

A STUDY ON E-BANKING SERVICES AND IT'S IMPACT ON CUSTOMER

(An Applied Study of Selected Commercial Banks In Itahari)



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RECOMMENDATION

This is to certify that the thesis

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Entitled:

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(An Applied Study of Selected Commercial Banks in Itahari)

has been prepared as approved by this MBS program in the prescribed format of the Faculty of Management. This thesis is forwarded for examination

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VIVA-VOCE SHEET

We have conducted the viva-voce examination of the thesis

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and found the thesis to be original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirements for the degree of **Master of Business Studies (M.B.S.)**

Viva-voce committee

Member (Thesis Supervisor)...

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Member (Co-ordinator of MBS program)...

Declaration

I, hereby, declare that the work reported in this thesis entitled **A STUDY ON E-BANKING SERVICES AND IT'S IMPACT ON CUSTOMER (An Applied Study of Selected Commercial Banks in Itahari)** submitted to Padma Kanya Multiple Campus, Faculty of Management, Tribhuvan University, is my original research work done in the form of partial fulfillment of the requirements for the Degree of Master of Business Studies (M.B.S.) under the supervision of my respected teacher **Ms. Neera Shrestha**, Associate Professor of Padma Kanya Multiple Campus, Bagbazar, Kathmandu, Nepal.

Eventually, I firmly believe that a research is never complete. So I am solely responsible for any kind of shortcomings and drawbacks admitted in the study.

.....
Prativa Malla
September 2014

Acknowledgement

In the pretext of preparing the thesis entitled **A Study on E-Banking Service and its impact on Customer (An Applied Study of Selected Commercial Banks in Itahari)**, I have dedicated a long period of time on the research. As a part of requirement for the Degree of Masters of Business Studies, this thesis has been successfully completed with the help of my teachers, friends, colleagues and even those people who supported me morally. All of us are well aware about the importance of e-banking services. The only thing I have attempted to present is broad meaning of e banking and its impact on customer value and customer loyalty in context of Nepal.

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TABLE OF CONTENTS

	Page No.
Recommendation	
Viva-Voce Sheet	
Declaration	
Acknowledgement	
Table of Contents	
List of Tables	
List of Figures	
Abbreviations	
Chapter I : Introduction	1-14
1.1 Background	1
1.2 History of Banking	3
1.3 Statement of Problem	7
1.4 Objectives of Study	8
1.5 Significance of the Study	8
1.6 Limitations of the Study	8
1.7 Profiles of Selected Commercial Banksss	9
A. Kumari Bank Limited	9
B. Himalayan Bank Limited	10
C. Nabil Bank Limited	11
D. NIC Asia Bank Limited	12
E. Citizen International Bank Limited	13
1.8 Organization of the Study	14
Chapter II : Review of Literature	15-47
2.1 Background and Introduction	15
2.2 Development of Banking in Nepal	16
2.3 Theoretical concept of E-Banking Services	18
2.3.1 History of E-Banking	20
2.3.2 E-Banking Global Perspective	21

2.3.3	E-Banking Services in Nepal	22
2.3.4	Characteristics of Electronic Banking Services	26
2.3.5	Benefits of Electronic Banking Services	27
2.4	Customer Value	28
2.4.1	Dimensions of Customer Value	29
2.4.2	Categories of Value	30
2.4.3	Elements of Customer Value	31
2.5	Customer Loyalty	31
2.5.1	Definition of Customer Loyalty	32
2.5.2	Dimensions of Customer Loyalty	33
2.5.3	Stages of Loyalty	33
2.5.4	Loyalty Typology based on Attitude and Behaviour	34
2.5.5	Attitudinal and Behavioral Examination	35
2.5.6	The Value of Customer Loyalty	35
2.6	The Previous Studies	35
2.7	Research Gap	47
Chapter III : Research Methodology		48-52
3.1	Introduction	48
3.2	Research Design	48
3.3	Target Population and Sample Size	49
3.4	Nature of Data	50
3.5	Study Tools and Data Collection	51
3.6	Statistical Treatment	52
Chapter IV : Presentation and Analysis of Data		53-72
4.1	Demographic Variables of Samples	53
4.2	Customer Knowledge towards E-Banking	56
4.3	Customer's Perception towards E-Banking Services	59
4.3.1	E-banking Services	59
4.4	Impact of E-banking Services on Customer Value and Customer Loyalty	64
4.4.1	Customer Value	64
4.4.2	Customer Loyalty	68
4.4.3	Correlation Analysis	70

a. Relationship between E-banking Services and Customer Value	70
b. Relationship between E-banking services and Customer Loyalty	71
c. Relationship between Customer Value and Customer Loyalty	72
4.5 Major Findings	72
Chapter V : Summary, Conclusion and Recommendation	74- 77
5.1 Summary	74
5.2 Conclusion	74
5.3 Recommendations	75
References	
Annex I	
Annex II	

LIST OF TABLES

Table No.	Name of the Table	Page No.
2.1	List of Commercial Banks in Nepal	16
2.2	Value Judgement	30
3.1	Questionnaires distribution according to target banks	50
3.2	Likert Scales	51
3.3	Range of Important Level Scale	52
4.1	Distribution of Sample Individuals according to Demographic Variables	53
4.2	Descriptive Statistic of Ease to Use	60
4.3	Descriptive Statistic of Usefulness	61
4.4	Descriptive Statistic of Cost Saved	62
4.5	Descriptive Statistic of Self-Control	63
4.6	Descriptive Statistics of E-Banking Services and its characteristics	64
4.7	Descriptive Statistics of Functional Value	65
4.8	Descriptive Statistics of Emotional Value	66
4.9	Descriptive Statistics of Epistemic Value	67
4.10	Descriptive Statistics of Customer Value and its dimensions	67
4.11	Descriptive Statistics of Attitudinal Loyalty	68
4.12	Descriptive Statistics of Behavioral Loyalty	69
4.13	Descriptive Statistics of Customer Loyalty and its dimensions	70

LIST OF FIGURE

Figure No.	Name of the Figure	Page No.
2.1	What is Electronic Banking?	19
2.2	Four Loyalty Levels	34
4.1	Demographic Variable- Gender	54
4.2	Demographic Variable- Age	55
4.3	Demographic Variable – Educational Level	55
4.4	Job Title	56
4.5	No. of banks customer deals with	57
4.6	Frequency of e-banking services used	57
4.7	Type of e-banking service mostly used	58
4.8	E-banking services used since	59

ABBREVIATIONS

ATM	:	Automated Teller Machine
AVR	:	Automated Voice Response
PC	:	Personal Computer
PDA	:	Personal Digital Assistant
WAN	:	Wide Area Network
NBL	:	Nepal Bank Limited
NLSS	:	Nepal Living Standard Survey
NRB	:	Nepal Rastra Bank
PoS	:	Point of Sale
RBB	:	Rastriya Banijya Bank
HMG/N	:	His Majesty's Government of Nepal
SMS	:	Short Message Service
HCI	:	Human Computer Interaction
SME	:	Small and Medium Scale Enterprises
IT	:	Information Technology
PhD	:	Doctor of Philosophy
KBL	:	Kumari Bank Limited
HBL	:	Himalayan Bank Limited
CBIL	:	Citizen Bank International Limited

Chapter I

INTRODUCTION

1.1 Background

With the emergence of new digital technology, the banking industry has engaged information technology (IT) to acquire, to process and to deliver the information to banking customers. Customers are becoming value-sensitive and banks need to constantly innovate and update to match customers' expectation and to provide convenient, reliable, and expedient services. Driven by the competition among retail bankers, to capture a larger share of the banking market, banks have started introducing its distribution channel via Internet.

In Nepal, and many other countries, banks and financial institutions play an important role in the economy by gathering deposits, repackaging them into a variety of financial products and services for their customers and the public. Of important consideration here, is the use of Information and Communication Technology to provide the financial products and services for improved efficiency and effectiveness. These continuously affect the risk management, infrastructure provision, monetary policy development and regulatory framework of the financial system.

Advancements in Information and Communication Technology have impacted positively on service delivery in the financial sector of Nepal's economy. These developments have however not been matched with appropriate legislation/regulation to address the resultant changes in the relationships, responsibilities, liabilities and rights of the parties engaged in electronic banking. Recognizing the potential for abuse and mismanagement inherent in the financial system, and the negative effect a weak system will have on the economy, the Federal Government and its agencies must be actively engaged in creating an extensive set of laws and regulations to address the inadequacies of the current system.

Electronic banking may be defined as a means whereby banking business is transacted using automated processes and electronic devices such as personal computers, cell phones, fax machines, internet, card payments and other electronic channels. Some banks practice electronic banking for informational purpose, some for simple transactions such as checking account balance as well as transmission of information, while others facilitate funds transfer and other financial transactions. Many systems involve a combination of these capabilities. As per today most of the financial institutions are offering e-banking in the form of internet banking, ATM services and mobile banking (transaction through cell phones).

In recent years, electronic banking (e-banking) services have begun to appear quite extensively as an electronic channel of conducting financial transactions. Nepalese commercial banks continue to offer most of their banking transactions using electronic means. More common e-banking services are the ATM, mobile transactions, internet transactions, and transferring funds, whereby customers produce services for themselves without assistance from bank employees. Little is known about why customers decide/ accept to use e-banking services and why others did not.

Electronic banking technologies greatly expanded in recent years (Anguelov and Hilgert, 2004). E- Banking service is based on the use of new technologies to provide various banking services directly to customers around the clock. Banks offer a wide range of these services that can be used by electronic tools such as ATM, cell phone and Internet.

Banks are making adjustments in service to meet customer needs (Kolodinsky, Hogarth and Hilgert, 2004), where banks can provide an excellent service to customers (Siam, 2006), and can have a significant affect in supporting economic development through efficient financial services (Al Hajri, 2008). It is important for banks to offer services electronically to differentiate themselves from competitors. They need to provide information for customers on various competing services, which make it possible to compare them and then select the one that best meets customer requirements (Almazari and Siam, 2008). The electronic banking literature lacks empirical evidence about how a person's attitude affects their choice of financial service delivery channel (Karjaluo, 2002). Although the value of a service depends on customer preferences and alternatives, value can be improved by decreasing costs or increasing benefits (Browning, 2003). Customer value is considered central to acquire competitive advantage and long-term success of the company through good service delivery system (Yan Ma and Ding 2010) also customer value regulates behavioral intentions of loyalty toward the service provider (Sirdeshmukh, Singh and Sabol, 2002). From another side, Customer loyalty has a powerful impact on firms' performance and is considered an important source of competitive advantage; customer loyalty has also been shown to be important in the online environment (Lam, Shankar, Murthy, 2004). In this study, the electronic banking services has been limited to banking services via electronic tools such as internet banking and ATM service as well as financial transactions such as payments, and account transfers.

The dimensions of the main constructs were selected on the basis of reviews from previous researches, as well as questionnaire instrument was constructed mostly by adopting the

measures from prior researches to be consistent with the purpose of study and suit with study population and sample.

Four characteristics of e- banking services (Ease of use, Usefulness, Cost saved and Self– control) measured by prior researchers, as well as customer value has been determined by three dimensions (Functional value, Emotional value, and Epistemic value), while customer loyalty has been determined by two dimensions (Attitudinal and Behavioral).

The purpose of this study is to investigate whether electronic banking services affect customer value and customer loyalty within the Nepalese commercial banks. Furthermore seeks to show how customers perceive values, and what underlying factors that affect their choice of banking services the most, as well as the researcher strived to examine the mediating role of customer value in the impact of e-banking services on customer loyalty.

This study first presents an extensive literature review, focusing on e-banking services, customer value, and customer loyalty, and then a conceptual model. The methodology, data analysis, and results are subsequently presented. Finally, discussion of the results and conclusions has been presented.

1.2 History of Banking

Banks constitute an important segment of the financial infrastructure of any country. The banks and the other financial institutions are the major pre-requisites for the overall economic development. These institutions indulge in resource mobilization and capital formation process, which initiates and supports the growth of trade and industry within the country.

Without the growth in the financial infrastructure, there can be no development and the latter in turn changes the shape and size of the financial institutions.

Bank provides proper facilities and can serve an important contribution to develop different sector including rural sector of the economy. So, bank plays an important role in enhancing financial system of the economy and its role is significantly different from that of other financial institutions with respect to both pattern of resource mobilization and deposition.

In most countries banking had its origin with Goldsmiths, began to accept deposits from Merchants and others for safe keeping of money and other valuables. As public enterprises, Banking made its first appearance in Italy in 1157 A.D; when the Bank of Venice was found. The goldsmiths of Italy were also involved in safe keeping the services of gold and valuables, when they realized large profit in these activities, they established bank.

Before 1848 B.S. the goldsmiths used to store people's gold and other valuable goods and charge nominal against the deposit. In those days people used to deposit their gold and valuable goods for the sake of security rather than earning interest.

If we look back into the history of the development of banking we notice that the banking as a money lending existed from time immemorial. There are records of loans provided by the temples of Babylon as early as 2000 B.C. and in 575 B.C. a private firm, the Igibi bank was providing loans and receiving deposits as interest. In Greece by the 4th century B.C. financial activities were being performed by the temples, by public bodies and by private firms.

In ancient Nepal, the historical records show that Guna Kama Dev, the King of Kathmandu, borrowed money to rebuild his Kingdom in 723 A.D. Some 57 years thereafter, a merchant 'Shankhadar' introduced "Nepal Sambat" by clearing all the debt of people in 880 A.D. This is the proof for the practice of money lending prevalent at that time.

After Jayasthiti Malla, classification and declaration Tanakdhari as the people engaged in money lending business became quite popular. Thus, the role of "Tanakdhari's" was similar to that of the banking agent. Still the practice of Tanakdhari's was not free of problem. There were malpractices and frauds associated. Consequently, with the growing consciousness and awareness of this, "Ranodip Singh, a Rana Prime Minister, got interested in the problem and took concrete step by establishing a government financial institution known as "Tejarath Adda". This Adda helped the public by supplying easy and cheap credit at 5 percentage interest on the security of Gold and Silver ornaments." So the role of Tejarath cannot be ignored on the enlistment of Nepalese economy and it should be taken as a beginning.

"In the overall development of the banking system in Nepal the Tejarath Adda may be regarded as the father of modern banking institution and for a quite a long time it rendered good services to the government servants as well as to the general public. This is granting loans against Gold, Silver and other collateral securities that are more or less similar to one of the modern banking functions. It did not accept deposits that were not probably considered then to be a function falling within the competence of banking".

Although services provided by the Tejarath were extended in other parts of the country, its benefit was not available to the society as a whole. So the monopolies of the local money lenders were still on practices on the rural areas. So, to eliminate this draw back and monopoly in 1937 A.D., the Tejarath was replaced by a commercial bank, Nepal Bank Limited which marked the beginning of a new era in the history of modern banking in Nepal. It was established as a semi-government with the authorized capital of Rs. 10 Million and the paid up capital of Rs. 842 thousand. The private shareholders till 1951 controlled Nepal

Bank. During that period, Government of Nepal increased its share ownership in Nepal Bank Limited to 51 percentage in the total share capital of this bank in order to hold and to control over its management.

Its establishment solved the prevailing financial inconvenience of the people and activities were numerous especially in the field of trade and commerce. But till the establishment of Nepal Rastra Bank as the central bank, under the Nepal Rastra Bank Act 2012, the major functions of Nepal Bank Limited was also to serve the function of Central Bank of any country, so it was serving two purposes that are central and commercial banks.

“The preamble of Rastra Bank Act lays down the aims of the Bank as being that of regulating the issue of paper money, securing countrywide circulation of Nepalese currency and achieving stability in its exchange rate; mobilizing capital for economic development and for stimulating trade and industry and developing the banking system in the country; and later on as incorporated by the amendment in 1964, ensuring facilities and maintaining economic interest if the general people”. Thus, the foundation of Nepal Rastra Bank set a milestone in the history of banking in Nepal.

Introduction of Commercial Bank Act 1964, government established another commercial bank, Rastriya Banijya Bank Limited, in public sector on 23 Jan 1966 with the authorized capital of Rs. 10 million and paid up capital of Rs 3 million. The purpose of the bank has also been mentioned in the permeable Act, to provide facilities and help economic welfare of the general public.

It is necessary to mention that the establishment of Rastriya Banijya Bank helps to supply the growing financial need of the economy. Its underlying feature is to contribute to the development of the banking system particularly in remote areas lying in hilly regions. This can be proved by its policy of investing 12 percentage of total deposit in priority sector. This policy also applies to the commercial banks established in private sector.

Later in the 1980s under the Company Act 2021 B.S. three Joint Venture Banks were established on private sector and operated under the Banijya Bank Act 2031. These are Nepal Arab Bank presently NABIL Bank Limited, Nepal Indosuez Bank Limited presently Nepal Investment Bank Limited and Nepal Grindlays Bank Limited presently Standard Chartered Bank Nepal Limited. Nepal’s financial is regulated by a central Bank, Nepal Rastra Bank (NRB).

Today banks’ activities have increased tremendously. Its function is not only limited to just lending and borrowing of money but it also offers other services and facilities as well, such as

collecting deposits, granting loans, overdraft, bank guarantee, credit services, letter of credit discounting bills, promissory notes, agency function, etc.

The balanced growth in the major sector i.e., industry, trade, commerce, agriculture and technology will surely lead to the economic development of the country. But the development in these fields is only possible by sound banking and non-banking financial system. These institutions are fulfilling their responsibility of meeting the growing needs of developmental activities of a country by transforming resources into productive capital investments. “This transformation takes place largely through the intermediation of financial institutions and commercial banks are the oldest and quantitatively the largest financial institution in any country”.

An ordinary bank is run on business lines with a view to earning profit and a central bank on the other hand is primarily meant to shareholder the responsibility of safe guarding the financial and economic stability of the country, it acts only in the public interest and for the welfare of country as a whole, and without regard the profit as a primary considerations. A bank is an institution “which collects money from those who have it spare or who are saving it out of their income and lends this money out to those who require it” (Crowther).

In general, a bank is an institution with the following features:

- i) It deals with money; it accepts deposits and advances loans.
- ii) It also deals with credit; it has the ability to create credit.
- iii) It is a commercial institution; it aims at earning profit.

