

EFFECT OF SERVICE QUALITY ON CUSTOMER SATISFACTION OF COMMERCIAL BANK

A Dissertation submitted to the Office of the Dean, Faculty of
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Business Studies.

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “**EFFECT OF SERVICE QUALITY ON CUSTOMER SATISFACTION OF COMMERCIAL BANK**”. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes.

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

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ABBREVIATIONS

ASS	Assurance
CUS	Customer Satisfaction
EMP	Empathy
EVA	Exploratory Factor
REL	Reliability
RES	Responsiveness
SERVQUAL	Service Quality
SPSS	Statistical Package of Social Science
TAN	Tangibility

ABSTRACTS

Customer satisfaction refers to the emotional response to experiences related to product and service quality, efficiency, environment, and service provider behavior in comparison with requirements. Service quality is a crucial instrument for success in the service industry sector, such as banking. Quality is so essential that it plays a key role in our daily lives and is viewed as a strategic asset for organizations. Measuring service quality is crucial for building and improving service businesses. The specific objectives of the study were to assess the effects of service quality on customer satisfaction, to examine the relationship between service quality and customer satisfaction, and to analyze the impacts of tangibility, reliability, responsiveness, assurance, and empathy, on customer satisfaction of Bardiya district's commercial banks in Nepal. The study included 400 respondents from various professions. The study was conducted using 28-item questionnaires. A survey was conducted utilizing convenience sampling, and the sample was from Bardiya district in Nepal. This study utilized descriptive statistics and a correlational research designs. In this study, data collected through questionnaires from 400 respondents has been analyzed using a five-point Likert scale. The primary data was analyzed through correlation and regression methods using SPSS software to analyze the effect of service quality dimensions on customer satisfaction. The results indicated a positive correlation between all five service quality dimensions (tangibility, reliability, responsiveness, assurance, and empathy) and customer satisfaction, suggesting that improvements in these dimensions are likely to enhance customer satisfaction. Regression analysis further revealed that tangibility, reliability, assurance, and empathy significantly and positively influence customer satisfaction in the commercial banking sector of Bardiya district in Nepal, while responsiveness did not have a significant effect.

Key words: *Service Quality, Customer Satisfaction, Tangibility, Reliability, Responsiveness, Assurance and Empathy*

CHAPTER I

INTRODUCTION

1.1 Background of the Study

In today's constantly changing business environment, with competition intensifying every day, commercial banks are facing significant problems such as competitiveness, fluctuation in the economy, technological improvements or changes, and the growing customer needs regarding banking services among others. They are striving to outperform each other, aiming to become the top choice for customers, attract the highest deposits, and earn customer trust in this highly competitive market. In this scenario, customer satisfaction, customer loyalty and retention have become major problems or challenges for the banks. Providing good service quality and offering high interest rates are the main factors that attract the customers and satisfy the customers today (Shrestha, 2018). In today's highly competitive business landscape, providing high-quality service is crucial for achieving a sustainable competitive edge. This is especially true in the banking sector, where excellent service quality directly contributes to competitive advantage by boosting customer satisfaction (Ghimire, 2021). Improving service quality levels can lead to greater customer satisfaction (Osman and Sentosa, 2014).

Service quality is primarily aimed at achieving customer needs and providing a level of service that matches their expectations (Daniel & Berinyuy, 2010). Service quality is the most important factors in any business and service sector because it plays a vital role in maintaining competitive advantages in the market place. Therefore, service quality is a strategic tool that helps businesses reinforce their competitive edge and increase profitability (Tam, 2004). A lot of service industries, including banking, use service quality as an advertising strategy to acquire customers, expand the number of customers, retain them, and encourage strong customer relationships and loyalties. Thus, service quality is crucial for both customer satisfaction and the profitability of an organization. As a result, the connection between service quality and customer satisfaction is essential, especially in service industries like banking. Therefore, service quality and customer satisfaction are closely linked each other. Service providers most important to understand how customer perceive and evaluate the service which is provided by service sector. Customers anticipate being pleased with the range of services provided by service industries (Zeithaml et al., 2002). Parasuraman, Zeithaml and Berry (1988), described

that service quality is a comprehensive evaluation of views on the service that is widely recognized as a predictor of total customer satisfaction.

In the service sector, quality plays a crucial role in shaping customer relationships by fulfilling the promise of satisfaction from good service. The increasing prominence of customers' standard quality needs suggests that providing excellent service contributes to achieving a lasting competitive advantage in the current business world (Sureshchandar, Chandrasekharan, & Anantharaman, 2002). Quality is the most valuable factor, seen as significantly important in our everyday lives. Quality is identified as a key strategic tool for organizations; especially as service industries strive to develop and improve their offerings. This need for growth makes it essential to measure service quality effectively (Mohammad and Alhamadani, 2011).

In today's business world, one of the great important aspects is the consuming of quality of services and products. Aga and safakli, (2007) acknowledged that surviving in the difficult and competitive conditions of a market economy requires good quality of service and products. The quality of products and services should be measurable to understand and assess the effectiveness of their works. While, the quality of goods can often be measured through the some tangible items, the quality of service is difficult to measure than products because the quality of service depends on large number of factors.

