5	100.0
	Total	400	100.0	100.0	

### Academic Qualification

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SLC	27	6.8	6.8	6.8
	10+2	33	8.3	8.3	15.0
	Bachelors	296	74.0	74.0	89.0
	Masters and Above	44	11.0	11.0	100.0
	Total	400	100.0	100.0	

### Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
REL	400	1.00	5.00	3.9850	0.67179
EMP	400	1.00	4.80	3.9285	0.67299
RES	400	1.00	4.60	3.5080	0.52155
TNG	400	1.00	4.60	3.4225	0.56833
ASU	400	1.00	4.80	3.4560	0.52646
COM	400	1.80	4.40	3.3355	0.47824
CUS	400	1.50	4.63	3.7528	0.45930
Valid N (listwise)	400				

**Correlations**

		REL	EMP	RES	TNG	ASU	COM	CUS
REL	Pearson Correlation	1	.801**	.656**	.376**	.473**	.414**	.735**
	Sig. (2-tailed)		0.000	0.000	0.000	0.000	0.000	0.000
	N	400	400	400	400	400	400	400
EMP	Pearson Correlation	.801**	1	.680**	.402**	.341**	.278**	.607**
	Sig. (2-tailed)	0.000		0.000	0.000	0.000	0.000	0.000
	N	400	400	400	400	400	400	400
RES	Pearson Correlation	.656**	.680**	1	.625**	.327**	.160**	.529**
	Sig. (2-tailed)	0.000	0.000		0.000	0.000	0.001	0.000
	N	400	400	400	400	400	400	400
TNG	Pearson Correlation	.376**	.402**	.625**	1	.426**	.164**	.246**
	Sig. (2-tailed)	0.000	0.000	0.000		0.000	0.001	0.000
	N	400	400	400	400	400	400	400
ASU	Pearson Correlation	.473**	.341**	.327**	.426**	1	.807**	.507**
	Sig. (2-tailed)	0.000	0.000	0.000	0.000		0.000	0.000
	N	400	400	400	400	400	400	400
COM	Pearson Correlation	.414**	.278**	.160**	.164**	.807**	1	.541**
	Sig. (2-tailed)	0.000	0.000	0.001	0.001	0.000		0.000
	N	400	400	400	400	400	400	400
CUS	Pearson Correlation	.735**	.607**	.529**	.246**	.507**	.541**	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	0.000	
	N	400	400	400	400	400	400	400

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

Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.795 <sub>a</sub>	0.632	0.626	0.28078	1.995

a. Predictors: (Constant), COM, RES, TNG, EMP, REL, ASU

b. Dependent Variable: CUS

ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	53.190	6	8.865	112.449	.000 <sup>b</sup>
	Residual	30.982	393	0.079		
	Total	84.172	399			

a. Dependent Variable: CUS

b. Predictors: (Constant), COM, RES, TNG, EMP, REL, ASU

Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.013	0.131		7.710	0.000		
	REL	0.324	0.039	0.475	8.296	0.000	0.286	3.494
	EMP	0.028	0.037	0.041	0.744	0.457	0.314	3.190
	RES	0.201	0.045	0.229	4.452	0.000	0.355	2.814
	TNG	-0.113	0.035	-0.140	-3.221	0.001	0.499	2.006
	ASU	-0.012	0.053	-0.014	-0.226	0.821	0.254	3.932
	COM	0.318	0.054	0.331	5.902	0.000	0.298	3.352

a. Dependent Variable: CUS