1.3 Statement of Problem

All banks compete with each other to attract their customers in different ways through providing convenient, accessible and acceptable services or/and products to their customers. One of the most important of these services is the electronic services that have contributed significantly to increase the distance between customers and the bank. From the perspective of some customers, choosing to use electronic banking services can mean easier, lower-cost, around the clock availability, and time savings in managing of financial services, while for the perspective of other customers, the anxiety, complexity, risk and difficulties in accessibility might lead customers to refuse to continue using e-banking services (Ho, and Ko, 2008). Therefore e-banking services may not be a matter of choice to those customers.

Although the banks have recently taken much interest in generating value for the customer, they have experienced high levels of dissatisfaction on the part of users. Hence, no matter how much effort the banks put into their electronic services, if the customers do not understand the meaning or value of using them, the electronic service itself will be meaningless. The banks must provide distinctive services that give banks an opportunity to communicate with Customer value and loyalty, and thereby magnetize new customers in time. Customers are reluctant to adopt e-banking services due to security and privacy concerns and trust-related issues. Based on above, the Statement of Problem may be demonstrated via the questions below:

-) To what extent e-banking services affect customer?
-) How customer perceive e-banking and it's services?
-) To what extent customer value affects customer loyalty?

1.4 Objectives of the Study

The main objective of this study is to investigate the effect of e-banking services on customer value and customer loyalty in the banking sector in Nepal. However, the study focuses on the customers of selected commercial banks in Itahari by achieving the following objectives:

-) To assess the level of knowledge and the general opinion of customers on e-banking.
-) To find out how customer perceive e-banking service.
-) To determine the impact of e-banking on customer value and customer loyalty.

1.5 Significance of the Study

The way people use banks and their services has changed. A few years ago, almost all service encounters in Nepal were in the form of personal meetings between a service provider and a customer. Today e-banking services, with less interpersonal contact between the bank and the customer, have for many Nepalese people become the most important way to interact with their banks. This study is important for two reasons:

First: The importance of service sector that this study focuses on, where the banking sector ranked the first in the Nepalese economy, and the economies of the countries in the world.

Second: The scarcity of the researches in this scope, there are very few studies focused on the impact of electronic banking services on customer value and customer loyalty.

Third: The findings of this study will be equally important for everyone who is interested to know about this area. Moreover, it will be more useful to those studying on the banks in Itahari region.

1.6 Limitations of the Study

E-banking is very broad subject matter in the modern banking system. So to enquire the worldwide aspect of e-banking is quite impossible here. To keep research work feasible, to keep study in track and to keep control we should confine the study within some limitations. It is said that a research is never complete. It does have its limitations. Considering different constraints like money, information and data availability, the research has been barricaded under some limitations:

-) The scope of the study deals with customers of selected commercial banks in Itahari, using the electronic banking services.
-) The study is based on primary data especially through personal interviews and questionnaire. Therefore, the accuracy of results and conclusions highly depends on the reliability of these facts.
-) The time absorbed to study accomplishment.
-) The aim is to look into customers of banks using e-banking services within a certain range.
-) The study is concerned only on e-banking and it's effect on customer value and customer loyalty in Nepalese perspective.
-) Accuracy of data depends upon the resources collected.

1.7 Profiles of Selected Commercial Banks

A. Kumari Bank Limited

Kumari Bank Limited came into existence as the fifteenth commercial bank of Nepal by starting its banking operations from Chaitra 21, 2057 B.S (April 03, 2001) with an objective of providing competitive and modern banking services in the Nepalese financial market. The bank has paid up capital of Rs. 1,828,332,000 of which 70 percentage is contributed from promoters and remaining from public.

Kumari Bank Ltd has been providing wide - range of modern banking services through 30 points of representations located in various urban and semi urban part of the country, 28 branches outside and inside the valley; and 2 extension counters. The bank is pioneer in providing some of the latest / lucrative banking services like E-Banking and SMS Banking services in Nepal. The bank always focus on building sound technology driven internal system to cater the changing needs of the customers that enhance high comfort and value. The adoption of modern Globus Software, developed by Temenos NV, Switzerland and

arrangement of centralized data base system enables customer to make highly secured transactions in any branch regardless of having account with particular branch. Similarly the bank has been providing 365 days banking facilities, extended banking hours till 7 PM in the evening, Utility Bill Payment Services, Inward and Outward Remittance services, Online remit Services and various other banking services.

Visa Electron Debit Card, which is accessible in entire VISA linked ATMs (including 40 own ATMs) and POS (Point of Sale) terminals both in Nepal and India, has also added convenience to the customers. The bank has been able to get recognition as an innovative and fast growing institution striving to enhance customer value and satisfaction by backing transparent business practice, professional management, corporate governance and total quality management as the organizational mission.

The key focus of the bank is always center on serving unfulfilled needs of all classes of customers located in various parts of the country by offering modern and competitive banking products and services in their door step. The bank always prioritizes the priorities of the valued customers.

Authorized Capital: NPR 2 billion

Paid up Capital: NPR 1.828 billion

Total Loans: NPR 22 billion

Total Deposits: NPR 27 billion

Total Branches: 28 (Inside Valley: 9, Outside Valley: 19)

Extension Counter: 2

No. of ATMs: 40

Source: www.kumaribank.com



B. Himalayan Bank Limited

Himalayan Bank Limited is one of the largest and reputable private sector banks of Nepal. The bank was incorporated in 1992 by a few eminent individuals of Nepal in partnership with the Employees Provident Fund and Habib Bank Limited of Pakistan. The bank commenced its operations in January 1993. Himalayan Bank is also the first commercial bank of Nepal with most of its shares held by the private sector of Nepal. Besides commercial banking services, the bank also offers industrial and merchant banking service.

With its head and corporate office at Thamel, Kathmandu, the bank has 43 branches. Seventeen of its branches are located inside the Kathmandu Valley while the rest are spread

across the nation. Besides, a branch looking exclusively at electronic cards and related products, is based in Kamaladi, Kathmandu.

All branches of Himalayan Bank are integrated into Globus Software, developed by Temenos, the single banking software where the bank has made substantial investments. This has helped the bank provide services like 'Any Branch Banking Facility', Internet Banking and SMS Banking. Living up to the expectations and aspirations of the Customers and other stakeholders of being innovative, HBL introduced several new products and services. Millionaire Deposit Scheme, Small and Medium Enterprises Loan, Pre-paid Visa Card, International Travel Quota Credit Card, Consumer Finance through Credit Card and online TOEFL, SAT, IELTS, etc. fee payment facility are some of the products and services. HBL also has a dedicated offsite 'Disaster Recovery Management System'. Looking at the number of Nepalese workers abroad and their need for formal money transfer channel; HBL has developed exclusive and proprietary online money transfer software-Himal Remit. By deputing own staff with technical tie-ups with local exchange houses and banks, in the Middle East and Gulf region, HBL is the biggest inward remittance handling Bank in Nepal. All this only reflects that HBL has an outside-in rather than inside-out approach where Customers' needs and wants stand first.

Authorized Capital: NPR 4 billion

Paid up Capital: NPR 2.898 billion

Total Loans: NPR 46 billion

Total Deposits: NPR 53 billion

No. of Branches: 43 (Inside Valley: 17, Outside Valley: 26)

No. of ATM: 75

Source: www.himalayanbank.com



C. Nabil Bank Limited

Nabil Bank Limited is the first commercial bank in Nepal. It is also the first foreign joint venture bank of Nepal, started operations in July 7, 1984. It was earlier known as Nepal Arab Bank Ltd. It has its head office located at Nabil Center, Durbar Marg, which is also a premium location of the capital. It has the largest staff among private commercial banks of Nepal. Nabil was incorporated with the objective of extending international standard modern banking services to various sectors of the society. Nabil provides a range of commercial banking services through its 48 points of representation across the country and over 170 correspondent banks across the globe. In addition to this, the bank has presence through over

1300 Nabil Remit agents throughout the nation. The bank is a pioneer in introducing many innovative products and marketing concepts in the domestic banking sector and represents a milestone in the banking history of Nepal as it started an era of modern banking with customer satisfaction measured as a focal objective while doing business. Operations of the bank including day-to-day operations and risk management are managed by highly qualified and experienced management team. Bank is fully equipped with modern technology which includes international standard banking software that supports the e-channels and e-transactions.

Authorized Capital: NPR 2.5 billion

Paid up Capital: NPR 2.437 billion

Total Loans: NPR 53 billion

Total Deposits: NPR 74 billion

No. of Branches: 47 (Inside Valley: 21, Outside Valley: 26)

No. of ATM: 85

Extension Counter: 1

Source: www.nabilbank.com



D. NIC Asia Bank Limited

NIC Asia Bank has created history in the annals of Nepalese financial landscape by forming ourselves through a first of its kind merger between two commercial banks operating successfully in the country. The Bank has been formed through the merger of NIC Bank and Bank of Asia Nepal on 30th June 2013.

Whilst one of the merger partners – “Bank of Asia Nepal” was a relatively younger bank established in year 2007, the other partner – NIC Bank was established in year 1998 and has been recognized for many achievements including “**Bank of the Year 2007 – Nepal**” by The Banker, Financial Times, UK.

NIC Asia Bank is one of the largest private sector commercial banks in the country in terms of capital base, balance-sheet size, number of branches, ATM network and customer base. The bank has 66 branches at present with the relocation of 13 branches, which were merged together during the merger process. The existing branch network, across Nepal, covers almost all major financial centers of the country.

The Bank strongly believes in meritocracy, transparency, professionalism, team spirit and service excellence. These core values are internalized by all functions within the Bank and are reflected in all actions it takes during the course of its business.

Authorized Capital: NPR 3.6 billion

Paid up Capital: NPR 2.312 billion

Total Loans: NPR 33 billion

Total Deposit: NPR 41 billion

No. of Branches: 69 (Inside Valley: 34, Outside Valley: 35)

No. of ATM: 48

Extension Counter: 1

Source: www.nicasia.com



E. Citizen International Bank Limited.

Massive changes and developments have taken place during the past two decades in the financial sector. Amidst all these changes, for economic growth and development of New Nepal, Liberalization, Privatization and Globalization in this sector has given birth to the largest commercial bank, “Citizens Bank International Ltd”. The Bank is registered as “A” class Bank under Nepal Rastra Bank. It is located at Sharada Sadan, Kamaladi, Kathmandu, the heart of financial sector of the country. It has come into operation from 07 Baishakh 2064. Its share also has been listed in Security Board of Nepal. It is promoted by eminent personalities/business and industrial houses and reputed individuals having high social standing. It is managed by a team of experienced bankers and professionals. The Bank’s Corporate Vision is “to be the leading bank known for its service excellence in the region.” The Bank’s Corporate Mission is “to be a trustworthy partner for the progress of individuals and institutions by designing, producing and delivering the best financial solutions.” The Bank will constantly strive to inculcate in its services five corporate values as follows: Customer Focus- We are committed to meet the financial needs of our customers and exceed their expectations through innovative solutions. Service Excellence- We promise to deliver customer centered products and services par excellence. Human Resource-We employ bright, honest, helpful and pleasant people. We nurture and empower them to achieve their full potential. Corporate Governance-We believe in being accountable, conducting business ethically and maintaining transparency. Social Responsibility- We are committed to take social initiatives for the development of the nation.

Authorized Capital: NPR 3 billion

Paid up Capital: NPR 2.102 billion

Total Loans: NPR 22 billion

Total Deposits: NPR 25 billion



Total Branches: 43 (Inside Valley: 18, Outside Valley: 25)

No. of ATMs: 37

Source: www.citizensbank.com.np

1.8 Organization of the Study

This study has been divided to five chapters. The first chapter deals with introductory part containing the brief introduction of subject matter, statement of the problem, objective of the study, significance of the study and limitations of the study. The first chapter will be followed by second chapter which covers review of literature studied by the prior scholars. And it also covers the theoretical aspect of e-banking and overview of e-banking in Nepalese banking system. Similarly, the third chapter is research methodology. It deals with the research methodology adopted for the study consisting research design, sources of data, data gathering procedure and tools used in the study. The major part of this study is the fourth chapter, Presentation and Analysis of Data. It is a truly analytical section of the study. The collected data and information are presented and analyzed with the help of different statistical and financial tools. The last chapter of this research/ study is Summary, Conclusion and Recommendation. It is the last chapter of research study. It includes summary of the overall study, conclusion from the analysis and data and recommendation.

Chapter II

REVIEW OF LITERATURE

2.1 Background and Introduction

These days banking is more important to our society than ever before. The advance of communication and computer technology and the availability of the Internet have made it possible that one can do most banking transactions from a remote location even without stepping into a physical financial structure - that is, the emergence of E-banking (Bruene, 2002). The way Bill Gates (2008) announced that “banking is essential, banks are not”. This quotation means that the traditional bank branch is going to vanish in order to be surrogated by electronic banking which continues to attract new users. The banking industry believes that by adopting new technology, the banks will be able to improve customer service level and tie their customers closer to the bank. Meanwhile, the banking industry has been also looking for new methods to expand its customer base and to counteract the aggressive marketing effort of those non-traditional banking entities (Graven, 2000). Larger banks that maintain expensive branch networks tend to have the greatest incentive to adopt E-banking services. In comparison, smaller banks have higher startup costs and tend to have a high initial technological cost developing e-banking services (Treadwell, 2001).

Hasan (2010) claimed that nowadays e-commerce, e-business and financial services industry have increasingly become a necessary component of business strategy and a strong catalyst for economic development.

While there is a rich body of literature on electronic banking services, Customer value and Customer loyalty, little is known about the relation among them. This chapter contains theories that cover the chosen subject. The theoretical frame will highlight the concepts of E-banking services, Customer value, and Customer loyalty that were deeply explained in previous researches and theories and these, in turn, will be the foundation for the empirical data collection.

2.2 Development of Banking in Nepal

With the growing necessity of the commercial banks in the world, Nepal Bank Limited, the first commercial bank of Nepal, came into being in 1937 A.D. replacing the older system of

banking. In the present scenario different types of banks are being practiced in Nepal, but among them commercial banks play a vital role in the economic development of the country. As mentioned above, with the motive to develop the trade and industry in the country commercial bank called Nepal Bank Limited was established in 1937 A.D. It was established under the Nepal Bank Act of 1936 A.D. and the late King Tribhuvan Bir Bikram Shah Dev inaugurated this bank. At that time the authorized capital of Nepal Bank Limited (NBL) was Rs. 10 millions, divided into 100,000 shares of Rs. 100.00 each. Nepal Bank Limited had a responsibility of attracting people towards banking sector from predominant sahu-mahajan's transaction and introducing other banking services as well. Being a commercial bank, it was natural that Nepal Bank Limited paid more attention to profit generating business. But it is the duty of the government to look into the neglected sectors. Therefore Nepal Bank Limited was established with 51 percentage ownership of the then His Majesty Government (HMG) and 49 percentage of the equity participation from private sector. With the development of banking sector and to help the government, formulate monetary policies, Nepal Rastra Bank was set up in 1956 A.D. (14th Baisakh 2013 B.S), the central bank of the country. Since then it has contributed to the growth of financial sector.

The growth and development of the country is possible only when competitive banking services reach each and every corner of the country. However, as the central bank, Nepal Rastra Bank had its own limitations and as a commercial bank it was not logical for Nepal Bank Limited to go to unprofitable sectors. So, to catch up with these problems, the government established Rastriya Banijaya Bank in 2022 B.S. (1965 A.D), under Banijya Bank Act 1965 A.D. as a fully state owned commercial bank (Dahal, 2002:11). Then the establishment of Nepal Industrial Development Corporation, Employee Provided Fund, Agriculture Development Bank etc, followed the formation of financial institutions. With the aim to provide quality-banking service, enhance the efficiency and healthy competition, foreign investment and new technology in banking sector was introduced. Nepal Arab Bank, the first joint venture bank of Nepal was established in 1984 A.D. (2041 B.S). The bank was the outcome of joint venture with Dubai Bank Limited of United Arab Emirates. The footstep of this bank was followed by Nepal Indosuez Bank a joint venture bank with a Bank of Paris in 1986 A.D. (2041 B.S) and later other joint venture banks are established in Nepal.

As of today there are thirty commercial banks in Nepal after successful completion of merger between NIC Bank Limited and Bank of Asia Limited and Global IME Bank Limited and Commerz and Trust Bank Limited.