Satisfaction became a major marketing theme in the 1980s and a contentious one throughout both economic growth and downturns. Generally discusses focus on how well a service meets or fails to meet customer expectations When the actual service experience exceeds expectations, it leads to positive disconfirmation; when it falls short, negative disconfirmation occurs. In today's business environment, achieving a long term competitive advantage relies on consistently providing high-quality service that ensures customer satisfaction (Shemwell et al., 1998).

Some researchers think that customer satisfaction can be measured. According to Magesh, (2010) satisfaction assigns to a feeling of pleasure resulting from having something or achieving a goal. It entails fulfilling a need, desire, demand, or expectation. Tsoukatos and Rand (2006), argue that customer satisfaction is the key factor to long-term business success and enabling to protection or acquisition of market shares, and the achieving of organizational need or goal by better performing competitors through

provision of high quality products or services to ensure customer satisfaction. Haywood (1988), identified ‘three components of service quality, called to as the ‘3 Ps’ of service quality’, like: tangible assets, methods and techniques, individual behavior and professional judgement from the workers who serve.

Customer satisfaction is the goal of providing high quality service in both the production and services sectors. Evaluating service quality is the most effective way to determine if the offerings are good or bad, and whether they meet customer expectations. It can also be seen as a psychological situation that develops from analyzing a certain service. Service quality and customer satisfaction are key to success and survival in today’s competitive business environment. Thus, there is research considerable evidence indicating a correlation between a company’s success and the level of customer satisfaction (Qadeer, 2013).

Different researches on customer satisfaction in the banking sector have concluded that, as the population grows and demand for banking services increases significantly, service quality and customer satisfaction will become critical factors for a bank's future success. Parasuraman et al. (1985) developed the SERVQUAL framework to evaluate customer satisfaction levels. Parasuraman et al. (1988) introduced a five-dimensional model of perceived service quality that includes tangibles, reliability, responsiveness, assurance, and empathy, with components indicating both customer expectations and perceived performance. According to Parasuraman (2000), providing outstanding customer service is intrinsically linked to achieving marketing excellence. Ananth et al., (2011) performed research to assess the service quality provided by certain private sector banks. They used the SERVQUAL framework as a basis, adding a new component called “accessibility to the original five dimensions to better suit their study. The findings revealed that empathy, reliability, and assurance were the key factors positive impact the perceived service quality for bank customers.

Customer satisfaction is crucial for maintaining customers, awareness of the brand, higher revenue, and enhanced level of service, all of which contribute to a bank’s success. Identifying and improving these factors are the main customer focused opportunities and profitability drivers for banks. Banks may apply various strategies to measure or develop the effectiveness of the company, its place and potential in the market economy, and to enhance service quality by assessing customer satisfaction. However, achieving satisfied

customers is not a matter of luck; it requires considerable time and significant effort (Pradhananga, 2014). The Nepalese financial and banking system has rapid growth following the liberalization policies. This growth has not only been seen in the increasing number of companies and banks, however in the variety of services and goods offer, the acceptance and use of new technology. This expansion has integrated the national and global financial systems. One of the most important facts discovered in this business expansion is that no business can exist without customers. Therefore, banking has become a customer-focused service sectors, and Nepalese banks have begun to recognize that customer service and satisfaction are critical to any organization (Ghimire, 2021).

Different studies have examined the link between customer satisfaction and service quality of commercial banks in Nepal, finding important relationship between these two factors. Shrestha and Koirala (2012) found that total service quality and customer satisfaction are strongly linked. Additionally, reliability and responsiveness have a strongly positively correlations. The strong positive relationship between empathy and satisfaction suggests that banks pay particular consideration and understanding their customers' special demands, making customers believe their problems are treated seriously. While all dimensions of service quality positively correlate with customer satisfaction, reliability stands out as the most significant component in Nepalese commercial banks, whereas technology is considered the least relevant (Maharjan, 2014).

Since the Nepalese banking sector has developed, resulting in the development of numerous banks. That provided customers additional possibilities for enjoying banking services. Consequently, the banking sector has become very competitive and profitable. To succeed, banks must find ways to stand out from their rivals. As the market in Nepal continues to change, customers are also showing a greater willingness to pay more for superior service. Therefore, to attract and retain more customers and achieve competitive profitability, banks are focused on providing better service to their customers and ensuring their satisfaction.

This study was started to better understand how customers analyze service quality in developing countries. The main goal of this study was to indentify the dimensions of service quality which affects customer satisfaction, and assess how customers perceive it in commercial banking sector in Nepal (Bardiya district). Specifically, the study aimed to focus on measuring customer satisfaction with service quality of commercial banks in the

Bardiya district in Nepal. The research highlights and confirms the importance of service quality and customer satisfaction is complex and multi-dimensional constructs.

1.2 Problem Statement

Customers perform a major part in the banking industry. Banks operate through customer deposits; the more customers they have, the more funds they can devote to future investments. Thus, the more satisfied consumers are with their interactions with bank, the stronger its operations and profits. If a bank fails to offer appropriate support for customers, it will lose consumers. Poor customer service also negatively impacts business by decreasing profitability (Karim & Chowdhury, 2014).

Many companies aim to stand out from their competitors by focusing on customer satisfaction, while others determine whether their services and products meet the need of customers (Chakrabarty, 2006). The more a company exceeds these assumptions, the more they can win customer loyalty and profitability, resulting in increased market shares in their respective business. However, this can only be achieved when service quality is a core part of their offerings, as it is crucial to achieving customer satisfaction (Kombo, 2015). In another words, banks need to provide services tailored to their customers' needs to support the country's economic goals. As a result, to attract and retain customers, banks must consider the elements that can affect those consumers. Customers seeking financial services are always looking for those that provide the highest level of satisfaction. Meanwhile, other authors have shown that service quality alone is insufficient to assess customer satisfaction, other determinants, such as pricing, product quality, as well as individual and environmental circumstances, also influence customer satisfactions (Wilson et al., 2008).

In the banking sector, customer satisfaction is regarded the primary standard for evaluating a bank's market relationships (Munari, Bajtta, & Lesasi 2013). Customer satisfaction has been studied globally through various methods, including measurement and its relationship to other business aspects. Consumers' happiness can be measure in a variety of ways. Accurately identifying Customer satisfaction plays a crucial role in retaining customers, improving reputation of the brand, enhance revenues, improving the effectiveness of a bank's services. These are the main possibilities and difficulties that the Nepalese banking sector faces in its efforts to be more customer-focused. Yet, Nepalese

banks have struggled to achieve high levels of customer satisfaction. Researchers in Nepal have conducted extensive studies on the relationship between service managing quality and customer satisfaction, but gaps remain in understanding and implementation.

Customer satisfaction is influenced by psychological and physical factors that differ from individuals. Customer satisfaction is a measure of how well organization's products and services satisfy or surpass their expectation. In Nepal, all commercial banks are offering a range of services to improve customer satisfaction and expand their banking business. With rising competition, it has become more important than ever for banks to understand the quality of their services and the level of customer satisfaction (Pathak, 2015). Therefore, to deliver quality service and stay competitive, banks must know about their customers' perceptions and expectations of service quality. This means identifying which aspects of service had the important effect on customer satisfaction.

Nepalese banking sector has faced many problems, such as shortage of skilled, properly educated and experienced staffs, an outdated organizational structure, and reliance on old technology. All of these issues have hampered the delivery of quality services to customers, resulting in low customer satisfaction (Devkota & Dahal, 2016). Customers can readily switch services between banks in Nepal due to the significant rivalry in the industry, as evidenced by the existence of 20 commercial banks operating 5049 branches and 17 development banks managing 1128 branches (Nepal Rastra Bank, 2023). As a result, banks are unable to meet the needs of their customers and are struggling to keep them.

In the banking industry, the current issue of service quality remains crucial as service providers struggle to maintain a competitive advantage in the marketplace. Rising competitors, more qualified consumers and their rising expectations, rising level of living, customer retention, regulatory compliance impacting operations and profitability of banks, economic instability affecting loan repayment and default rates, cyber security risks, talent managements are the current problems in the Nepalese commercial banks. These threats are causing many firms to examine service strategies for their customer. For example, many banks are now prioritizing efforts to keep their current customers instead of obtaining new ones, as it's more expensive to attract a new customer than to retain an existing one. The increased focus on quality improvement has prompted businesses to prioritize customer service. Interpersonal relationships, problem solving, leadership, and

teamwork are some examples of such skills. Customer service abilities are essential in practically any job, particularly in the banking industry, and people skills serve as the foundation for providing excellent service. Thus, Nepalese banking sector faces a variety of customer-oriented possibilities and problems. This study is focuses on the banking industries in Nepal to discover which variables of service quality, based on the SERVQUAL model, affects customer satisfaction. It aims to answer specific study question to better understanding of customer satisfaction and service quality commercial banks within the Bardiya district of Nepal.

This study addresses the following questions:

- i. What is the effect of service quality on customer satisfaction?
- ii. Is there a relationship between service quality and customer satisfaction in terms of tangibility, reliability, responsiveness, assurance, and empathy in commercial banks?
- iii. How do tangibility, reliability, responsiveness, assurance, and empathy impact on customer satisfaction?

1.3 Objectives of the study

The objectives of this study are as follows:

- i. To assess the effect of service quality on customer satisfaction.
- ii. To examine the relationship between service quality and customer satisfaction in terms of tangibility, reliability, responsiveness, assurance, and empathy in commercial banks.
- iii. To analyze the impact of tangibility, reliability, responsiveness, assurance, and empathy on customer satisfaction.