Table 2.1: List of Commercial Banks in Nepal

S.N.	Name of Banks	Year of Establishment	Registered Office
1.	Nepal Bank Limited	1937	Kathmandu
2.	Rastriya Banijya Bank Limited	1966	Kathmandu
3.	Agriculture Development Bank Limited	1967	Kathmandu
4.	Nabil Bank Limited (Previously Nepal Arab Bank Limited)	1984	Kathmandu
5.	Nepal Investment Bank Limited (Previously Nepal Indosuez Bank Limited)	1986	Kathmandu
6.	Standard Chartered Bank Nepal Limited (Previously Nepal Grindlays Bank Limited)	1987	Kathmandu
7.	Himalayan Bank Limited	1993	Kathmandu
8.	Nepal SBI Bank Limited	1993	Kathmandu
9.	Nepal Bangladesh Bank Limited	1993	Kathmandu
10.	Everest Bank Limited	1994	Kathmandu
11.	Bank of Kathmandu Limited	1995	Kathmandu
12.	Nepal Credit and Commerce Bank Limited (Previously Nepal Bank of Ceylon Limited)	1996	Bhairahawa
13.	Lumbini Bank Limited	1998	Narayangarh
14.	Machhapuchchhre Bank Limited	2000	Pokhara
15.	Kumari Bank Limited	2001	Kathmandu
16.	Laxmi Bank Limited	2002	Birgunj
17.	Siddhartha Bank Limited	2002	Kathmandu
18.	Global IME Bank Limited*	2014	Birgunj
19.	Citizens Bank International Limited	2007	Kathmandu
20.	Prime Commercial Bank Limited	2007	Kathmandu
21.	Sunrise Bank Limited	2009	Kathmandu
22.	NIC Asia Bank Nepal Limited**	2013	Biratnagar
23.	Grand Bank Nepal Limited	2008	Kathmandu
24.	NMB Bank Limited	2009	Kathmandu
25.	Kist Bank Limited	2009	Kathmandu
26.	Janata Bank Limited	2009	Kathmandu
27.	Mega Bank Nepal Limited	2009	Kathmandu
28.	Civil Bank Limited	2010	Kathmandu
29.	Century Commercial Bank Limited	2011	Kathmandu
30.	Sanima Bank Limited	2011	Kathmandu

Source: www.nrb.org.np

**Global Bank Limited established in 2007 merged with IME Finance, Lord Buddha Finance, Gulmi Bikas Bank Limited, Social Development Bank Limited and Commerz and Trust Bank Limited.*

***Nepal Industrial and Commercial Bank Limited established in 1998 merged with Bank of Asia Nepal Limited established in 2007.*

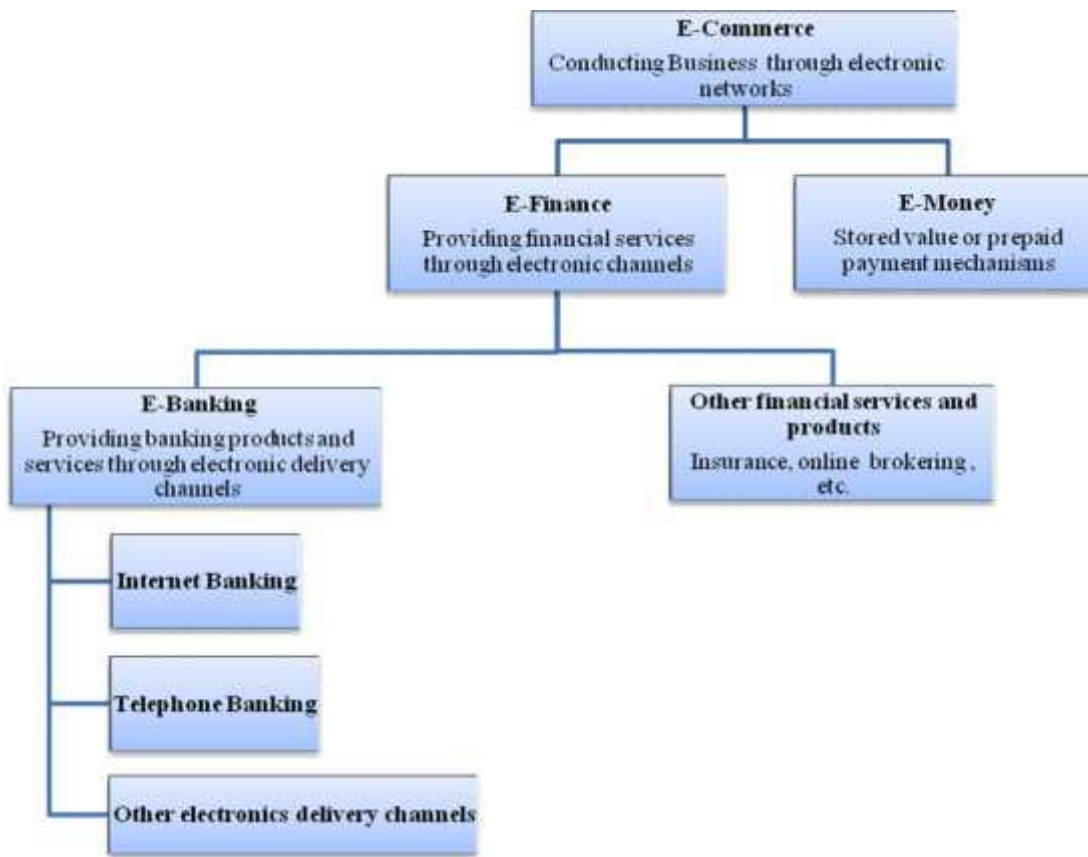
Nabil Bank Limited, Nepal Investment Bank Limited, Standard Chartered Bank Nepal Limited, Himalayan Bank Limited, Nepal SBI Bank Limited, Nepal Bangladesh Bank Limited, Everest Bank Limited, Bank of Kathmandu Limited, and Nepal Credit and Commerce Bank Limited were established under the joint venture of foreign banks. Lumbini Bank Limited is the first commercial bank established by Nepali Promoters only. Similarly, Grand Bank Nepal Limited, NMB Bank Limited, Kist Bank Limited and Sanima Bank Limited were initially established as finance and/or development banks and were later promoted to commercial bank.

2.3 Theoretical Concept of E-Banking Services

The definition of e-banking varies amongst researches partially because electronic banking refers to several types of services through which a bank's customers can request information and carry out most retail banking services via computer, television or mobile phone (Lustsik, 2004). Electronic banking can be defined as the provision of information or services by a bank to its customers, describes it as an electronic connection between bank and customer in order to prepare, manage and control financial transactions (Karjaluto, 2002). From another side, Daniel (1999) described electronic banking as the provision of banking services to customers through Internet technology. E-banking is also defined as the automated delivery of new and traditional banking products and services directly to customers through electronic, interactive communication channels (Gio, 2005).

E-banking now becomes a virtual banking counter that the individual and corporate customer to carry out the regular activities (Gio, 2005). The term electronic banking is used to describe the provision of information or services by a bank to its customers, via a computer or television (Daniel, 1999), where E-banking includes the systems that enable financial institution customers, individuals or businesses, to access accounts, transact business, or obtain information on financial products and services through a public or private network, including the Internet (Gio, 2005).

Figure 2.1: What is Electronic Banking?



E-banking uses the web browser for the user interface and the Internet for data transfer and download of software, and so has a potential for reducing maintenance costs. For users, e-banking provides current information, 24-hours-a-day access to banking services – in addition to the familiar browser interface. Customers access e-banking services using an intelligent electronic device, such as a Personal Computer (PC), Personal Digital Assistant (PDA), Automated Teller Machine (ATM). Dabholkar, Bobbitt and Lee (2003) referred that technology-based self-service options now include telephone banking, Internet banking, smartcard banking, and home banking via television, in addition to the ATM.

E-banking services are typically classified based on the type of customer they support (Gio, 2005). Furthermore, electronic services contribute in reducing costs, increasing profits, activating bank's management, increasing bank's effectiveness and its competitive degree. This reflects the direct relation between increasing client's needs to reduce time, costs and between electronic banking services. Commercial banks need more than any other time to activate, develop, and innovate new techniques on international level to enhance the relationship between themselves and their customers. Since e-banking, is a high-risk area

with a potential for substantial economic loss, therefore electronic banking must be secure and easy to use.

2.3.1 History of E-banking

Since 1981, the banking sector has witnessed a number of innovations, beginning with the introduction of the Automated Teller Machines (ATM). Early in the 1990s, the Automated Voice Response (AVR) was introduced in the financial industry. This facility gave financial institutions the opportunity and ability to launch electronic banking services to their customers. As technology kept changing the way financial services were produced and delivered, banks were able to offer services to customers who owned personal computers.

NetBank in the United States of America was the first online bank which was formed in 1996 under the name of Atlanta Internet Bank (Gonzalez et al., 2008). Other online financial services such as Junipercom, e-Trade.com joined the electronic banking industry in 2001, and well established banks such as CitiBank and Wells Fargo followed suit (Gefen and Straub, 2000). Over the years, e-banking has experienced growth in many countries—developed and developing--and has transformed traditional practices in banking dramatically.

2.3.2 E-Banking Global Perspective

The advent of Internet has initiated an electronic revolution in the global banking sector. The dynamic and flexible nature of this communication channel as well as its ubiquitous reach has helped in leveraging a variety of banking activities. New banking intermediaries offering entirely new types of banking services have emerged as a result of innovative e-business models. The Internet has emerged as one of the major distribution channels of banking products and services, for the banks in US and in the European countries. Initially, banks promoted their core capabilities i.e. products, services and advice through Internet. Then, they entered the e-commerce market as providers/distributors of their own products and services. More recently, due to advances in Internet security and the advent of relevant protocols, banks have discovered that they can play their primary role as financial intermediate's and facilitators of complete commercial transactions via electronic networks especially through the Internet. Some banks have chosen a route of establishing a direct web presence while others have opted for either being an owner of financial services centric electronic marketplace or being participants of a non-financial services centric electronic marketplace. The trend towards electronic delivery of banking products and services is occurring partly as a result of consumer demand and partly because of the increasing

competitive environment in the global banking industry. The Internet has changed the customers' behaviors who are demanding more customized products/services at a lower price. Moreover, new competition from pure online banks has put the profitability of even established brick and mortar banks under pressure. However, very few banks have been successful in developing effective strategies for fully exploiting the opportunities offered by the Internet. For traditional banks to define what niche markets to serve and decide what products/services to offer there is a need for a clear and concise Internet commerce strategy. Banking transactions had already started taking place through the Internet way back in 1995. The Internet promised an ideal platform for commercial exchange, helping banks to achieve new levels of efficiency in financial transactions by strengthening customer relationship, promoting price discovery and spend aggregation and increasing the reach. Electronic finance offered considerable opportunities for banks to expand their client base and rationalize their business while the customers received value in the form of savings in time and money.

2.3.3 E-banking Services in Nepal

The significance of banking in Nepal also highlights its importance with the introduction of e-banking in the recent years. In a developing country like Nepal, most of the people are living under the poverty line, and, as such, the banks should offer competent and reliable services to the citizens.

The banking industry in Nepal is undergoing rapid growth following various financial sector reforms and positive economic environment. Banks in Nepal are competing through many commercials and a range of products and services, for customers. Many products and services are now a matter of competitive necessity rather than a competitive advantage. With many banks offering similar products and services, the focus of competition is now moving towards speed, customization of products and opening up of more branches to add value to the core banking products and services.

The competitive landscape in Nepalese banking sector has become highly dynamic. Digital technology is becoming an important tool in designing bank strategy, with Wide Area Networks (WAN) being incorporated by almost all banks to create business value. Door-to-door sale of bank products is becoming become a norm. Yet, the banking customer in Nepal is far from being satisfied.

The e-banking is now emerging as a new market place in Nepal a number of banks already hitting the airwaves in many commercial and business interviews, promising optimal customer value in their new e-banking channel. Nepal, notwithstanding, is one of the Asian

countries with low internet patronage. The full impact of the internet has not been felt in Nepal, especially in e-commerce and banking. Though banking customers of urban areas have access to e-banking, the level of e-readiness of the Nepal community is low, yet, research on particularly e-banking, is scanty.

The tradition of official banking system in Nepal commenced with the establishment in 1937 of Nepal Bank Limited (NBL), the first Nepalese commercial bank. The central Bank (NRB) of Nepal was established in 1956, by the act of 1955, after nearly two decades when NBL came into existence.

A decade after the founding of NRB, Rastriya Banijya Bank (RBB), a commercial bank under the ownership of the then HMG/N also came in operation. The existing set-up of the banking sector in Nepal by Asadh end 2071, is that the number of licensed banks and financial institution operating in Nepal has reached 204, including 30 commercial banks, 84 development banks, 53 finance companies and 37 micro finance banks which are providing financial services to the public. Only 12 per cent of the population holds the deposits with the commercial bank. The per-capita deposit by mid-April 2010 stood at 20,100 and the total deposits of bank was Rs 590.9 billion (Economic Survey, 2011).

In the recent times, the branches are being opened at rural areas where deposit growths are at a slower pace. In the current situation, the bank's branches have been concentrated in the urban areas rather than the rural areas where people are still deprived of basic services.

Financial intermediaries have reduced the dependency of Nepalese households on money lenders for loans. According to Nepal Living Standard Survey (NLSS), 15.1 per cent of the total households borrowed from the local money lenders, whereas previously fifteen years ago 39.7 per cent used to borrow from the same institution. Banking in Nepal has become an important feature which renders service to the people in financial matters, and its magnitude of action is extending day by day. It is the major institutional system in Nepal which carries out the financial flow within the economy. Nepal is passing through a new arena in the field of institutional and governance reform. To guarantee superb corporate governance in Nepal, it requires a collaborative effort between the investors (promoters)/board of directors, who should possess the quality of being sincere, transparent, accountable and socially justifiable and the regulating body should efficiently enforce rules and regulations in order to protect the right of the stakeholders. At the same time, the share holders should be on constant vigilance and be actively aware and participate in their corporate dealings to prevent deceitful practices from taking place. This integrated approach will provide a tremendous ambience to intensify excellent traditions of corporate governance. Current flooding of corruption, discreditable

action and corporate deception has evoked an urgency to strike at the roots of the functional activities in the financial sector of Nepal. The most recent collapse of a cluster of financial institutions defied the self-belief and created commotion among the general public regarding depositing their hardly earned money in banks. Only some months before Gurkha Development Bank, Nepal Share Market and finance company and Capital Merchant Banking closed down their transactions and could not pay the depositors.

The public have conventional faith in banks and financial institutions for secure staying of their savings, but the ones assigned with the money are monopolizing the funds at their whim haphazardly.

This suspicion among the people has led to the loss of credibility of financial institutions. The desperate and emotionally disturbed depositors of ill-fated bank are in a fix as to whom they should ask for help. Scrutinizing the problematic state of affairs of the financial institution, the Central Bank should exhibit its aggressiveness to bring back the lost track of bank and financial institution. Analyzing the critical problem the following measures should be taken by the Central Bank (a) Supervising mechanism of Central Bank should be prompt, honest, sound and effective. (b) Issuing of license of financial institution should be stopped. (c) Competitive and qualified persons should be encouraged while electing board of directors. (d) The code of conduct should be stringently followed by the board of directors. (e) A separate research wing for market analysis and for policy formulation should be created. (f) Expenditure of the institution should be well-matched with the income.

At this moment of pandemonium, it is a pressing need that the Central Bank displays its power of action to alleviate the depositors' problem and consequently preventing other banks and financial institutions from crumbling down one after the other as soon as possible.

The adopting of electronic banking has been increased dramatically during the last few years by the banks in Nepal. The emergence of newer banking services which completely differ from the traditional services that people have been accustomed to, prompts people and organizations in Nepal to increase their banking activities. According to the official website of the Central Bank of Nepal, Nepal Rastra Bank there are 30 commercial banks, 89 development banks and 75 finance companies across Nepal. Almost all banks in Nepal have electronic sites for introducing services and branches agreed on the confidently and privacy necessity in electronic banking business. Nepalese commercial banks need to provide information for customers on various competing services, which make it possible to compare them and then select the one that best meets their requirements. Although most banking services in Nepal were conducted by personal form through meetings between a service

provider in the bank and customer, many Nepalese people now prefer to use e-services to conduct their finance transactions with banks by accessing to internal resources.

With the establishment of Nepal Bank Limited in 1937, the first bank to start banking in Nepal, it took almost 53 years for the introduction of credit cards by Nabil Bank Limited in early 1990s. As for the development of e-banking in Nepal, Himalayan Bank Limited stood in front row with the introduction of Automated Teller Machine (ATM) in 1995 and Tele banking. After the establishment of first bank, banking sector as well as bank customers had to wait 65 years for internet banking, and Kumari Bank Limited was the first bank to start internet banking in Nepal in 2002. Laxmi Bank Limited was the first bank to introduce SMS-Banking (or Mobile Banking) in Nepal in the year 2004. Even after eleven years of introduction of internet banking, it is still not popular and widely used in Nepal; people/customers still rely on traditional ways of banking. Although the major cities like Kathmandu, Pokhara, Biratnagar, have good internet facilities and majority of the bank provides the internet banking in urban cities, internet banking is in its early stage and is not utilized by most of the bank customers. Study showed that there were 200,000 internet users in Nepal, out of which 50 percentage users were inside Kathmandu valley. However, only about 3000 (1.5 percentage) internet users were using internet banking. One of the studies has found that in terms of e-banking, ATM services is adapted by most of the banks in Nepal, while mobile banking is getting more popularity but the internet (computer based) banking is still not available (Bastola Amrit, 2007).

The channels in e-Banking available in Nepal are Automated Teller Machines (ATM), Point of Sales (PoS), Telephone Banking (Tele Banking), Internet Banking, Mobile Banking (SMS Banking). Currently Nepalese customer are enabled Cash Withdrawal, Balance Inquiry from in PoS Terminals customer can do financial transactions via Cards, Cash is debited from the client's account(s), from Tele-banking customer can do the Account Status check, Balance Inquiry, similar to Tele-Banking SMS banking facilities is there. From Internet-Banking customer are having fund Transfer within accounts (within the bank), get balance statement online and Pay bills online. All these type of facilities are available in cities but not in remote places. But unless and until Nepal's two giant banks which are under restructuring process, NBL and RBB, won't go for E-banking large portion of banking customer will be out of the use of E-Banking facilities. As per NRB, nearly 30 percentage of the total deposit is held by two giant banks; Nepal Bank Limited and Rastriya Banijya Bank as they are yet to introduce e-banking services. That means these depositors have lesser access to e-banking facilities directly. Recently RBB (Rastriya Banijya Bank) declared it has started ATM and internet

banking facilities which is indeed satisfactory news for the Nepalese financial market .Likewise NBL (Nepal Bank Limited) which is already computerized has also started this service sooner or later. Therefore, as a service provider, banks should know the success factors that influence the customers' tendency to use e-banking, as a possible banking channel. They should also know the consumer's perception about e-banking. Factors affecting consumer acceptance and adoption of e-banking have been investigated in many countries but research in this regard is limited in Nepal and there is still a gap which this study wishes to fulfill.

2.3.4 Characteristics of Electronic Banking Services

According to (Ho, and Ko, 2008) four characteristics (Ease of use, Usefulness, Cost saved and Self-control) were suggested, determining the customer acceptance of e-banking services as follows:

Ease of use:

Ease of use can be defined in the current context as a factor in which the self-service activity provides a clear interface and simple process to ensure customers can use it effectively. Davis (1989) defined ease of use as the degree to which a person believes that using a particular system would be free of effort. Ease of use given that Internet-based transactions might seem complex and intimidating to many customers, it has often been termed usability in the online context.

Usefulness:

Davis (1989) defined the usefulness as "the degree to which a person believe that using a particular system would enhance his or her job performance".

Cost saved:

Automated e-banking services offer a perfect opportunity for minimizing costs (Lustsik, 2004). Costs saved relates to the amount of time and money saved when using an innovative self-service. Costs in terms of money and time are negative factors when customers assess the value of the service (Ho and Ko, 2008).

Self-control:

Gailliot, Baumeister, and DeWall, (2007) defined self-control as the ability to control or override one's thoughts, emotions, urges, and behavior. It provides the flexibility necessary for successful goal attainment. Self-control enables the service activity to be performed without depending on servers or releasing personal information. An individual with self-control has the power of predictability, controllability, and outcome desirability.

2.3.5 Benefits of Electronic Banking Services

There are arguments that the benefits of e-banking services on the fact that customers can access services when and where they want without some of the complications of interpersonal exchanges (Durkin, 2004).