1.4 Hypotheses of the study

This study centered on two basic concepts: service quality and customer satisfaction, as outlined in its conceptual framework. This framework was created based on the Parasuraman et al. (1985) SERVQUAL model. Independent factors include tangibility, reliability, responsiveness, assurance, and empathy, whereas customer satisfaction is reliant on the hypothesis. A research hypothesis is a distinct, clear, and testable assertion regarding potential outcomes. A population study focuses on identifying variations between groups on a certain measure or examining correlations between variables.

Major Hypotheses

H0: There is no significant relationship between service quality and customer satisfaction.

H1: There is significant relationship between service quality and customer satisfaction.

Hypothesis related with dependent variables:

H1.1: There is positively significant relationship between tangibility and customer satisfaction.

H1.2: There is positively significant relationship between reliability and customer satisfaction.

H1.3: There is positively significant relationship between responsiveness and customer satisfaction.

H1.4: There is positively significant relationship between assurance and customer satisfaction.

H1.5: There is positively significant relationship between empathy and customer satisfaction.

1.5 Rational of the study

Service quality plays a crucial role, specifically in the growth, expansion and development of service-oriented organizations, such as banking. It functions as a key factor influencing customer satisfaction. Because the service sector plays a little role in the financial system, quality assessment has traditionally been primarily focused on physical items. However, as the importance of providing outstanding service to maximize customer satisfaction and other beneficial attitudes has become more commonly accepted, research into the relationships among service quality, satisfaction, and psychological results has increased in the last few years (Ghost and Gnanadhas, 2011).

Service quality is especially important in banking because it greatly enhances customer satisfaction, making it a crucial factor for gaining a competitive edge (Almossawi, 2001). It also significantly affects a bank's success and overall performance (Mouawad and Kleiner, 1996). Recently, service quality has gained considerable attention due to its clear link to expenses, business performance, customer satisfaction, and retention. Organizations not only need data to gauge customer satisfaction levels but also must understand how to incorporate service quality principles into effectively managing customer satisfaction.

In the recent business environment, the financial services industry has been growing extremely competitive as a result of the banking sector's deregulation. Advances in technology, stress to accomplish business goals, the desire to enhance productions and sales, minimize operating expenses, eliminate waste, and improve customer service have intensified the competition. Historically, many service companies rarely recognized the importance of dealing with customers. However, today's customers demand for being handled just like partners, with kindness and accuracy (Otoo, 2016). The increasing competitors, a more educated customer base, and growing income levels have prompting several organizations to reassess their existing customer service strategies. Several businesses are now focusing a greater emphasis on retaining their existing customers rather than acquiring new ones, as it is more cost effective to retain a customer than to acquire a new one. This provides sufficient data to support for the strategic advantages of quality in terms of market share and investment returns (Reichheld and Sasser, 1990).

In Nepal, the banking industry is thriving, offering customer more options for selecting banks. Therefore, banks should provide extra value in the form of service quality to reduce customer turnover. In such a competitive business environment, a lack of differentiators might conduct to bank closures. Thus, it is critical to undertake research to determine how service quality affects customer satisfaction in the banking industry. As a result, this study aims to enhance understanding of the relationship between service quality and customer satisfaction in Nepalese commercial banks, with a specific focus on those located in the Bardiya district.

Commercial banks in Nepal are under significant pressure due to increased competition, necessitating innovation for competitive advantage. Different strategies are developed to retain customers, which helps to improve service quality. As a result, Nepalese banking industry must prioritize service quality in order to increase customer satisfaction. According to Shrestha and Koirala (2012), all service quality dimensions (reliability, responsiveness, tangibility, empathy, and assurance) are crucial for determining the quality of service of commercial banks in Nepal. These dimensions are equally important in building customer satisfaction within commercial banks. High service quality significantly impacts customer satisfaction, leading to customer retention and enhancing the bank's image.

This study aims to offer a comprehensive framework for understanding how service quality dimensions contribute to customer satisfaction. It offers new possibilities for Nepalese banks to improve and, if necessary, alter their current services. Additionally, it delivers data and information on customer satisfaction, aiding banks in service improvement. This research explores the link between service quality and customer satisfaction, helping both the banking sector and its customers to better understand the current state of Nepalese commercial banks. This study examines the determinants influencing customer satisfaction in Nepalese commercial banks, utilizing most current data in the setting of Nepal. The study's findings also guide future researchers by providing baseline data for large scale research that is more dependable or reliable and may be simplified.

1.6 Limitations of the study

The limitations of the study are as follows:

- i. This study is concentrated on effect of service quality on customer satisfaction.
- ii. Bardiya district of Nepal is taken for the study.
- iii. This study is based on primary data.

CHAPTER II

LITERATURE REVIEW

Simply put, a literature review means providing a comprehensive summary of past research studies. A literature review provides a summary of the current theories, ideas, and studies related to the topic being researched. It enumerates, describes, summarizes, objectively evaluates, and clarifies the relevant research. It forms the basis for the study by highlighting applicable theories and concepts that help shape the hypotheses and questions being investigated. A literature review helps researchers identify and address limitations in existing research or extend current studies. For example, in a study on the "effect of service quality on customer satisfaction," work was divided into two sections. The first section covered theoretical and conceptual perspectives on service quality and customer satisfaction, and then presented a review of related empirical findings. Based on this comprehensive review, the aim was to develop a deep understanding of the theory and existing research on service quality and customer satisfaction across different settings.

2.1 Theoretical Review

The study was directed by theories that were already in place and that, across time, have demanded additional investigation on the topic. These theories include expectation theory and the evaluate congruity theory.

2.1.1 Expectation Theory

Expectation theory, also referred to as Expectancy Confirmation Theory or Expectation Disconfirmation Theory, was developed by Richard L. Oliver in 1980 and 1997. It is a fairly commonly used model for understanding how customer satisfaction is formed. Expectation confirmation theory is a cognitive theory that explains post-purchase and post-adoption satisfaction in terms of expectations, perceived performance, and disconfirmation of beliefs. According to the theory, satisfaction or dissatisfaction is the result of a consumer comparing the performance of a product or service to predefined performance standards. Oliver defines three predefined criteria as the customer's predictive expectations. Positive confirmation arises when performance exceeds expectations, resulting in a thrilled customer. Zero confirmation occurs when performance matches expectations, leading to a satisfied customer. Finally, negative

disconfirmation happens when performance falls below expectation resulting in an unsatisfied or unhappy customer. The Expectation Disconfirmation Theory has been criticized for relying solely on manufacturer or corporate reports for predicting expectations, without considering other sources. It is especially pertinent to the study of service quality, focusing on consumer satisfaction within the Nepalese commercial banking system.

2.1.2 The Evaluative Congruity Theory

The Evaluate Congruity Models explores the connection between two shape service quality and customer satisfaction, which influence customer assessments. This model suggests that customer satisfaction is affected by the cognitive corresponding process called evaluating congruity. The Evaluate Congruity Model (Sirgy, 1984) provides a framework for understanding customer satisfaction dynamics in the Nepalese commercial banking sector.

According to the paradigm, customer satisfaction stems from a cognitive comparison between perceived service quality with reference points such as customer expectations or ideal service standards. The outcome of this comparison can produce to three congruence state as follows: negative incongruity, congruity, and positive incongruity. Negative incongruity occurs where perceived service quality does not meet consumer expectations, leading to discontent. Congruity happens if there is minimal to no difference between expectations and perceived quality, which provide neutral or satisfied assessment condition. Positive incongruity occurs while actual level of service meets the customer's requirements, resulting in a satisfied customer.

This study examines the cognitive consistencies linked with service quality, especially the discrepancy between customers' realized and expectations or actual performance, to acquire a better understanding of the elements that impact customer satisfaction in the commercial banking sector in Nepal. Customer satisfaction is determined by several comparison procedures, not just one congruity. The Evaluate Congruity Model provides a theoretical framework for studying satisfaction level of customer and its impact on service quality within the banking sector, providing insights into customer retention and organizational efficiency in the context of the Nepalese banking industry.

2.2 Conceptual Review

2.2.1 SERVQUAL Model

The SERVQUAL Model was first developed by Parasuraman, Zeithaml, and Berry in 1985; and was a widely used tool for measuring service quality. It is a multi-dimensional research instrument designed to capture expectations and perceptions of service quality, identify the gap in service delivery, and improve service quality. The model focuses on five dimensions of service quality such as tangibility, reliability, responsiveness, assurance, and empathy. These dimensions are crucial for assessing service quality in the banking sector (Parasuraman et al., 1988). The SERVQUAL model, developed by Parasuraman et al., (1988), mentions dimensions that are one of the most helpful for measuring service quality.

2.2.2 Service Quality

Service quality is another important prospect of this research. The achievement of quality in products and services became a critical concern of the 1980s. While marketers have represented and assessed quality in tangible goods, quality in services remained mostly undefined and unresearched (Parasuraman et al., 1988). They attempted to address this situation by analyzing the quality of various service businesses and proposing a service model. Service quality is essential for companies to stand out from rivals and achieve advantage, ultimately driving customer satisfaction. This concept has drawn significant interest from both researchers and industry professionals. Service quality is explained as the customer's overall analysis of the service provided in market. To boost customer satisfaction, companies aim to enhance service quality by consistently meeting or exceeding customer expectations (Nyeck et al., 2002).

In this study, service quality is defined as the difference between customers' expectations and their perceptions of the service received. Nasr et al., (2012) found that customer satisfaction is used as a benchmark for analyzing service quality, and exceeding customer expectations is connected with improved service quality. Companies can assess and improve service quality by better understanding customer thoughts. This study seeks to address a gap in the existing research by examining the connection between customer satisfaction and service quality in Bardiya's commercial banks in Nepal. While most previous studies in Nepal have concentrated on other aspects of banking, they have not

sufficiently explored strategies for enhancing service quality and the use of technology to boost customer satisfaction. This research will specifically investigate how technology influences service quality and its effect on customer satisfaction, with an emphasis on utilizing current technology to establish a supportive economic setting for more effective providing service (Gustafsson et al., 1999).