Benefits from the bank point of view:

- The first benefits for the banks offering Internet Banking services are better branding and better responsiveness to the market. Those banks that would offer such services would be perceived as leaders in technology implementation. Therefore, they would enjoy a better brand image.
- The second benefits to banks are cost savings, reaching new segments of the population, efficiency, enhancement of the bank's reputation and better customer service and satisfaction, the online banking strengthens the relationship between the service provider (e.g. bank) and the customer.
- The third benefits that online channel enables banks to offer are low-cost, high value-added financial services and also benefit from the promotional opportunity to cross-sell products such as credit cards and loans.
- The other benefits are possible to measure in monetary terms. The main goal of every company is to maximize profits for its owners and banks are not any exception. Automated e-banking services offer a perfect opportunity for maximizing profits.

Benefits from the customers' point of view

Lustsik (2003) and Gurau (2002) explained multiple benefits to customers by e-banking services:

- The main benefit from the bank customers' point of view is significant saving of time by the automation of banking services processing and introduction of an easy maintenance tools for managing customer's money.
- Reduced costs in accessing and using the banking services.
- Increased comfort and timesaving — transactions can be made 24 hours a day, without requiring the physical interaction with the bank.
- Quick and continuous access to information. Corporations will have easier access to information as, they can check on multiple accounts at the click of a button.
- Better cash management. E-banking facilities speed up cash cycle and increase efficiency of business processes as large variety of cash management instruments is available on internet sites.

- Speed. The response of the medium is very fast; therefore customers can actually wait till the last minute before concluding a fund transfer.
- Funds management. Customers can download their history of different accounts and do a what-if analysis on their own PC before affecting any transaction on the web. This will lead to better funds management.

2.4 Customer Value

A customer's perceived preference for, and evaluation of, those product attributes, attribute performances, and consequences arising from use that facilitates (or blocks) achieving the customer's goals and purposes in use situations (Woodruff, 1997). It's reflecting customers' rational trade-off between the costs and benefits of using a product and service.

Although customer value has become the object of much investigation only during the last few years, the value concept has always been the fundamental basis for all marketing activity. The study of customer value is becoming significantly more important, both in research and in practice and identifying and creating customer value is regarded as an essential prerequisite for future company success (Graf, and Maas, 2008). According to Yang (2004), Customer value is the fundamental basis for all marketing activity. It is considered central to competitive advantage and long-term success of business organizations (Khalifa, 2004). It is important to emphasize that for many banks the term "customer value" is used solely to refer to the value that the customer generates for them, rather than the value that they can offer their users (Roig, et al. 2006).

Customer value research has been shaped and influenced by research in fields such as value chain, augmented product concept, value research, customer behavior, customer satisfaction, and quality. Thus customer value differs from personal or organizational values, those centrally held and enduring beliefs about right and wrong, good and bad that cut across situations and products or services (Woodruff, 1997).

2.4.1 Dimensions of Customer Value

According to (Chen et al, 2005), (Ho, and Ko, 2008), (Anguelov and Hilgert, 2004) and (Khan, Kadir, Wahab, 2010), three dimensions suggested: **Functional Value, Emotional Value and Epistemic Value**, to determine customer value.

Functional Value:

(Khan, Kadir and Wahab, 2010) defined functional value as the rational and economic valuations of individuals and the quality of the product and service form this dimensions. It is relate to functional performance, economic utility, and the benefits associated with possessing the service. A range of functional value attributes emerged from the extensive review; these are responsiveness, reliability, empathy, and price.

Emotional Value:

It describes customers' feelings when they experience an organization's products or services (Ho and Ko, 2008).

Epistemic Value:

It is the capacity of services or products to provide novelty or curiosity and satisfy a desire for knowledge. An organization can achieve a longer lasting business performance if creating superior customer value is the way to gain a sustainable competitive advantage (Chen and Quester, 2006).

Generally there are two theoretical differentiable approaches that indicate to directions of company and customers toward customer value:

Customer Value from a company perspective

The value of the customer is central for the provider. The goal is to evaluate how attractive individual customers or customer groups are from a company perspective. This approach became a popular research topic in the last few years (Graf, and Maas, 2008).

Customer Value from a customer perspective

The focus here is on value generated by a company's product or service as perceived by the customer or the fulfillment of customer goals and desires by company products and/or services (Graf, and Maas, 2008).

2.4.2 Categories of Value

Relevant perspectives of value can be classified as dealing with values, desired value, and value judgments, where value is created by delivering benefits that help customers achieve their goals.

Value:

Value is central, enduring core beliefs, desired or higher order goals of the individual customer or customer organization that guide behavior (Flint, Woodruff, and Gardial, 1997). The concept of value, however, is one of the most overused and misused concepts in social science in general and in management literature in particular, it is used in diverse fields such as finance, economics, management, information systems, ethics, justice, social equity and fairness, etc. (Khalifa, 2004)

Desired Customer Value:

The customers' perception of what they want to have happen in a specific kind of use situation, with the help of a product or service offering, in order to accomplish a desired purpose or goal. This definition implies that value is created by products and services when the benefits they deliver help customers achieve their goals in various situations (Flint, Woodruff, and Gardial, 1997).

Value Judgment:

The customer's assessment of the value that has been created for them by a supplier given the trade-offs between all relevant benefits and sacrifices in a specific use situation, Table-1 show each of the three views of value that will make their distinctions, as well as their importance (Flint, Woodruff, and Gardial, 1997).

Table 2.2: Value Judgement

	<i>Value</i>	<i>Desired value</i>	<i>Value Judgment</i>
<i>Definition</i>	Implicit beliefs that guide behavior	What customer wants to have happen (benefits sought)	Assessment of what has happened (benefits and sacrifices)
<i>Level of abstraction</i>	Abstract, centrally held, desired end-states, higher order goals	Less abstract, less centrally held, lower order goals, benefits sought to facilitate higher order goal achievement	Overall view of trade-offs between benefits and sacrifices actually received
<i>Locus or source of value</i>	Specific to customer (person or organization)	Conceptualized interaction of customer, product/service	Interaction of customer, product/service, and a

		and anticipated use situations	specific use situation
<i>Relationship to use permanence</i>	Independent of use situations Enduring	Independent of use specific experience Moderately enduring	Dependent on specific use experience Transient over occasions

Source: Flint, Woodruff, and Gardial, 1997.

2.4.3 Elements of Customer Value

It is extremely important to fully understand the key elements of value in the eyes of the customer. (Kothari and Lackner, 2006). To make their value clear, leading companies group the value that customers receive from an offering under four broad categories:

-) **Product:** Product attributes is the category that enterprises relate to most easily, product design, engineering and operations.
-) **Access:** is defined by how accessible an enterprise's products and services are to the marketplace.
-) **Experience:** is defined by the overall experience that customers have as they use an enterprise's products and services.
-) **Cost:** both the enterprise and the customer take a myopic view of cost by limiting the discussion to the purchase price.

2.5 Customer Loyalty

Customer loyalty is a buyer's overall attachment or deep commitment to a product, service, brand, or organization (Oliver 1999). Lam, Shankar and Murthy (2004) also defined customer loyalty as the deep commitment to a product, service, brand, organization. The loyalty concept is similar in meaning to relationship commitment, which is described by the relationship marketing literature as an enduring desire to be in a valued relationship. Experience indicates that defining and measuring brand loyalty is extremely difficult.

Researchers have used both attitudinal and behavioral measures to define and assess this variable (Oliver, 1999). From an attitudinal perspective, customer loyalty has been viewed by some researchers as a specific desire to continue a relationship with a service provider, while from a behavioral view, customer loyalty is defined as repeat patronage, that is, the proportion of times a purchaser chooses the same product or service in a specific category compared to the total number of purchases made by the purchaser in that category (Yang and Peterson, 2004).

Loyalty can be of substantial value to both customers and the firm. Customers are willing to invest their loyalty in business that can deliver superior value relative to the offerings of competitors (Yang and Peterson, 2004).

Loyalty and profits are strongly linked to value created for customers; customers are loyal to a company as long as it offers them superior value compared to its competitors (Kahalifa, 2004). When they are loyal to a firm, consumers may minimize time expended in searching and in locating and evaluating purchase alternatives (Yang and Peterson, 2004). Therefore Customer loyalty is one major driver of success in e-commerce.

2.5.1 Definition of Customer Loyalty

Yang (2004) defined customer loyalty as repeat patronage, that is, the proportion of times a purchaser chooses the same product or service in a specific category, while Floh and Treiblmaier (2006) have defined Loyalty as the repeat purchasing of a particular service or product. In particular, negative reputations have critical influences on the brand image of a company in the wireless communication industry that includes most of people as customers. For this reason, any organization must strive to keep loyal customers as long as possible. The marketing literature suggests that customer loyalty can be defined in two distinct ways, the first defines loyalty as an attitude, and different feelings create an individual's overall attachment to a product, service, or organization, the second definition of loyalty is behavioral include continuing to purchase services from the same supplier. The loyalty concept is similar in meaning to relationship commitment, which is described by the relationship marketing literature as an enduring desire to be in a valued relationship (Lam, Shankar, Murthy, 2004).

2.5.2 Dimensions of Customer Loyalty

To measure customer loyalty, researcher used two dimensions (**Attitudinal loyalty and Behavioral loyalty**) which suggested by (Baloglu, 2002), (Chiou and Droge, 2006), (Yang and Peterson, 2004), (Curran and Meuter, 2005) and (Luarn and Lin, 2003) to determine Customer loyalty:

Attitudinal Loyalty

Bennett and Sharyn (2002) defined attitudinal loyalty as a psychological predisposition towards a particular brand, while Seigyoung, Simon, Colin, and Eric (2007) mentioned that attitudinal loyalty refers to a measure of clients' intentions to stay with and level of

commitment to the organization. The attitudinal loyalty is created first leading to behavioral loyalty.

Behavioral Loyalty

Early definitions of loyalty focused almost exclusively on its behavioral dimension. In particular, loyalty was interpreted as a form of customer behavior (such as repeat purchasing) directed toward a particular brand over time (Curran and Meuter, 2005). Traditionally, behavioral loyalty has been defined in terms of repeat buying behavior.

2.5.3 Stages of Loyalty

People become loyal through seven stages (Griffin, 1995).

Stage One: A suspect is anyone who might possibly buy your product or service.

Stage Two: A prospect is someone who has a need for your product or service and is able to buy.

Stage Three: Disqualified Prospect. These are those who don't need, or do not have the ability to buy your products.

Stage Four: This person can be a customer of yours and a customer of your competitor as well.

Stage Five: Repeat customers are people who have purchased from you two or more times.

Stage Six: A client buys everything you have to sell that he can possibly use. This person purchases regularly. You have a strong, ongoing relationship that makes him immune to the pull of the competition.

Stage Seven: Like a client, an Advocate encourages others to buy from you. He talks about you and does marketing for you.

2.5.4 Loyalty Typology based on Attitude and Behavior

Figure 2.2 shows four loyalty arche types based on the cross-classification of attitudinal and behavioral loyalty levels (Baloglu, 2002):

-) High (True) loyalty: Customers in this level are characterized by a strong attitudinal attachment and high repeat patronage; they almost always patronize a particular company or brand and are least vulnerable to competitive offerings.
-) Latent loyalty: those customers with latent loyalty exhibit low patronage levels, although they hold a strong attitudinal commitment to the company.

-) Spurious loyalty: Customers with spurious or artificial loyalty make frequent purchases, even though they are not emotionally attached to the brand, they may even dislike it even though they continue to make purchase.
-) Low (or no) loyalty: the low loyalty group exhibits weak or low levels of both attitudinal attachment and repeat patronage.

Figure 2.2: Four Loyalty Levels

		Attitude	
		Low	High
Behaviour	High	Spurious Loyalty	True Loyalty
	Low	Low Loyalty	Latent Loyalty

Source- Baloglu, 2002

2.5.5 Attitudinal and Behavioral Examination

The rationale behind assessing loyalty on two dimensions (behavior and attitude) is both conceptual and practical. Some studies have demonstrated that customer loyalty is a multidimensional concept involving both behavioral elements (repeat purchases) and attitudinal elements (commitment). Researchers who have studied the two dimensional approaches suggested that focusing on behavior alone (repeat purchases) cannot capture the reasons behind the purchase, the two dimensional loyalty can help to identify loyalty segments (Baloglu, 2002). More recently researchers have suggested that attitudinal loyalty can be measured by capturing the individual's propensity to be loyal (Bennett, and Sharyn 2002). The attitudinal loyalty helps to examine the factors of loyalty, to avoid switching behavior and to predict how long customers will remain loyal.

2.5.6 The Value of Customer Loyalty

Yang (2004) mentioned that the customer loyalty can be generated through improving customer satisfaction and offering high product or service value, he suggested that the firms

may focus on five key dimensions to identify the customer loyalty; (1) providing quality customer services, (2) performing the service correctly by executing transactions accurately, (3) providing an appropriate range and offering features to target customers, (4) ease of use and (5) security/privacy.

2.6 The Previous Studies

Tuladhar, P. (2008)

Her study entitled “**E-commerce and its Impact in Commercial Bank of Nepal**” A case study of **Bank of Kathmandu Limited** has major findings as highlighted below:

-) Majority of the customers i.e. 30 percentage of the customers of different banks has heard the term E-commerce. However, the remaining 30 percentage had no idea about e-commerce and its practical implications in the banking sector.
-) Majority of the customers surveyed considered on line banking as a means to operate account from anywhere. Around 27 percentage of the customers considered on-line banking as a means to transfer deposits from anywhere. Around 25 percentage felt that on-line banking would prove to be vital for prompt service and they need not have to stand queue for hours
-) Regarding the safety issue, the customers were asked if they felt that they could safely operate accounts through on-line banking, majority of the customers i.e. 55 percentage felt that on-line banking adopted by the Nepalese commercial banks is not fully secure. The remaining 45 percentage felt that they could safely operate their accounts through on-line banking.
-) The survey revealed that the majority of the customers of banks had fairly good knowledge regarding plastic cards. 80 percentage of those surveyed had used plastic cards in the form of ATM cards while only 20 percentage had never used such cards.
-) Only around 30 percentage of the customers surveyed had used ATM Cards for payment of bills after shopping. The remaining 70 percentage had not used ATM cards in POS machines placed in different shopping malls and departmental stores.
-) Majority of the customers surveyed felt that using ATM cards is safer than carrying cash.
-) Majority of the customers surveyed had no idea about Tele-banking. In fact, 65 percentage of those surveyed had not even heard the term Tele banking.

- J When asked about the immediate facility which the customers expect from the bank, majority of the respondents emphasize on ATM facility and Internet Banking.
- J Majority of the customers' surveyed i.e. 85 percentage had heard the term Cyber Law while the remaining 15 percentage had no idea about it.
- J 71 percentage of the customers surveyed had no idea about the fact that E-commerce is provided security with Nepal cyber Law. Only 29 percentage had knowledge on this.
- J In response to an open-ended question regarding the opinion of the customers about E-commerce in commercial banks in Nepal, the views expressed were different yet the general idea was that E-commerce has to be implemented in all the commercial banks and its scope is to be widened further so as to provide prompt and reliable banking service.
- J When asked about the opinion of the customers on quality of the service of the commercial banks, 45 percentage of those surveyed felt that the service was good followed by 42 percentage who responded that the service was Average, 10 percentage felt that the service was very good while the remaining 3 percentage found the service poor.

Khatri, J.R. and Upadhyay K. 2013

Their study entitled **“Internet Banking In Nepal”** highlighted some important aspects regarding e-banking in Nepal. The findings suggested that the majority of accountholders use internet, have some knowledge about internet banking provided by their bank, but they have not developed the habit of utilizing this facility. Awareness about internet banking and its benefits and security were identified as the major reason behind less utilization of internet banking among its customers. Similarly, customer's education level, their knowledge about computer and internet, electricity problem and theft of password and internet infrastructure in the country were identified as major challenges faced by the bank regarding the development of their online facilities.

(Malhotra, P. & Singh, B., Dec. 2010) under title “Determinants of Internet Banking Adoption by Banks in India”

This study presented the status of Internet banking in India and the extent of internet banking services offered by Indian banks. In addition, it sought to examine the factors affecting the extent of Internet banking services. The study showed that the private and foreign Internet

banks have performed well in offering a wider range and more advanced services of Internet banking in comparison with public sector banks. Among the determinants affecting the extent of Internet banking services, size of the bank, experience of the bank in offering Internet banking, financing pattern and ownership of the bank are found to be significant. An understanding of the factors affecting the extent of Internet banking services is essential both for economists studying the determinants of growth and for the creators and producers of such technologies. Moreover, this paper contributes to the empirical literature on diffusion of financial innovations, particularly Internet banking, in a developing country, i.e. India.

Polaris Software Lab Limited, May 2010, entitled by **Polaris Software and IndusInd Bank launch Intellect Privacy Internet Banking Security Card.**

In this study, Polaris Software Lab Limited, a leading Financial Technology Company, launched Intellect Privacy based on state-of-the-art technology and four patents filed by the Indian Institute of Technology Madras. IndusInd Bank became the first bank in India to implement Intellect Privacy, an online and internet banking security card, for its internet banking customers. The technology protects customers and banks from practically all kinds of phishing attacks, viz. deceptive e-mail, key/screen logger, brute force/dictionary attacks and Trojans, etc. Intellect Privacy uses multi factor, dynamic authentication technology providing for authorizing online banking transactions, in a completely secure platform. Intellect Privacy is a simple plastic card that customers can use to generate a one-time password (OTP) for carrying out any kind of online banking transaction including the sign on. Banks can issue booklets containing a desired number of cards that would last many transactions. The card has no pilferage value by itself and customers can easily manage its life cycle, including making a request for a new booklet and reporting loss of cards through online banking.

(Azouzi, D., June 2009) under title **“The Adoption of Electronic Banking in Tunisia”** This paper aimed to check if the current and prompt technological revolution altering the whole world has crucial impacts on the Tunisian banking sector. Particularly, this study seeks some clues on which we can rely in order to understand the customers' behavior regarding the adoption of electronic banking. To achieve this purpose, an empirical research was carried out in Tunisia and it revealed that panoply of factors is affecting the customers-attitude toward e-banking. For instance; age, gender and educational qualifications seemed to be

important and they split up the group into electronic banking adopters and traditional banking defenders and so, they have significant influence on the customers' adoption of e-banking. Furthermore, this study showed that despite the presidential incentives and in spite of being fully aware of the e-banking benefits, numerous respondents are still using the conventional banking. It is worthy to mention that the fear of loss because of transactions errors or hackers plays a significant role in alienating Tunisian customers from online banking.