Five dimensions of service quality are defined, given below:

1. Tangibility: representing the service physically

Tangibility refers to the physical facilities, equipment, signs, and personnel appearance in the banking sector. It is also key as it involves maintaining well-trained staffs, modern technology and an obtainable physically arrangement, all of which contribute to higher customer satisfaction.

2. Reliability: delivering on promises

Reliability is defined as the ability to provide the promised service with dependability and accuracy. Banks processing a great goodwill and reliability routinely keep their promises to customers while ensuring high standard of secure.

3. Responsiveness: being willing to help

Responsiveness refers to an organization's willingness to help customers and provide prompt and accurate services. Banks often modify their services to meet the demands of their customers and provide individualized attention, which contributes to increased customer satisfaction.

4. Assurance: inspiring trust and confidence

Assurance is defined as employees' knowledge and kindness and their ability to provide through explanations of products and services to build consumer trust and confidence. It involves evaluating the competence, politeness, and credibility of staff in the banking sector.

5. Empathy: treating customers as individuals

Empathy is defined as caring for and treating each customer with individual attention, acknowledging their specific satisfaction and needs. Bank staffs should offer individualized service to increase customer satisfaction.

Overall service industry, especially banks, should focus on improving quality of service, responding rapidly to concerns identified from research and consumer feedback, and successfully monitoring satisfaction with customers. Service quality and customer satisfaction have become major issues in competition within the service sector.

2.2.3 Customer satisfaction

Customer satisfaction is one of the most important variables in this research. It involves meeting people's needs and making them satisfied. It refers to a customer's satisfaction or disappointment resulting from comparing a product's perceived performance to their expectations. If the performance does not meet expectations, the consumer is disappointed. If the performance matches expectations, the customer is satisfied. If the performance exceeds expectations, the customer is exceedingly pleased or delighted (Kotler & Keller, 2012). Therefore, gaining a high degree of customer satisfaction is critical for a business since satisfied customers are more likely to be loyal, place repeat orders, and use various services provided by any company, such as banks.

Customer satisfaction is based on the difference between what customers expect and their perceptions of the service they receive. The expectancy-disconfirmation model, which compares consumers' expectations against what is actually done or products delivered, and it meets their expectations, they feel satisfied, is frequently used to examine perceived service quality. According to Magi and Julander (1996), customer satisfaction can be based on individual transactions or the overall service experience.

Customer satisfaction is an attitude that develops from cooperation among consumers and suppliers of services, affected by a number of variables and quantified using a variety of metrics. Emotional responses also play a role in shaping customer satisfaction, typically after the buying experience. Companies that regularly fulfill the requirements and demands of their customers are more likely to retain customers and be profitable. In order to guarantee customer satisfaction, service companies need to be aware of what their customers expect from them and how they perceive the services they offer. Organizations can improve customer satisfaction by focusing on service quality and meeting expectations. For instance, Nepalese commercial banks can improve service quality and prioritize customer satisfaction to achieve beneficial results (Wicks & Roethlein, 2009).

Iaonna (2002) argued that product differentiation is impossible in a competitive environment such as the banking sector. Banks globally offer the same products. For example, there is normally fluctuation in interest rates charged or the variety of services offered to customers. Bank prices are fixed and determined by market prices. Thus, bank management often differentiates itself from competition by providing high-quality services. Service quality is an important aspect that impacts customers' satisfaction levels in the banking sector. In the banking sector, customer satisfaction relies mainly on service quality, which includes various types of convenience, reliability, service portfolio, and staff performance.

2.2.4 Relationship between Service Quality and Customer Satisfaction

The relationship between service quality and customer satisfaction has received great academic attention in recent years. Service quality and customer satisfaction have a positive relationship. Recognizing and achieving customer expectations through high levels of service quality helps differentiate the company's services from those of its competitors (Dominic et. al., 2010). Kirti Dutta & Anil Dutta (2009) noted that customer expectations are greater than perceptions, and this difference varies among the banking sector, with tangibility having the greatest impact on overall customer satisfaction. Service quality and customer satisfaction had a direct positive effect on customers' retention desires, with customer satisfaction being the more powerful predictor (Krishnan et al., 2011). Montes et al. (2003) found that customers's perceptions, attitudes, and intentions are being influenced by employees' experiences and attitudes, who are internal customers of the organization.

Furthermore, Siddiqi (2011), as well as Naik et al. (2010), found that there is a positive correlation between service quality, specifically SERVQUAL, and customer satisfaction. Siddiqi (2011) determined that using all five dimensions of SERVQUAL enhances customer satisfaction, whereas Naik et al., (2010) developed that consumers consider service efficiency and quality as one of the most important elements contributing to their satisfaction. The relationship was further established in more recent research, which determined that the dimensions of the SERVQUAL model have a significant and positive impact on customer satisfaction.

2.3 Empirical Review

Gnawali (2016) conducted a study on the effects of service quality on customer satisfaction in Nepalese commercial banks. The objectives of the study were to determine the effect of service quality on customer satisfaction in Nepalese commercial banks, and to examine the relationship between service quality and customer satisfaction. The study applied descriptive statistics and multiple-regression to analyze the data. The study found that tangibility, reliability, responsiveness, assurance, and empathy have a significant and positive impact on customer satisfaction, indicating that these dimensions of service quality are crucial for achieving customer satisfaction across public, private, and joint venture commercial banks in Nepal. The study concluded that enhancing service quality and customer satisfaction can improve organizational performance.

Bhatta et al. (2016) conducted a study on service quality perception and customer satisfaction in Nepalese banking sector. The purposes of the study were to determine bank customers' perceptions of service quality and customer satisfaction, and to examine the link and relationship between service quality and customer satisfaction. The study utilized correlation, regression, and ANOVA to analyze the data. The study found a strong correlation between service quality dimensions and customer satisfaction. Regression analysis showed that reliability, tangibility, empathy, and responsiveness are statistically significant determinants of customer satisfaction. The study concluded that service quality and customer satisfaction are interconnected concepts, with service quality directly influencing customer satisfaction.

Hennayake (2017) conducted a study on impact of service quality on customer satisfactions of public sector commercial banks: A study on rural economic context. The objectives of the study were to analyze the impact of human related factors of service quality (reliability, responsiveness, assurance and empathy) on customer satisfaction, to identify the impact of non human factors of service quality (tangibles) on perceived customer satisfaction, and to evaluate the relationship between service quality and perceived customer satisfaction. The study utilized descriptive statistics and correlation coefficient to analyze the data. The study found that the human related factors of perceived service quality had a greater impact on customer satisfaction than the non human related factors of perceived service quality (tangibles). Among the various factors, reliability and responsiveness were found to have the greatest impact on customer

satisfaction. The study also offered managerial insights and research recommendations for improving customer satisfaction by focusing on enhancing the human-related aspects of perceived service quality.

Yousuf (2017) conducted a study on the impact of service quality on customer satisfaction in banking sector of Karachi. The purpose of the study was to assess the impact of tangibility, reliability, responsiveness, empathy and assurance on customer satisfaction in the banking sector of Karachi. The study used descriptive statistics, correlation coefficient, multiple-regression and exploratory factor (EVA) to analyze the data. The study found that reliability, tangibility, responsiveness, assurance, and empathy were positively significant effects on customer satisfaction. The study concluded that banking customers in Karachi regard empathy less than other service dimensions, and prioritize responsiveness, reliability, tangibility, and assurance.

Shrestha (2018) conducted a study on service quality and customer satisfaction: evidence of Nepalese banks. The objectives of the study were to explore the relationship between service quality and customer satisfaction, to assess customer satisfaction level in commercial bank services in Nepal. The study used a descriptive statistics to analyze the data. The study found that overall customers are satisfied with the service quality of commercial banks. All variables of service quality such as reliability, tangibility, responsiveness, empathy and assurance are positively impact on customer satisfaction. The study concluded that customer satisfaction level with commercial banks, based on service quality, can be considered satisfactory.

Hammoud et al. (2018) conducted the research on the impact of e-banking service quality on customer satisfaction: evidence from the Lebanese banking sector. The objectives of the study were to examine the relationship between different dimensions of E-Banking service quality and customer satisfaction, and to assess effect of E-banking service quality on customer satisfaction. The study used descriptive statistics, structural equation modeling (SEM) to analyze the data. The study found that reliability, efficiency, ease of use, responsiveness, communication, security, and privacy all significantly influence customer satisfaction. Among these factors, reliability was revealed to have the greatest impact on customer satisfaction. The study concluded that E-banking have become a vital banking services that, when correctly implemented, increase customer satisfaction and provide banks a competitive advantage.

Pakurar et al. (2019) conducted a study on the service quality dimensions that affect customer satisfaction in the Jordanian banking sector. The objectives of the study were to analyze service quality dimensions, using the modified SERVQUAL model to measure customer satisfaction, and the impact of these dimensions (tangibles, empathy, assurance, reliability, responsiveness, access, financial aspect, and employee competences) on customer satisfaction in Jordanian banks. The study used exploratory factor to analyze the data. The study found that the modified SERVQUAL model has a positive and significant impact on customer satisfaction, it was effective to improve overall customer satisfaction in the banking sector. The study concluded that the modified SERVQUAL model is useful for addressing customer satisfaction, and understanding customer attitudes is important for providing high quality service and developing a better integrated system in the banking sector.

Singh (2019) conducted a study on banking service and customer satisfaction in commercial banks: Nepalese perspective. The objectives of the study were to determine customers' perception towards service quality and customer satisfaction, and to evaluate the relationship between service quality and customer satisfaction in retail banking services in Nepalese commercial banks. The study applied descriptive statistics, correlation coefficient and multiple-regression to analyze the data. The study found that reliability, responsiveness, assurance and tangibles positive and significant influence on customer satisfaction. The study concluded that commercial banks in Nepal can improve customer satisfaction and increase client loyalty by focusing on these criteria.