(B. Dizon, J.A., Jan 2009) under title **“Special Feature: Electronic Banking”**. This study found that while big banks still conduct the bulk of their business in brick and mortar bank branches, the finance sector has been increasingly investing on e-banking facilities to offer 24-hour, queue-free services to their regular clients, whether through ATM machines, mobile phones or the Internet. E-Banking's appeal is primarily its convenience. Clients nowadays want instant results; they don't want to wait anymore. It also turned out to be a more efficient way to process transactions, as e-banking does away with most of the paperwork that clients have to accomplish. The anti-theft barriers are at times supplemented by transaction passwords and "tokens", often a keychain-like device that is issued to the client and generates random, one-time passwords to enable him to log into his account online.

(Uppal, R. K. & Chawla, R., Feb. 2009) under title **“E-Delivery Channel-Based Banking Services: An Empirical Study on Institute of Chartered Financial Analysts of India (Hyderabad)”**

This study highlights customer perceptions regarding e-banking services. A survey of 1,200 respondents was conducted in October 2008 in Ludhiana district, Punjab. The respondents were equally divided among three bank groups namely, public sector, private sector and foreign banks. The present study investigates the perceptions of the bank customers regarding necessity of e-banking services, quality of e-banking services, bank frauds, future of e-banking, preference of bank customers regarding banks, comparative study of banking services in various bank groups, preferences regarding use of e-channels and problems faced by e-bank customers. The major finding of this study is that customers of all bank groups are interested in e-banking services, but at the same time are facing problems like, inadequate knowledge, poor network, lack of infrastructure, unsuitable location, misuse of ATM cards and difficulty to open an account. Keeping in mind these problems faced by bank customers, this paper frames some strategies like customer education, seminars/meetings, proper network and infrastructure facilities, online shopping facilities, proper working and

installation of ATM machines, etc., to enhance e-banking services. Majority of professionals and business class customers as well as highly educated and less educated customers also feel that e-banking has improved the quality of customer services in banks.

(Reeti, Sanjay, and Malhotra, A., June 2009) under title **“The Customers’ Perspectives regarding E-banking in an Emerging Economy”**

This study states about the Customers’ perspectives regarding e-banking in an emerging economy. The study determines various factors affecting customer perception and attitude towards and satisfaction with e-banking is an essential part of a bank's strategy formulation process in an emerging economy like India. To gain this understanding in respect of Indian customers, the study was conducted on respondents taken from the northern part of India. The major findings depict that customers are influenced in their usage of e-banking services by the kind of account they hold, their age and profession, attach highest degree of usefulness to balance enquiry service among e-banking services, consider security and trust most important in affecting their satisfaction level and find slow transaction speed the most frequently faced problem while using e-banking.

(Laukkanen, P., Sinkkonen, S. & Laukkanen, T., Sep. 2008) under the title **“Consumer Resistance to Internet Banking: Postponers, Opponents and Rejecters”**.

The study furthered the understanding of innovation resistance by dividing internet banking non-adopters into three groups based on their intentions to use the innovation. Thereafter, the aim is to identify how the resistance differs in these customer groups. This study identifies three groups of internet banking non-adopters, namely postponers, opponents and rejecters. Significant differences were identified between the groups explored. The resistance of the rejecters is much more intense and diverse than that of the opponents, while the postponers show only slight resistance. The results also indicate that psychological barriers are even higher determinants of resistance than usage and value, which are constructs related to ease-of-use and usefulness determining acceptance in the traditional technology acceptance model. Moreover, the findings highlight the role of self-efficacy in bank customers' risk perceptions to internet banking. This study provides further understanding of what inhibits internet banking adoption by comparing three non-adopter groups with respect to their resistance to internet banking. It also has implications for management in overcoming non-adopters' resistance to the innovation.

Ho and Ko, 2008

The purpose of his study entitled "**Effects of Self-Service Technology on Customer Value and Customer Readiness, The case of Internet Banking**" was to investigate whether self-service technology can enhance customer value and customer readiness. In addition, it is proposed to inspect the effects of customer value and Customer readiness in customers' continued use of Internet banking. The findings of this study showed that self-service technology characteristics such as ease of use, usefulness, costs saved, and self-control demonstrated positive effects on Customer value and Customer Readiness. Customers are willing to use Internet banking when Customer value and Customer Readiness are high. Even after customers try Internet banking services, they still have anxiety and doubt about whether they want to continue using Internet banking it is important to make customers aware of the information and relative advantages of Internet banking.

Almazari and Siam, 2008

One of the objectives of their study entitled "**E-Banking: An Empirical Study on the Nepalese Commercial Banks**" was to determine the relation between the use of electronic services by the Nepalese commercial banks and the customers. This study proved that customers do not look for an emotional relationship with the banks but see the price, quality and performance as important factors when choosing banks.

(Malhotra, P. & Singh, B., Nov 2007) under the title "**An analysis of Internet Banking Offerings and its Determinants in India**".

This study stated that the larger banks, banks with younger age, private ownership, higher expenses for fixed assets, higher deposits and lower branch intensity evidence a higher probability of adoption of this new technology. Banks with lower market share also see the Internet banking technology as a means to increase the market share by attracting more and more customers through this new channel of delivery. Further, the adoption of Internet banking by other banks increases the probability that a decision to adopt will be made. An understanding of the factors affecting this choice is essential both for economists studying the determinants of growth and for the creators and producers of such technologies. From this perspective, understanding the factors determining the adoption of technology becomes highly relevant from the policy point of view. Moreover, the studies on the adoption of financial innovations are related to developed markets, e.g. US or European banking markets.

Hence, this paper contributes to the empirical literature on diffusion of financial innovations, particularly Internet banking, in a developing country.

(Shah & Braganza, April 2007) under the title “A Survey of Critical Success Factors in E-banking”.

This survey indicates that the top factors found to be most critical for the success in e-banking are: quick responsive products/services, organizational flexibility, services expansion, systems integration and enhanced customer service. An important lesson from this research is that organizations need to view the e-banking initiative as a business critical area rather than just a technical issue. They need to give attention to internal integration, which may include channels, technology and business process integration, and improving the overall services to their customers.

(Bauer, Malik & Falk, July 2007), Measuring the Quality of E-banking Portals”.

This article reviews the measuring the quality of E-Banking portals. In the internet economy, the business model of web portals has spread rapidly over the last few years. Despite this, there have been very few scholarly investigations into the services and characteristics that transform a web site into a portal as well as into the dimensions that determine the customer's evaluation of the portal's service quality. Based on an empirical study in the field of e-banking the authors validate a measurement model for the construct of web portal quality based on the following dimensions: security and trust, basic services quality, cross-buying services quality, added value, transaction support and responsiveness. Findings – The identified dimensions can reasonably be classified into three service categories: core services, additional services, and problem-solving services. Originality/value – The knowledge of these dimensions as major determinants of consumer's quality perception in the internet provides banks a promising starting point for establishing an effective quality management for their e-businesses.

(Veneeva, April 2006) under the title **“E-Banking (Online Banking) and Its Role in Today's Society”**

This article describes that world is changing at a staggering rate and technology is considered to be the key driver for these changes around us. Many activities are handled electronically due to the acceptance of information technology at home as well as at workplace. Internet can be seen as a truly global phenomenon that has made time and distance irrelevant to many transactions. The evolution of electronic banking started from the use of automatic teller machines (ATM) and has passed through telephone banking, direct bill payment, electronic fund transfer and the revolutionary online banking. The future of electronic banking according to some is the acceptance of WAP enabled banking and interactive-TV banking. But it has been forecasted that among all the categories, online banking is the future of electronic financial transaction. The rise in the e-commerce and the use of internet in its facilitation along with the enhanced online security of transactions and sensitive information has been the core reasons for the penetration of online banking in everyday life. Hong Kong was the first Asian nation to provide electronic banking services via Internet in 1990. In 2000, Hong Kong Shanghai Bank Corporation in Hong Kong provided the first internet based retail banking services to the public(Ongkasuwan and Tantichattanon, 2002).

Roig, Garcia, Tena, and Monzonis, 2005. The purpose of their study entitled "**Customer Perceived Value in Banking Services**" was to analyze the dimensionality of the concept of Customer perceived value in the banking sector; this study proposed a scale of measurement of the value perceived by consumers in the banking sector which incorporates valuations of functional aspects and of affective aspects, thus obtaining an overall quantification of the value perceived by the customer of the purchase made. The results of this study showed that Customer perceived value is found to be a multidimensional construct composed of six dimensions (functional value of the establishment, functional value of the personnel, functional value of the service, functional value price, emotional value, and social value.

Suleiman, Lim, and Wee, 2005

The aim of their study under title "**Prospects and Challenges of E-Banking in Malaysia**" was to provide an overview of e-banking adoption in Malaysia. The study examined the different types of e-banking products used by adopted before finally describing the characteristics of e-banking adopters. Most of the adopters took advantage of the service to carry out basic activities like viewing balance inquires, obtaining summary reports of their

transactions and using savings when necessary, i.e. Many were encouraged by friends and family members to use e-banking. The study also illustrated that there were more adopters among the younger age groups, among those with higher salaries and those holding higher positions.

Yousafzai, Pallister and Foxall, 2005

The goal of their study under title "**Strategies for Building and Communicating Trust in Electronic Banking: A Field Experiment**" was to develop a deeper understanding of building and communicating trust in e-banking by studying the relative importance of web-site attributes reflecting security and privacy. This study examined the effectiveness of potential trust-building strategies for e-banking and their impact on online customers' perceptions of trustworthiness of the bank, by specifically focusing on the information clues presented on the bank's Web site. Structural assurance and situational normality mechanisms both had an impact on customers' trustworthiness perceptions, suggesting that banks need to use a portfolio of strategies to build the customer's trust. The results further referred that communication of meaningful and timely information has the potential to influence customers' trusting intentions.

Hertzum, Jorgensen, and Norgaard, 2004

The researchers under title "**Usable Security and E-Banking: Ease of Use Vis-A-Vis Security**" discussed the pros and cons of automation and understanding as alternative approaches to the design of web-based e-banking systems. They viewed that the conflict between ease of use and security in the context of usable security, a concept that is intended to match security principles and demands against user knowledge and motivation. Instruction is the main approach of the systems evaluated; automation relieves the user from involvement in security, as far as possible; and understanding goes beyond step-by-step instructions, to enable users to act competently and safely in situations that transcend preconceived instructions.

(Nitsure, R.R., Dec. 2004) under the title "**E-Banking: Challenges and Opportunities**". This article indicates the e-banking challenges and opportunities lies in the banking industry. E-banking has the potential to transform the banking business as it significantly lowers transaction and delivery costs. This paper discusses some of the problems developing countries, which have a low penetration of information and telecommunication technology, face in realizing the advantages of e-banking initiatives. Major concerns such as the 'digital

divide' between the rich and poor, the different operational environments for public and private sector banks, problems of security and authentication, management and regulation, and inadequate financing of small and medium scale enterprises (SMEs) are highlighted.

(Anthony, Sep 2004) under the title **“User Friendly E-Banking: A Survey of Online E-Banking Retail Initiatives”**. This article discusses the importance of usability within the E-Banking sector and identifies common usability problems and ways to resolve them. It is widely recognized that online banking provides more revenue per customer and costs less per transaction than any other channel, including phone banking. Encouraging news from Forrester Research states that by 2007 the number of Europeans banking online will double to 130 million. Based on the principles of Human Computer Interaction (HCI), web usability has become a recognized success factor for all e-business, including online banking. Users most enjoy those sites that provide clear information, easy navigation and an engaging customer experience. Yet people will naturally gravitate to the ones which are easiest to use and offer the best service. Banks aiming to profit the most from the increase in online banking volumes should consider the usability and accessibility of all aspects of their site to welcome them.

Gurau, 2002

The study entitled **"E-banking in transition economies: The case of Romania"** has attempted to identify the main elements that influence the successful introduction and functioning of e-banking services. An important objective of the study was to identify the main factors considered by the banks' representatives and by the customers to influence the successful implementation and functioning of e-banking services. The results have shown that the process of online banking is influenced by many inter-related factors and institutions, including the quality and security of Internet network, the level of Internet knowledge and skills of the population and government support, as well as the Internet strategy of the bank and the quality/reliability of online banking services.

(Karjaluoto, 2002) under title **"Electronic Banking in Finland: Consumer Beliefs, Attitudes, Intentions, and Behaviors"**.

This study focuses on developing a theoretical model with a practical justification within the field of electronic banking. The purpose of this study was to determine the factors that influence the formation of consumer attitude toward electronic banking. Another important aspect of this study was to develop more insights into how attitude toward technology in

general impacts on consumer behavior in an IT-environment. Another objective of this study was to identify the beliefs, attitudes, and intentions consumers have toward electronic banking. The results of the study indicated the following: (1) beliefs and attitudes toward electronic banking varied between non-users and users of Internet banking. The results suggest that well educated and relatively wealthy segment uses Internet banking services. (2) personal banking experience, and prior experience of computers and technologies were the main factors underlying the formation of attitude toward Internet banking. Attitude toward using computers was found to be the most significant factor affecting intention to engage in Internet banking. Internet banking users had a more positive attitude toward technology, especially toward computers, than did nonusers. (3) A negative attitude toward technology, valuing personal service, and demographic characteristics were found to be most substantial barriers to the adoption of Internet banking in Finland.

Joseph, McClure and Joseph, 1999

The researchers under title "**Service Quality in the Banking Sector: the Impact of Technology on Service Delivery**" investigated the role that technology plays in Australian banking and its impact on the delivery of perceived service quality. Results indicated that customers have perceptual problems with some aspects of electronic banking; the respondents do not believe that electronic banking services perform at the level that is consistent with the importance rating specified by customers. It is interesting to note that even though the performance of banking institutions is not perceived as being of a high standard, 52.9 per cent of the respondents reported they were satisfied with their overall electronic banking experience.

Davis, 1989 under title "**Perceived Usefulness, Perceived Ease of Use, and User Acceptance of Information Technology**" This researcher developed and validated new scales for two specific variables, perceived usefulness and perceived ease of use, the scales are hypothesized to be fundamental determinants of user acceptance, perceived usefulness was significantly correlated with both self-reported current usage and self-predicted future usage. Perceived ease of use was also significantly correlated with current usage and future usage. Usefulness had a significantly greater correlation with usage behavior than did ease of use.

2.7 Research Gap

The necessity for evaluating the impact of e-banking services on customer has seemed to be increasing in the present context. We are well aware that banking sector is profit motive organization yet service oriented whose prime objective is to fulfill the demands of its customers. A service provider must know how to please its customers, retain the old ones and attract new too. Customer Loyalty and Customer Value are directly proportionate to the impact of product/services rendered by the organization.

Though many researches are done in other countries, very few studies have been conducted under the impact of e-banking services till date in context of Nepal. Thus very few things related to this topic have been revealed. Almost all of them have derived findings from very few samples. Moreover, it has been learnt that no research has been done on the impact of the services provided by the banks in Itahari. Similarly, the earlier studies on the similar topic have become old and needs to be updated and validated because of the rapid changes taking place in the market. The previous researches are concentrated on defining the theoretical aspects only. Thus those findings are not broad and they encompass very few aspects of e-banking services.

Considering all these facts, it is very necessary to carry out a fresh study on e-banking and its impact on customers in Nepal. This study is expected to be useful for everyone including banks, bankers, financial scholars, students, regulatory bodies. The main purpose of this research is to provide a clear picture on e-banking services and its impact on customers including the circumstances and consequences.

Chapter III

RESEARCH METHODOLOGY

3.1 Introduction

Research Methodology is another important aspect of the thesis writing. It provides various tools and techniques as regards to the problems and also provides various instructions as regards to the methods and process associated with the overall study. In this section, efforts have been made for explaining specific research design to attain the research objectives. This study has attempted to analyze the impact of e-banking on customer loyalty and customer value. It has included research design, nature and source of data, research variables and data processing and analysis procedure to get the result arising problems. In this chapter, the researcher went through the processes of the study and outlines the different methodological approaches that have been chosen, and the tools that have been used to gain information about the subject. The researcher has stated the data collection method used and how data was presented and analyzed. Reliability and validity are considered as well. The chapter is divided into six parts: Research Design, Target Population and Sample Size, Study Tools and Data Collection, and Statistical Treatment.

3.2 Research Design

A research design specifies the purpose of the study, the approach of the study and the strategy used for the study. Given that there is hardly any empirical study on e-banking services in Nepal, this study sought to explore and identify the impact of e-banking services on customer value and customer loyalty using the customers of selected commercial banks in Itahari. This study adopted a cross-sectional survey design involving the use of questionnaires to collect data on a wide range of variables at a given point in time. A sample of individual customers of five commercial banks in Itahari were selected to participate in the study and asked to provide relevant information concerning issues related to e-banking services as specified in the questionnaire. This study also adopted a quantitative approach to analyze the relevant data. The quantitative research approach involved numerical representation and manipulation of the data for the purpose of describing and explaining the phenomenon of e-banking services and its impact on individual customers of commercial banks in Itahari.

3.3 Target Population and Sample Size

According to the economic bulletin published by Nepal Rastra Bank, till now there are 30 commercial banks, 89 Development Banks and 75 finance companies in Nepal. Likewise 21 micro credit development banks and 25 Insurance companies are functioning in the country. Hence, out of all these 30 commercial banks, 18 commercial banks are established in Itahari, Sunsari, Nepal till date. So, the target population of this study comprises the total number of individual customers of commercial banks operating in Itahari, out of which 100 individual customers of 5 commercial banks has been taken as the sample of the study. Hence the sample of this study is 28 percentage of the total number of commercial banks operating in Itahari. The samples selected for the study are:

- 1 Kumari Bank Ltd.
- 2 NIC ASIA Bank Ltd.
- 3 Citizen International Bank Ltd.
- 4 Himalayan Bank Ltd.
- 5 NABIL Bank Ltd.

Rationale for Selection of Study Area

Though there are other commercial and development banks in operation in Itahari, all of them could not be covered in the study due to lack of time, resource factor and level of customer. Itahari is chosen for this study because of two reasons:

First: Itahari is one of the growing town/market places of eastern Nepal.

Second: The researcher is the local resident of the region and has easy access to the bank customers of the town than any other place.

So, the individual customers (users of e-banking facilities) attached to the commercial banks in Itahari constituted the target population of this study. Given a population of the individual customers of commercial banks in Itahari, a sample of 100 individual customers; 20 each from Kumari Bank Limited, NIC Asia Bank Limited, Citizen International Bank Limited, Himalayan Bank Limited and Nabil Bank Limited was chosen for the study. The questionnaire was distributed among 100 individual bank customers experienced in electronic banking as a sample of study. The number of responses questionnaires was 95 which were received by hand; this means that approximately 95 percentage took in analysis.

Table 3.1: Questionnaires distribution according to target banks

S.N.	Commercial Bank	Distributed Questionnaires	Received response
------	-----------------	----------------------------	-------------------

1.	Kumari Bank Limited	20	20
2.	NIC Asia Bank Limited	20	19
3.	Citizen Int'l Bank Limited	20	18
4.	Himalayan Bank Limited	20	18
5.	Nabil Bank Limited	20	20
Total Questionnaires		100	95

3.4 Nature of Data

Data collection, manners analysis and programs used in the current study are based on two sources:

1. Primary source: the questionnaire that was designed to reflect the study objectives and questions. Primary data were in the form of a questionnaire consisted of (29) questions. In this study, both primary and secondary data were used. Data for the model was collected via questionnaire. After conducting a thorough review of the literature frame related to electronic banking services, customer value, and customer loyalty, the researcher formulated the questionnaire instrument for this study depending on characteristics of e-banking services and customer value and customer loyalty.

The questionnaire instrument sections are as follows:

Demographic Variables: The demographic information was collected with closed-ended questions, through (8) items.

Cause and Effect constructs: This section measured the cause and effect characteristics and dimensions of three main constructs:

1. E-Banking Services: included 4 characteristics:

Ease of use - included 7 items

Usefulness - included 3 items

Cost saved – included 5 items, and

Self – Control - included 5 items as scale measures respectively.

2. Customer Value: included 3 dimensions:

Functional value - included 4 items,

Emotional value - included 5 items, and

Epistemic value - included 3 items as a scale measures respectively.

3. Customer Loyalty: included 2 dimensions:

Attitudinal Loyalty - that included 5 items, and

Behavioral Loyalty - included 3 items as a scale measures respectively.

The 40-item questionnaire was administered. In addition, 7-point Likert scales, ranging from 1 (strongly disagree) to 7 (strongly agree) were adopted rather than 5-point Likert scales to increase variation for statistical analysis as well as add additional details.

Table 3.2: Likert Scale

Strongly Disagree	Disagree	Somewhat Disagree	Neither	Somewhat Agree	Agree	Strongly Agree
1	2	3	4	5	6	7

2. Secondary Sources: that included books, journals, articles and published and unpublished theses to write the theoretical framework of study.

3.5 Study Tools and Data Collection

This study aimed to investigate customers' continued use of electronic banking services; therefore, respondents were required to have used e-banking services (ATM, Internet banking, etc.) prior to completing the questionnaire. Consideration has been taken that questionnaire should be easy, clear and short, open-ended questions were prepared as possible that few misunderstandings will occur. The choice of the questionnaire was based on the facts that; it is a quick method to collect data, it is less time consuming, it is able to cover the entire sample within the proposed time frame, and it offers greater assurance of anonymity.

The current study consists of three theoretical and practical variables. In the theoretical variables, the researcher depended on the scientific studies/theories that are related to the current study. In the practical side the researcher depends on descriptive and analytical methods using the practical manner to collect and analyze data.

3.6 Statistical Treatment

Data from the returned responses was collected for the analysis and conclusions of the study questions. The information from the questionnaire was decoded and data were classified and labeled with the correct scale. A mean value and standard deviation was calculated to compare the different answers. This classification made it possible to analyze the data. The correlation within the different factors measured, in other words, how the different statements that treat a factor correlate with each other. Finally, the following suitable statistical methods were used:

-) Percentage and Frequency
-) Arithmetic Mean and Standard Deviation to answer the study questions.
-) Correlation Coefficient to determine the degree of relationship between the variables.
-) Relative importance, that assigning due to:

$$\text{Importance Level} = \frac{\text{Upper limit of response} - \text{Lower limit of response}}{\text{Number of Levels}}$$

Three levels identified, High, Mid and Low. Table 3.3 illustrates the range of important level scale.

Table 3.3: Range of Important Level Scale

<i>Mean Range</i>	<i>Level</i>
Less than 3	Low
From 3 to 5	Mid
More than 5	High

Chapter IV

PRESENTATION AND ANALYSIS OF DATA

In this chapter the researcher has presented the empirical data gathered from the survey. The data have been presented with tables and diagrams to simplify the process of interpreting and comparing. The outline is based on the simple correlation, which describes the degree of relationship between e-banking services on customer value and customer loyalty. In addition, data analysis included a description of the means and standard deviations, ranking and level of importance for study questions.

4.1 Demographic Variables of Sample

Eight demographic variables are included in this study (1) Gender, (2) Age, (3) Educational Level, (4) Job title, (5) Number of banks that respondent deal with, (6) The extent that respondent uses e-banking services in finance transactions, (7) which type of e-banking services is used more than others, (8) and How long that respondent has use e-banking services? The results in Table 4.1 illustrate distribution of sample individuals according to demographic variables:

Table 4.1: Distribution of Sample Individuals according to Demographic Variables

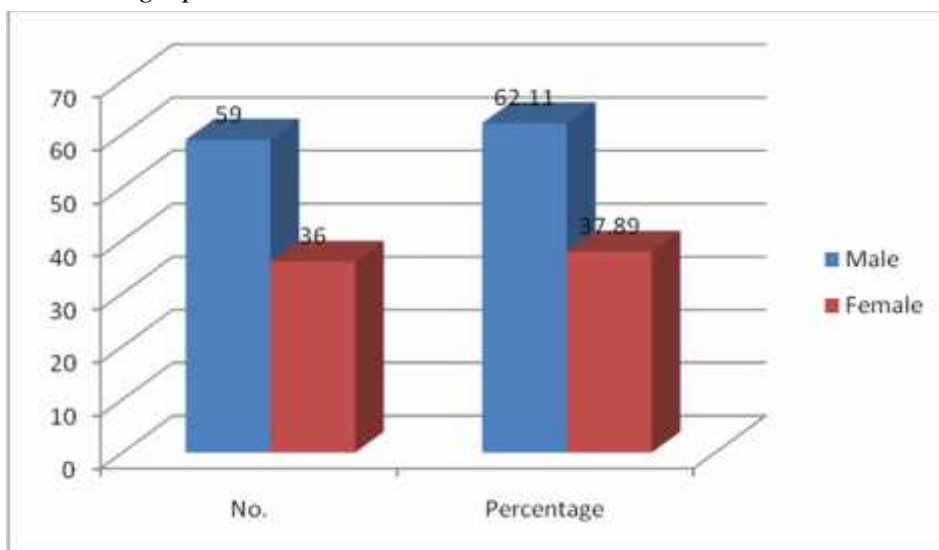
No.	Variable	Class	Frequency	Percentage
1.	Gender	Male	59	62
		Female	36	38
Total			95	100
2.	Age	Less than 30 yrs.	25	26
		30-40 yrs.	41	43
		41-50 yrs.	16	17
		51-60 yrs.	8	9
		More than 60 yrs.	5	5
Total			95	100
3.	Education Level	Secondary School or less	12	13
		Intermediate/10+2	17	18
		Bachelors	48	50
		Masters	15	16
		PhD	3	3
Total			95	100
4.	Job Title	Government Employee	8	8
		Private Sector Employee	57	60
		Free Lance/Student	17	18
		Firm Owner/Project	13	14

Total			95	100
5.	How many banks you deal with?	One	32	34
		More than One	63	66
Total			95	100
6.	To what extend you use e-banking services in your banking transactions?	Low Extent (Sometimes)	23	24
		Medium Extent (Frequently)	51	54
		Great Extent (Often)	12	13
		Always (Continuously)	9	9
Total			95	100
7.	Which E- Banking services you use than more others?	ATM	62	65
		Internet Transactions	21	22
		Fund Transfer	12	13
Total			95	100
8.	How long have you use e-banking services?	Less than 1 year	15	16
		1-3 years	46	48
		More than 3 until 6 years	24	25
		More than 6 years	10	11
Total			95	100

Results in Table 4.1 indicate to the following outputs:

Gender:

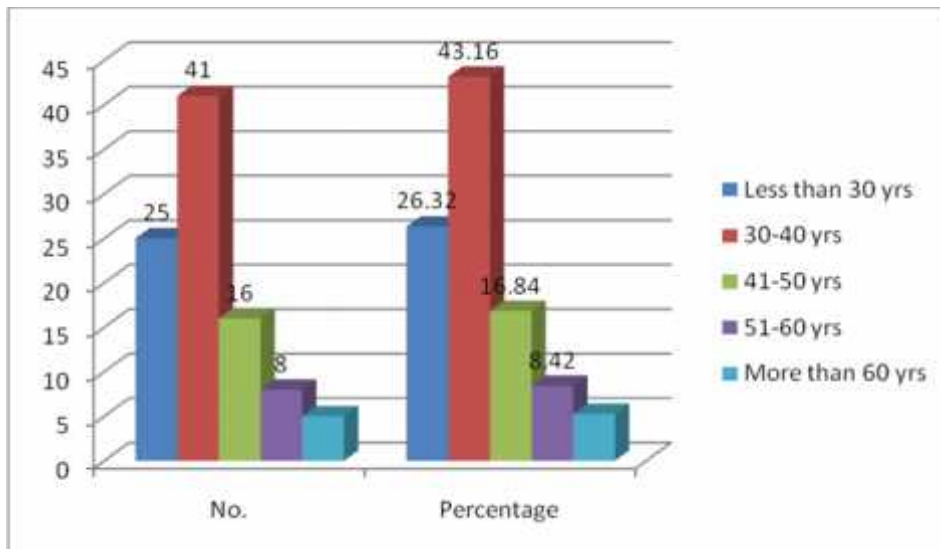
Figure 4.1: Demographic Variable - Gender



Out of 95 respondents, the number of male was 59 with the highest 62 percentage of sample. Similarly the number of female was 36 from which was 38 percentage of the sample.

Age:

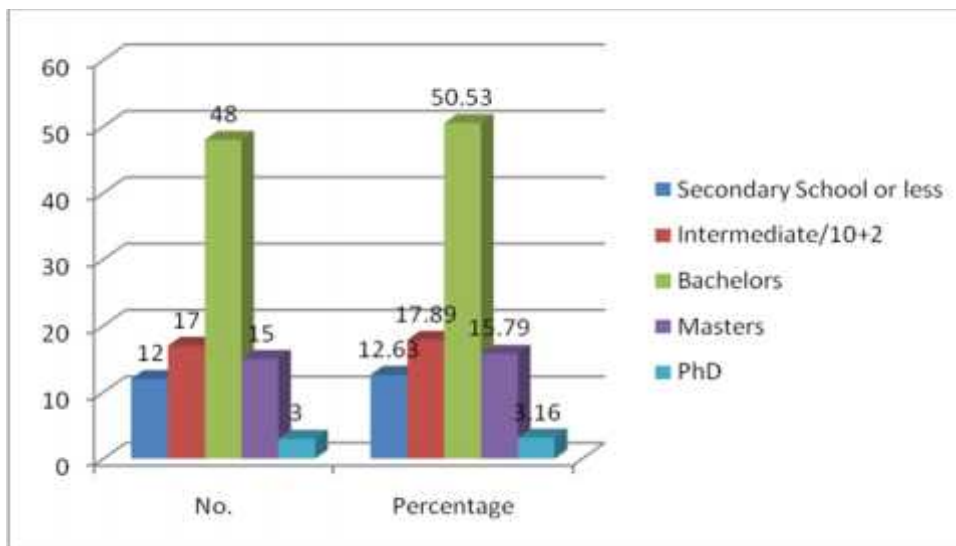
Figure 4.2: Demographic Variable -Age



The highest number of respondents was 41 that give 43 percentage from the total percentage of respondents those have ages between (30 – 40) years old, while the lowest was 5 that give 5 percentage for the respondents that have more than 60 years old. Similarly, the number of respondents aged less than 30 years, between 41-50 years and 51-60 years were 25, 16, and 8 with 26 percentage, 17 percentage and 9 percentage respectively. The figure also showed that most of the young group used e-banking.

Educational Level:

Figure 4.3: Demographic Variable-Educational Level



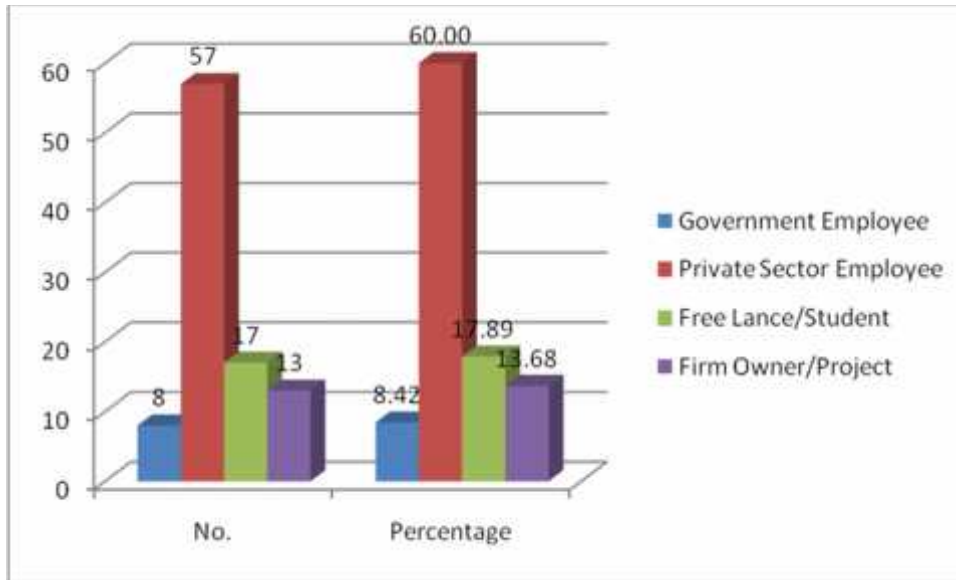
The highest number of respondents was 48 i.e. 50 percentage for the respondents that have "Bachelors", while the lowest number was 3 i.e. 3 percentage to those have "Ph.D" from the total respondents. Similarly, the number of respondents with secondary level or less, Intermediate/10+2 and Masters were 12, 17 and 15 with 13 percentage, 18 percentage and 16 percentage respectively.

4.2 Customer Knowledge towards E-Banking

This section will illustrate the level of familiarity towards e-banking services of respondents.

Job Title:

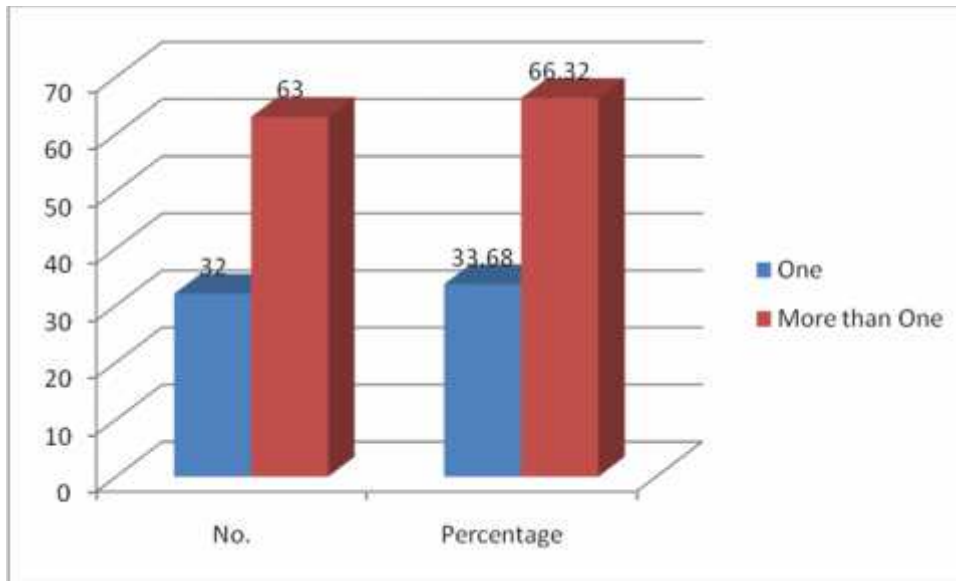
Figure 4.4: Job Title



The largest number of "Job Title" was 57 that give 60 percentage for respondents those working as "Private Sector Employee" while the lowest number was to respondents whose are "Government Employee" with 8 respondents that give 8 percentage. Similarly, the number of respondents who were freelance/student and firm owner/ entrepreneur was 17 and 13 that give 18 percentage and 14 percentage of the total respondents respectively. The study also showed that private sector employee use e-banking than that of other sector.

How many banks that you deal with?

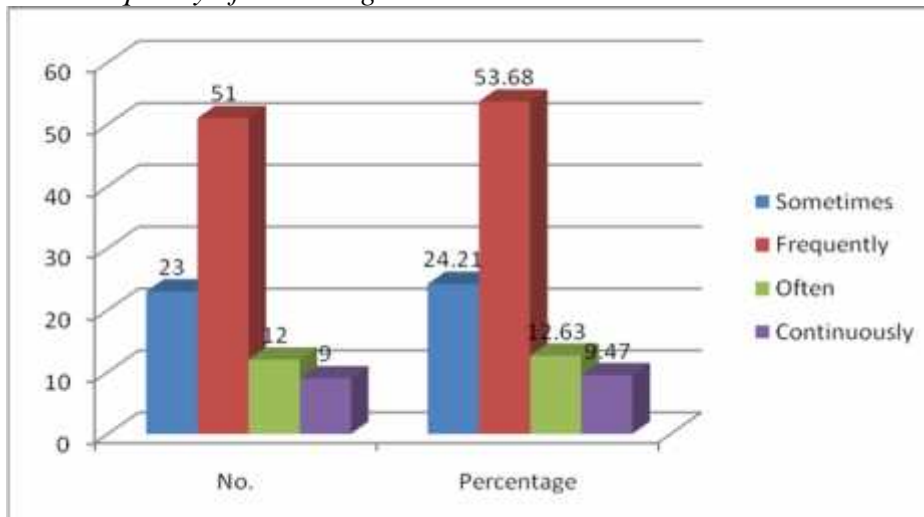
Figure 4.5: No. of banks customer deals with



Out of 95, 63 respondents answered that they are dealing with "more than one bank" while 32 respondents answered that they are dealing with "one bank" only. In other words, 66 percentage of respondents deal with more than one bank and only 34 percentage of respondents deal with one bank.

To what extent you use e-banking services in your banking transactions?

Figure 4.6: Frequency of e-banking services used

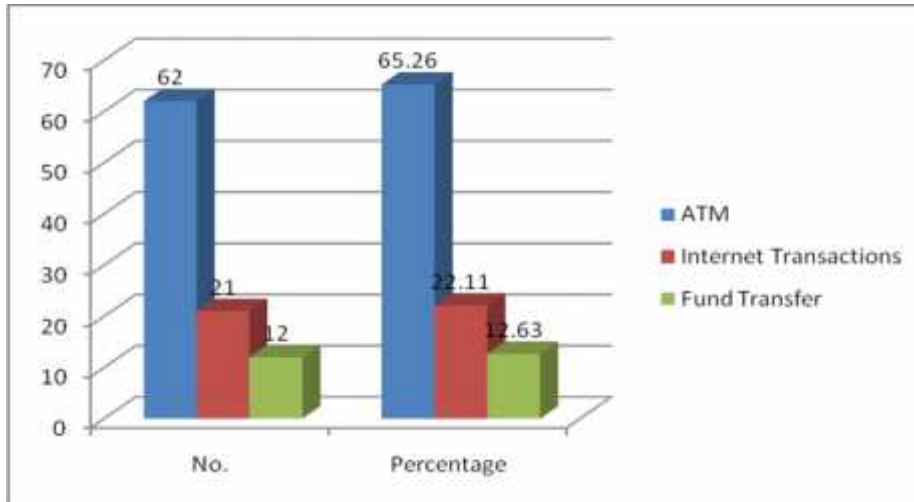


The results appear that more than half (54 percentage) of sample individuals have "Medium extent (Frequently)" to use e-banking services, the number of them equal 51 individuals, while 9 respondents those using e-banking services "Always (Continuously)", this cover 9 percentage from the total respondents on this statement. Similarly, 23 individuals answered

that they use internet banking sometimes only and this covered 24 percentage of the total respondents. In the same way, 12 respondents answered that they “Often” use internet banking services and this covered 13 percentage of the total respondents.

Which e-banking services you use more than others?

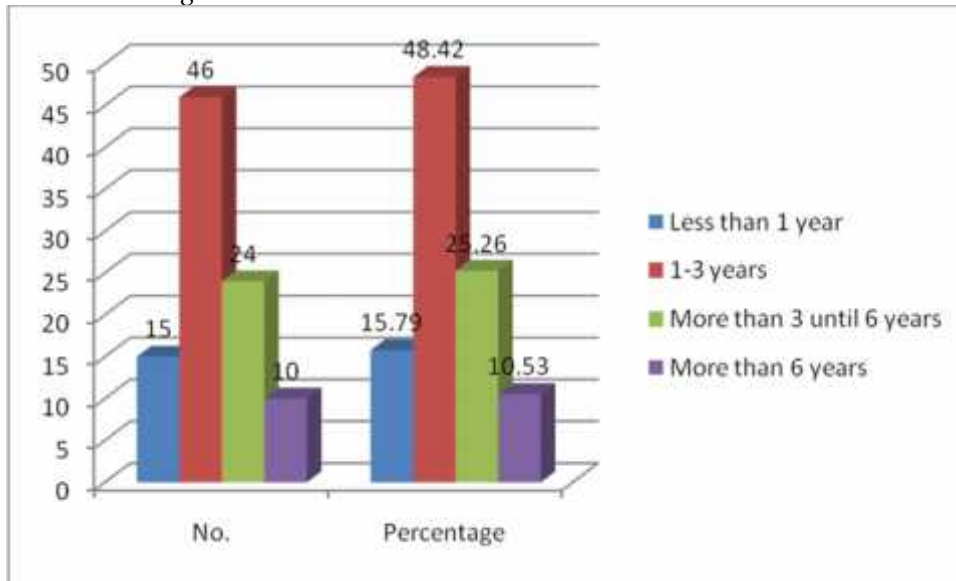
Figure 4.7: Type of e-banking service mostly used



Out of 95, 62 respondents (65 percentage) answered that they use "ATM", while 21 individuals responded that they use e-banking services through "Internet Transaction" those cover 22 percentage from total percentage of this statement. The lowest percentage was 13 percentage to "Funds Transferring" with 12 respondents.

How long have you use e-banking service?

Figure 4.8: E-banking services used since



The last demographic variable divided is into 4 items as shown above in table. About 46 of respondents are using e-banking services those between 1-3 years, percentage estimated at round 48 percentage. For respondents using e-banking services "More than 3 years until 6 years", their percentage was 25 percentage, while the last one "More than 6 years", the respondents percentage was 11 percentage

4.3 Customer's Perception towards E-Banking Services

This section illustrates the perception of customers towards e-banking services through descriptive statistics for each main constructs and its dimensions as Mean and Standard deviation, also the same measures to the item which followed to each of them and the rank beside the level of importance.

4.3.1 E-Banking Services

The main variable "E-Banking Services" was measured by 20 items divided to 4 characteristics:

Ease to Use: measured by 7 statements.

Usefulness: measured by 3 statements.

Cost Saved: measured with 5 statements.

Self-Control: measured with 5 statements.

Table 4.2 illustrates the descriptive statistic of "Ease to Use" statement

Table 4.2 Descriptive Statistic of Ease to Use

Item	Statement	Mean	Standard	Rank	Level of
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			Deviation		Importance
1.	I find that e – banking service is easy to use	6.2947	1.0650	1	High
2.	It is easy to apply financial services on Internet banking	6.2316	0.9782	2	High
3.	It is easy for me to learn how to make use of e-banking services	5.5474	1.2206	3	High
4.	It is easy for me to be skillful at using e- banking services.	4.6842	1.3080	6	Mid
5.	It is difficult to use the e-banking services.	3.5053	1.4645	7	Mid
6.	I have the opportunity to try various electronic banking services	5.3053	1.7536	4	High
7.	Mistakes are more likely to occur with electronic banking than with regular banking	4.9053	1.5632	5	Mid
Grand Mean & Standard Deviation of Ease to Use Scale		5.2105	1.3362		High

(See Annex II)

The results within the table above illustrate the following:

1. "Ease to Use" scale has high level with Mean 5.2105 and standard deviation 1.3362, whenever standard deviation value is lower indicates to the homogeneity in the responses of respondents.
2. Most of the statements of "Ease to Use" have "High" level except statement 4,5 and 7 which taken "Mid" level which refers to the heterogeneity in the responses of respondents like other responses.
3. Highest mean 6.2947 with standard deviation 1.0650 was for the statement number 1 "I find that e-banking service is easy to use" that put it in the first rank when compared with others statement in the table.
4. In the second rank, the statement number 2 " It is easy to apply financial services on Internet banking " appears mean equal 6.2316 and standard deviation 0.9782.
5. The lowest mean as appears in table is 3.5053 belongs to statement number 5 "It is difficult to use the e-banking services" with standard deviation 1.4645, that put this statement in the seventh rank.

Table 4.3 illustrates the descriptive statistic of "Usefulness" statement

Table 4.3 Descriptive Statistic of Usefulness

Item	Statement	Mean	Standard Deviation	Rank	Level of Importance
8.	I can deal with financial business more effectively through using e-banking	5.4421	1.2625	1	High

	services.				
9.	E-banking services have economic advantages for me	5.1263	1.6748	3	High
10.	Through e- banking services, I can more effectively manage my money	5.1684	1.3350	2	High
Grand Mean & Standard Deviation of Ease to Usefulness		5.2456	1.4241		High

(See Annex II)

The results within the table above illustrate the following:

1. "Usefulness" scale has high level with mean 5.2456 and standard deviation 1.4241.
2. All statements of "Usefulness" have "High" level.
3. The highest mean 5.4421 with standard deviation 1.2625 was for statement number 8 "I can deal with financial business more effectively through using e-banking services" this put it in the first rank when compared with other statements in the table.
4. In the second rank, the statement number 10 "Through e-banking services, I can more effectively manage my money" appears mean equal 5.1684 and standard deviation 1.3350.
5. The lowest mean as appears in table is 5.1263 that belongs to statement number 9 " E-banking services have economic advantages for me" with standard deviation 1.6748, that put this statement in the third rank.

Table 4.4 illustrates the descriptive statistic of "Cost Saved" statements.

Table 4.4: Descriptive Statistic of Cost Saved

Item	Statement	Mean	Standard Deviation	Rank	Level of Importance
11.	Using Internet banking can save me on transportation costs	5.8105	1.2251	2	High
12.	Using e-banking services can save me waiting time for service completion.	5.5579	1.2791	3	High
13.	Using e-banking services can save me time spent in bank	6.1263	0.9759	1	High
14.	When I use electronic banking, my money is as safe as when I use other banking services	5.3474	1.3900	4	High
15.	I am not sure how to use the e-banking services properly.	2.6211	1.6491	5	Low
Grand Mean & Standard Deviation of Ease to Cost Saved		5.0926	1.3038		High

(See Annex II)

The results within the table above illustrate the following:

1. "Cost Saved" scale has high level with Mean 5.0926 and standard deviation 1.3038.
2. All statements of "Cost Saved" have "High" level of importance except one which has "Low" level.
3. The highest mean 6.1263 with standard deviation 0.9759 was for the statement number 13 "Using e-banking services can save me time spent in bank". This puts this statement in the first rank when compared with others statements in the table.
4. In the second rank, the statement number 11 "Using Internet banking can save me on transportation costs" appears mean equal 5.8105 and standard deviation 1.2251.
5. The lowest mean as appears in table is 2.6211 that belongs to statement number 15 "I am not sure how to use the e-banking services properly" with standard deviation 1.6491; that puts this statement in the fifth rank.

Table 4.5 illustrates the descriptive statistic of "Self-Control" statements.

Table 4.5: Descriptive Statistic of Self-Control

Item	Statement	Mean	Standard Deviation	Rank	Level of Importance
16.	I have more control over my account due to e-banking services.	5.4000	1.3642	2	High
17.	Internet banking allows me to know all of the financial services banks provide.	3.3579	1.8117	4	Mid
18.	I believe that I can gain more useful information by using Internet banking	4.5053	1.8057	3	Mid
19.	It takes me a great deal of time and effort to get used to new e- banking services.	3.0737	1.8078	5	Mid
20.	E-banking services help me to better manage finance transactions.	5.6947	1.3383	1	High
Grand Mean & Standard Deviation of Ease to Self-Control		4.4063	1.6255		Mid

(See Annex II)

The results within the table above illustrate the following:

1. "Self-Control" scale has mid level with mean 4.4063 and standard deviation 1.6255.
2. All statements of "Self-Control" have "Mid" level except two which have "High" level.

3. The highest mean 5.6947 with standard deviation 1.3383 was for the statement number 20 "E-banking services help me to better manage finance transactions" this put this statement in the first rank when compared with others statements in the table.
4. In the second rank, the statement number 16 "I have more control over my account due to e-banking services" appears with mean 5.4000 and standard deviation 1.3642.
5. The lowest mean as appears in table is 3.0737 that belong to statement number 19 "It takes me a great deal of time and effort to get used to new e-banking services" with standard deviation 1.8078; that puts this statement in the fifth rank.

The following table 4.6 summaries the construct descriptive results.

Table 4.6: Descriptive Statistics of E-Banking Services and its characteristics

Characteristics	Mean	Standard Deviation	Rank	Level of Importance
Cost Saved	5.0926	1.3038	3	High
Ease to Use	5.2105	1.3362	2	High
Self-Control	4.4063	1.6255	4	Mid
Usefulness	5.2456	1.4241	1	High
Grand Mean & Standard Deviation of E-Banking Services Scale	4.9888	1.4224		Mid

The table above illustrates that the variable "E-Banking Services" has a "Mid" level of importance with mean 4.9888 and standard deviation 1.4224. Therefore the ranking of e-banking services characteristics will be as follows:

- Usefulness.
- Ease to Use.
- Cost Saved.
- Self Control.

One plausible reason which explains this ranking is that most customers tend to use e-banking services if these services enhance their cost, are user-friendly, are less effort to use, and when they have sufficient control over their financial transactions with the bank.

4.4 Impact of E-Banking Services on Customer Value and Customer Loyalty

4.4.1 Customer Value

The other main variable is Customer Value that was measured by 12 statements divided into three dimensions as follows:

Functional Value: measured by 4 statements within the original questionnaire.

Emotional Value: measured by 5 statements within the original questionnaire.

Epistemic Value: measured by 3 statements within the original questionnaire.

Table 4.7 illustrates the descriptive statistic of "Functional Value" statements.

Table 4.7 Descriptive Statistics of Functional Value

Item	Statement	Mean	Standard Deviation	Rank	Level of Importance
21.	E-banking services offer me alternatives to solve my financial problem.	5.3789	1.4738	1	High
22.	Using Internet banking offers me timely communication with my bank	5.1053	1.4177	3	High
23.	May be that electronic banking systems are not secure enough to protect my personal financial information	3.9579	1.6916	4	Mid
24.	The bank services locations (branches/ ATMs) are at convenient places.	5.2947	1.3129	2	High
Grand Mean & Standard Deviation of Ease to Functional Value		4.9342	1.4740		Mid

(See Annex II)

The results within the table above illustrate the following:

1. "Functional Value" scale has Mid level with mean 4.9342 and standard deviation 1.4740. Whenever standard deviation value is lower, this indicates to the homogeneity in the responses of respondents.
2. All statements of "Functional Value" have "High" level except one which has "Mid" level.
3. The highest mean 5.3789 with standard deviation 1.4738 was for the statement number 21 "E-banking services offer me alternatives to solve my financial problem".

This puts this statement in the first rank when compared with others statements in the table.

4. In the second rank, the statement number 24 "The bank services locations (branches/ ATMs) are at convenient places" appears mean equal 5.2947 and standard deviation 1.3129.
5. The lowest mean as appears in table 3.9579 belongs to statement number 23 "May be that electronic banking systems are not secure enough to protect my personal financial information" with standard deviation 1.6916. That puts this statement in the third rank.

Table 4.8 illustrates the descriptive statistic of "Emotional Value" statements

Table 4.8 Descriptive Statistics of Emotional Value

Item	Statement	Mean	Standard Deviation	Rank	Level of Importance
25.	Using e- banking services let me feel comfortable	5.3158	1.6496	1	High
26.	Using e-banking services can satisfy my desire for new services	4.6421	1.7942	3	Mid
27.	I feel comfortable providing my personal information through electronic banking Systems	4.0421	1.8059	4	Mid
28.	It bothers me to use a machine for banking transactions when I could talk with a person instead	3.7474	1.7590	5	Mid
29.	Always e-banking services fulfill my expectations	4.9474	1.5919	2	Mid
Grand Mean & Standard Deviation of Ease to Emotional Value		4.5389	1.7201		Mid

(See Annex II)

The results within the table above illustrate the following:

1. "Emotional Value" scale has Mid level with Mean 4.5389 and standard deviation 1.7201.
2. One statement of "Emotional Value" has "High" level and other statements have "Mid" level.
3. The highest mean 5.3158 with standard deviation 1.6496 was for the statement number 25 "Using e- banking services let me feel comfortable" this put this statement in the first rank when compared with others statements in the table.
4. In the second rank, the statement number 29 "Always e-banking services fulfill my expectations" appears with mean 4.9474 and standard deviation 1.5919.

- The lowest mean as appears in table is 3.7474 that belong to statement number 28 "It bothers me to use a machine for banking transactions when I could talk with a person instead" with standard deviation 1.7590. That puts this statement in the fifth rank.

Table 4.9 illustrates the descriptive statistic of "Epistemic Value" statements

Table 4.9: Descriptive Statistics of Epistemic Value

Item	Statement	Mean	Standard Deviation	Rank	Level of Importance
30.	Using Internet banking can satisfy my desire to gather information	4.1684	1.8731	3	Mid
31.	E- banking services provides clearness and transparency information	4.1895	1.7550	2	Mid
32.	Constantly bank informs of new e-services that could be my interest.	4.3895	1.6562	1	Mid
Grand Mean & Standard Deviation of Ease to Epistemic Value		4.2491	1.7614		Mid

(See Annex II)

The results within the table above illustrate the following:

- "Epistemic Value" scale has mid level with mean 4.2491 and standard deviation 1.7614.
- All statements of "Epistemic Value" have "Mid" level.
- The highest mean 4.3895 with standard deviation 1.6562 was for the statement number 32 "Constantly bank informs of new e-services that could be my interest". This puts this statement in the first rank when compared with others statements in the table.
- In the second rank, the statement number 31 "E-banking services provide clearness and transparency information" appears mean 4.1895 and standard deviation 1.7550.
- The lowest mean as appears in table is 4.1684 that belongs to statement number 30 "Using Internet banking can satisfy my desire to gather information" with standard deviation 1.8731. That puts this statement in the third rank.

The following table 4.10 summaries the construct descriptive results.

Table 4.10 Descriptive Statistics of Customer Value and its dimensions

Dimensions	Mean	Standard Deviation	Rank	Level of Importance
Functional Value	4.9342	1.4740	1	Mid
Emotional Value	4.5389	1.7201	2	Mid
Epistemic Value	4.2491	1.7614	3	Mid
Grand Mean and Standard	4.5741	1.6518		Mid

Deviation of Customer Value				
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The table 4.10 illustrates that variable "Customer Value" has a "Mid" level with mean 4.5741 and standard deviation 1.6518. Therefore the ranking of Customer Value's dimensions will be as follows:

- Functional Value.
- Emotional Value.
- Epistemic Value.

4.4.2 Customer Loyalty

Main variable "Customer Loyalty" was measured by 8 statements divided into two dimensions as follows:

Attitudinal Loyalty: measured by 5 statements within the original questionnaire.

Behavioral Loyalty: measured with 3 statements within the original questionnaire without removing any item.

Table 4.11 illustrates the descriptive statistic of "Attitudinal loyalty" statements.

Table 4.11 Descriptive Statistics of Attitudinal Loyalty

Item	Statement	Mean	Standard Deviation	Rank	Level of Importance
33.	I try to use e-banking services because it is the best choice for me	5.0737	1.6367	1	High
34.	I consider myself to be a loyal customer of bank.	5.0316	1.7257	2	High
35.	To me, e-banking service is the same as other services.	4.0632	1.5948	5	Mid
36.	I say positive things about using e-banking services to other people.	4.4316	1.6200	4	Mid
37.	I will regularly use e-banking services in the future	4.9579	1.9354	3	Mid
Grand Mean and Standard Deviation of Attitudinal Loyalty		4.7116	1.7025		Mid

(See Annex II)

The results within the table above illustrate the following:

1. "Attitudinal Loyalty" scale has mid level with Mean 4.7116 and standard deviation 1.7025.
2. All statements of "Attitudinal Loyalty" have "Mid" level except two statements have "High" level.

3. The highest mean 5.0737 with standard deviation 1.6367 was for the statement number 33 "I try to use e-banking services because it is the best choice for me". This puts this statement in the first rank when compared with others statements in the table.
4. In the second rank, the statement number 34 "I consider myself to be a loyal customer of bank" appears mean equal 5.0316 and standard deviation 1.7257.
5. The lowest mean as appears in table is 4.0632 belongs to statement number 35 "To me, e-banking service is the same as other services" with standard deviation 1.5948. That puts this statement in the fifth rank.

Table 4.12 illustrates the descriptive statistic of "Behavioral Loyalty" statements.

Table 4.12 Descriptive Statistics of Behavioral Loyalty

Item	Statement	Mean	Standard Deviation	Rank	Level of Importance
38.	I intend to continue to do business and banking transactions by e-services.	4.2000	1.7747	3	Mid
39.	Even if close friends recommend another banking service, I will not change my preference for e-banking services.	4.9368	1.6210	2	Mid
40.	I would encourage friends and relatives to use e-banking services banking service.	5.1684	1.6069	1	High
Grand Mean and Standard Deviation of Behavioral Loyalty		4.7684	1.6675		Mid

(See Annex II)

The results within the table above illustrate the following:

1. "Behavioral loyalty" scale has mid level with Mean 4.7684 and standard deviation 1.6675.
2. All statements of "Behavioral loyalty" have "Mid" level except one statement has "High" level.
3. The highest mean 5.1684 with standard deviation 1.6069 was for the statement number 40 "I would encourage friends and relatives to use e-banking services banking service". This puts this statement in the first rank when compared with others statements in the table.
4. In the second rank, the statement number 39 "Even if close friends recommend another banking service, I will not change my preference for e-banking services" appears mean equal 4.9368 and standard deviation 1.6210.

5. The lowest mean as appears in table is 4.2000 belong to statement number 38 "I intend to continue to do business and banking transactions by e-services" with standard deviation 1.7747. That puts this statement in the third rank.

The following table 4.13 summaries the construct descriptive results.

Table 4.13: Descriptive Statistics of Customer Loyalty and its dimensions

Dimensions	Mean	Standard Deviation	Rank	Level of Importance
Attitudinal Loyalty	4.7116	1.7025	2	Mid
Behavioral Loyalty	4.7684	1.6675	1	Mid
Grand Mean and Standard Deviation of Customer Loyalty	4.7400	1.6850		Mid

The table 4.13 illustrates that variable "Customer loyalty" has a "Mid" level of importance with mean 4.7400 and standard deviation 1.6850. Therefore the ranking of Customer Loyalty dimensions will be as follows:

- Behavioral Loyalty.
- Attitudinal Loyalty.

4.4.3 Correlation Analysis

Correlation Analysis was used for identifying the relationship between various functionality features of e-banking services, customer value and customer loyalty.

a. Relationship between E-banking services and Customer Value

From table 4.6, the grand mean value of e-banking services is 4.9888 and standard deviation is 1.4224. Similarly from table 4.10, the grand mean value of customer value is 4.5741 and standard deviation is 1.6518. These values are derived from observations of 95 respondents.

Hence,

$$\begin{aligned} \text{Correlation Coefficient (r)} &= \frac{\sum xy}{n\sigma_x.\sigma_y} \\ &= (4.9888*4.5741)/ (95*1.4224*1.6518) \\ &= 0.1022 \end{aligned}$$

Where, \bar{x} = grand mean value of e-banking services.

\bar{y} = grand mean value of customer value

σ_x = standard deviation of e-banking services

σ_y = standard deviation of customer value, and

n = no. of observations

The correlation coefficient was found to be 0.1022. It implies that there is slight weak direct correlation between e-banking services and customer value. The slight weak relationship suggests that the banking customers in Itahari are less concerned with the e-banking services. In other words, customer value of bank customers of Itahari is less affected by the e-banking services provided by the banks. The banks are yet to create customer value in the e-banking services provided by them.

b. Relationship between E-banking services and Customer Loyalty

From table 4.6, the grand mean value of e-banking services is 4.9888 and standard deviation is 1.4224. Similarly from table 4.13, the grand mean value of customer loyalty is 4.7400 and standard deviation is 1.6850. These values are derived from observations of 95 respondents.

Hence,

$$\begin{aligned} \text{Correlation Coefficient (r)} &= \frac{\sum xz}{n\sigma_x\sigma_z} \\ &= (4.9888*4.7400)/ (95*1.4224*1.6850) \\ &= 0.0882 \end{aligned}$$

Where, \bar{x} = grand mean value of e-banking services.

\bar{z} = grand mean value of customer loyalty

σ_x = standard deviation of e-banking services

σ_z = standard deviation of customer loyalty, and

n = no. of observations

The correlation coefficient was found to be 0.0882. It implies that there is slight weak direct correlation between e-banking services and customer loyalty too. The slight weak relationship interprets that the banking customers in Itahari are less concerned with the e-banking services. In other words, customer loyalty of bank customers of Itahari is less affected by the e-banking services provided by the banks. The banks are yet to create customer loyalty through the e-banking services provided by them.

c. Relationship between Customer Value and Customer Loyalty

From table 4.10, the grand mean value of customer value is 4.5741 and standard deviation is 1.6518. Similarly from table 4.13, the grand mean value of customer loyalty is 4.7400 and standard deviation is 1.6850. These values are derived from observations of 95 respondents.

Hence,

$$\begin{aligned} \text{Correlation Coefficient (r)} &= \frac{\sum yz}{n\sigma_y\sigma_z} \\ &= (4.5741*4.7400)/(95*1.6518*1.6850) \\ &= 0.0820 \end{aligned}$$

Where, y = grand mean value of customer value.

z = grand mean value of customer loyalty

σ_y = standard deviation of customer value

σ_z = standard deviation of customer loyalty, and

n = no. of observations

The correlation coefficient was found to be 0.0820. It implies that there is slight weak direct correlation between customer value and customer loyalty too. This slight weak relationship interprets that the customer value and customer loyalty of banking customers in Itahari are correlated but do not affect each other in great extent. In other words, customer loyalty of bank customers of Itahari is less affected by the customer value for the banks. The banks are yet to create customer loyalty and customer value through the e-banking services provided by them.

4.5 Major Findings

The applied study found evidence that all the dimensions are positively correlated. Therefore the major findings of the study can be summarized as follows:

1. Majority of the e-banking users are male; 62 percentage of the respondents were males who use e-banking services.
2. Though all age class of respondents render e-banking services, majority of them are aged between 30-40 years.
3. Though almost all respondents were educated from literate to PhD, majority of them have Bachelors level education.
4. Private sector employees are the major users of e-banking services. Among government employees, private sector employees, freelance/student and firm owner, 60 percentage of the respondents were private sector employees.
5. Majority of the respondents deal with more than one bank and frequently use e-banking services in their banking transactions.
6. Automated Teller Machine (ATM) is found to be popular and used most among all e-banking services. 65 percentage of the respondents use ATM as a major e-banking service more than others.

7. The first e-banking product/service (ATM) was introduced some 20 years back. Similarly, the other e-banking product (internet banking) was introduced 12 years back and other product/services being introduced with time, the use of e-banking services is still in crawling stage. Majority of the respondents have been using e-banking services between 1-3 years.
8. Majority of the respondents perceive that e-banking services are useful, easy to use and cost effective. Usefulness has the highest mean value of 5.2456. Similarly, Ease of Use has mean value of 5.2105 and Cost Saved has 5.0926 as mean value. All of these characteristics of e-banking services are ranked high level of importance by the respondents/e-banking service users.
9. Characteristics of e-banking services (Ease of use, Usefulness, Cost saved, and Self-control) demonstrated a positive effect on Customer Value and Customer Loyalty.
10. Dimensions of Customer Value (Functional Value, Emotional Value, and Epistemic Value) demonstrated a positive effect on Customer Loyalty dimensions.
11. The level of Customer Value was mid. This means that it is important to mention that the Customer Value has some level of influential role in the banking sector in Nepal.
12. The levels of Customer Value dimensions Functional Value and Emotional Value were close to high but Epistemic Value was low level with lower mean value.
13. The level of Customer Loyalty in Nepalese Commercial Banks working in Itahari was moderate. Similarly, Customer Loyalty dimensions (Attitudinal Loyalty and Behavioral Loyalty) in Nepalese Commercial Banks in Itahari had mid levels.

Chapter V

SUMMARY, CONCLUSION & RECOMMENDATION

5.1 Summary

The purpose of this study was the examining of the impact of electronic banking services on Customer within the selected commercial banks in Itahari. The use of e-banking is still in developing stage in Nepal. The study finds that many banks' customers in Itahari are fully aware of the positive developments in information technology and telecommunications which led to the introduction of new delivery channels for Nepalese commercial banks' products and services. The aim is to satisfy and get customer delighted. Most customers however, still patronize the bank branches and find interaction with human tellers as very important. It also finds that customers enjoying electronic banking services are still not satisfied with the

quality and efficiency of the services. This is expressed in the number of times customers physically visit banks and length of time spent before such services are received. Customers' perception of and reaction to these developments are issues of concern to both government and banking industry. A lot need to be done to create confidence in the minds of customers about the benefits and security of the new delivery channels. Lack of patronize for electronic banking products is expressed in lack of confidence. This study majorly focused on Customer Value and Customer Loyalty. This study produced many questions, and summarizing them in three which reflected the relation of the positive effects between study factors. Several findings emerged that contributed to solve the study problem, gave logical answers to the study questions, and correlation between them.

5.2 Conclusions

E-banking, the latest generation of electronic banking transactions, has got immense potential to open up new window of opportunity to the existing banks and financial institutions in our country. In Nepal, most of the people are illiterate and obviously they are technology ignorant. But among the literate portion many of them have computer phobia. So, these people cannot trust on the e-banking services. To gain the confidence on e-banking and create value and loyalty of customers, the banks must develop banking products and services incorporated with online/internet. They must develop and organize literacy/orientation programs so as to encourage customers towards using e-banking services. And in that sense this proposed study will be very much helpful in taking initiative even in the root level to develop e-banking literacy in the country. This would be a perfect ground for the development of e-banking. However, with banking customers growing increasingly comfortable with the digital lifestyle, this study can contribute to creating new markets, and reducing operational costs, administrative costs and workforce are increasingly important aspects for the banks' competitiveness, and improved e-banking system.

This study reported that the young adults are highly willing to use e-banking services. It also observed that the customers having Bachelors qualification use e-banking services the most. This study also revealed that most of the e-banking customers use it frequently and ATM is one of the major forms of e-banking services that are widely and mostly used. It confirmed the positive correlation between e-banking services on Customer value and Customer loyalty. Customer value has an influence on Customer loyalty through its dimensions (Attitudinal and Behavioral loyalty). It was found that customers who are ready to use new technology to experience the advantages of e-banking service have a positive attitudinal value. The banks

have to tap this opportunity in delivering its e-banking products among those customers having positive attitude.

5.3 Recommendations

Electronic banking has become a necessary survival weapon and is fundamentally changing the banking industry worldwide. Today, the click of a mouse offers bank customers services at a much lower cost and also empowers them with unprecedented freedom in choosing vendors for their financial service needs. No country today has a choice-whether to implement e-banking or not given the global and competitive nature of the economy. Banks have to upgrade and constantly think of new innovative customized packages and services to remain competitive. The invasion of banking by technology has created an information age and rendered banking services more appealing. In view of the findings of this study, it is concluded that electronic banking in Itahari is yet to create any significant impact on service delivery, which will consequently lead to improved customer satisfaction.

The expectations of customers in recent years have increased with e-banking. This study sought to look at the perceptions of banks and their customers regarding the impact of e-banking services in Itahari. In order for e-banking to positively impact the banking industry of Nepal and create customer loyalty and customer value, the study recommends the following:

) Orientation

Much need to be done in the area of creating awareness about the availability of electronic banking products and services, how they operate and their benefits. Banks should organize public exhibitions and talk shows and make products accessible to all customers. In addition, they should improve their service delivery to justify the benefits of electronic banking products and services. This way, customers' interest would be aroused.

) Ensure Internet Banking Security

It is particularly important that banks in Itahari that are providing e-banking products and services ensure that the privacy and security of their e-banking customers are effectively guaranteed. This will embolden customers to continue using the service.

) Ensure Constant Availability of Service

Banks must ensure that the internet banking service is always available. Periodic routine maintenance and replacement of faulty equipment must be prompt to prevent service disruptions.

) Marketing of E-banking products and services

Banks should intensify the campaign on internet banking services to prospective customers by ensuring to provide customers with quality internet banking service which is always available.

On the basis of this research, the researcher further suggests some of recommendation as:

) Nepalese commercial banks need more than any other time to activate, develop, and innovate new techniques to encourage their customers using e-banking services.

) It is important for these banks offering services electronically to differentiate themselves from competitors. They need to provide information for customers on various competing services.

) It is important to highlight for banks to focus on the value that the customer generates, rather than the value that banks can offer to their customers.

) It is important to make customers aware of the information and relative advantages of e-banking services.

) The banks must maintain long term relationships with their customers in order to obtain the advantages of a customer base loyal to the bank, it is necessary to develop strategies that prevent loss of customers.

) This study suggests that the banking customers in Itahari are less concerned with the e-banking services. In other words, customer value and customer loyalty of bank customers of Itahari is less affected by the e-banking services provided by the banks. The banks are yet to create customer value and customer loyalty in the e-banking services provided by them.

) This study found that customer loyalty of bank customers of Itahari is less affected by the customer value for the banks. It is recommendable that the banks create customer loyalty and customer value through the e-banking services provided by them.

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Annex I

Research Questions

Part (1): Demographic Information

(1) Gender

Male Female

(2) Age

Less than 30 years 30 – 40 years
41 – 50 years 51- 60 years
More than 61 years

(3) Educational Level

Secondary School or less Intermediate/10+2
Bachelors Masters
Ph.D.

(4) Job Title

Government Employee Private Sector Employee
Free Lance/Student Firm owner / project

(5) How many banks that you deal with?

One only More than one

(6) To what extent you use e-banking services in your banking transactions?

Low extent (Sometimes) Medium extent (Frequently)
Great extent (Often) Always (Continuously)

(7) Which E- Banking services you use than more others?

ATM Transactions by internet
Transferring funds

(8) How long have you use e-banking services?

Less than (1) year (1-3) years
More than (3) years until (6) years More than 6 years

Part II:

Please indicate the extent to which you agree or disagree with each statement below:

S.N	Questions	Strongly Agree	Agree	Somewhat Agree	Neither	Somewhat Disagree	Disagree	Strongly Disagree
E-Banking Services								
Ease of Use								
1.	I find that e – banking service is easy to use							
2.	It is easy to apply financial services on Internet banking							
3.	It is easy for me to learn how to make use of e-banking services							
4.	It is easy for me to be skillful at using e-banking services.							
5.	It is difficult to use the e-banking services.							
6.	I have the opportunity to try various electronic banking services							
7.	Mistakes are more likely to occur with electronic banking than with regular banking							
Usefulness								
8.	I can deal with financial business more effectively through using e-banking services.							
9.	E-banking services have economic advantages for me							
10.	Through e- banking services, I can more effectively manage my money							
Cost Saved								
11.	Using Internet banking can save me on transportation costs							
12.	Using e-banking services can save me							

	waiting time for service completion.							
13.	Using e-banking services can save me time spent in bank							
14.	When I use electronic banking, my money is as safe as when I use other banking services							
15.	I am not sure how to use the e-banking services properly.							
Self-Control								
16.	I have more control over my account due to e-banking services.							
17.	Internet banking allows me to know all of the financial services banks provide.							
18.	I believe that I can gain more useful information by using Internet banking							
19.	It takes me a great deal of time and effort to get used to new e- banking services.							
20.	E-banking services help me to better manage finance transactions.							
Customer Value								
Functional Value								
21.	E-banking services offer me alternatives to solve my financial problem.							
22.	Using Internet banking offers me timely communication with my bank							
23.	May be that electronic banking systems are							

	not secure enough to protect my personal financial information							
24.	The bank services locations (branches/ ATMs) are at convenient places.							
Emotional Value								
25.	Using e- banking services let me feel comfortable							
26.	Using e-banking services can satisfy my desire for new services							
27.	I feel comfortable providing my personal information through electronic banking Systems							
28.	It bothers me to use a machine for banking transactions when I could talk with a person instead.							
29.	Always e – banking services fulfill my expectations							
Epistemic value								
30.	Using Internet banking can satisfy my desire to gather information							
31.	E- banking services provides clearness and transparency information							
32.	Constantly bank informs of new e- services that could be my interest.							
Loyalty Value								
Attitudinal Loyalty								
33.	I try to use e–banking services because it is the best choice for me							

34.	I consider myself to be a loyal customer of bank.							
35.	To me, e-banking service is the same as other services.							
36.	I say positive things about using e-banking services to other people.							
37.	I will regularly use e-banking services in the Future.							
Behavioral Loyalty								
38.	I intend to continue to do business and banking transactions by e-services.							
39.	Even if close friends recommend another banking service, I will not change my preference for e-banking services.							
40.	I would encourage friends and relatives to use e-banking services banking service.							

***Calculation of Standard Deviation (S.D.)**

When Mean $\bar{x}=5.1684$

X	f	(X-x) ²	f(X-x) ²
7	26	49	1274
6	21	36	756
5	15	25	375
4	17	16	272
3	9	9	81
2	6	4	24
1	1	1	1
$\Sigma f=N=$	95	$\Sigma f(X-x)^2$	2783
$SD = \sqrt{(\Sigma f(X-x)^2/N)}$			5.4125