Fida et al. (2020) conducted a study on the impact of service quality on customer loyalty and customer satisfaction in Islamic banks in the Sultanate of Oman. The objectives of the study were to evaluate the level of service quality provided by Islamic banks to their customers, and to determine the relationship between service quality and other aspects such as customer loyalty and customer satisfaction. The study used descriptive statistics, correlation, and multiple-regression to analyze the data. The study found that respondents generally agreed with the suggestions in the areas of tangibles, reliability, responsiveness, empathy, and assurance. The correlation results showed a strong relationship between the three variables: service quality, customer satisfaction, and customer loyalty. The study concluded that banks should focus more on enhancing their services to a very satisfactory

level, as improving service quality increases customer satisfaction, leading to more positive feedback.

Shrestha (2020) conducted a research on impact of service quality dimension of commercial banks on customer in Nepal. The purposes of this study were to assess service quality dimensions, and to examine their influence on customer satisfaction of commercial banks in Nepal. The study used descriptive statistics and correlation coefficient to analyze the data. The study found that dimensions of service quality, such as tangibility, reliability, assurance, empathy, and responsiveness, have a strong positive correlation with customer satisfaction in commercial banks in Nepal. The study concluded that banks should focus on delivering superior services and facilities to satisfy their customers and foster long-term relationships.

Sugiarto et al. (2021) conducted a research on service quality (SERVQUAL) dimensions on customer satisfaction: empirical evidence from bank study. The purpose of the study was to examine the level of various service quality dimensions influence on customer satisfaction with BRI services. The study applied multi-linear regression method to analyze the data. The study found that service quality dimensions, including tangibility, reliability, and empathy, had a positive and significant impact on customer satisfaction. At the same time, the quality of service dimensions, including responsiveness and assurance were unsupported. The study concluded that a banking business that provides high-quality service is better able to meet customer needs while remaining economically competitive in their sector.

Joshi (2021) conducted a study on perceived service quality and customer satisfaction in Nepalese banking industry. The objective of the study was to examine the relationship between banking service quality dimensions and customer satisfaction in Nepalese banking industry. The study used multiple-regression and Pearson's correlation coefficient to analyze the data. The study identified a positive relationship between service quality and customer satisfaction. With the exception of tangibility, all other service quality dimensions have a significant positive impact on customer satisfaction. The study concluded that higher service quality helps enhance customer satisfaction, and the study fails to examine the impact of demographic factors on satisfaction, suggesting the need for additional research into this area.

Rahuman et al. (2022) conducted a study on service quality and customer satisfaction: evidence from state commercial banks in Ampara district. The study were focused to measure the factors that determine service quality and customer satisfaction as well as developing and categorizing them into human-related and non-human-related factors, to examine the connection among service quality and customer satisfaction. The study utilized a descriptive statistics and correlation coefficient to analyze the data. The study analytically discovered that there is a positive relationship between service quality and customer satisfaction, with human-related factors having greater impact on customer satisfaction than non-human-related factors. Specifically, reliability and assurance were derived as the most important dimensions of customer satisfaction in state commercial banking industry. The study concluded that implications were proposed to state commercial banks prioritize their efforts on improving human-related factors over non-human-related factors to enhance their service quality to attract and retain their valuable customers.

Gonu et al. (2023) conducted a study on the relationship between customer orientation, service quality, and customer satisfaction in the banking sector from an emerging market perspective. The study aimed to understand how service quality impacts customer orientation and boosts customer satisfaction. The study utilized descriptive statistics and PLS-SEM to analyze data. The study found that customer orientation is a crucial predictor of customer satisfaction in banking. It highlighted that enhancing service quality can improve customer satisfaction and that service quality plays a significant role in linking customer orientation to satisfaction. The study suggested that policymakers formulate comprehensive policies and also guide the management of commercial banks to implement customer orientation programs.

Alkhaibari et al. (2023) conducted a study on the impact of e-banking service quality on the sustainable customer satisfaction: Evidence from the Saudi Arabia commercial banking sector. The objective of the study was to assess the impact of e-banking service quality on customer satisfaction in the context of Saudi commercial banks. The study used descriptive statistics and correlation to analyze the data. The study showed that the service quality variables such as reliability, transactional efficiency, customer support, service security, ease of use, performance, satisfaction with service quality and service content all have a significant impact on the level of user's satisfaction with e-banking in

the Saudi Arabian commercial banks. The study concluded that other research is required to discover how customer contentment or discontent influences the switching costs of banks that offer e-banking or their clients' switching intents.

Table 1

Meta Table

S.N	Authors	Article	Objectives	Methodology	Findings
1	Gnawali (2016)	Effects of Service Quality on Customer Satisfaction in Nepalese Commercial Banks	To determine the effect of service quality on customer satisfaction, to examine the relationship between service quality and customer satisfaction.	descriptive statistics and multiple-regression	Tangibility, reliability, responsiveness, assurance, and empathy significantly and positively impact customer satisfaction, indicating that service quality dimensions are essential for customer satisfaction.
2	Bhatta et al. (2016)	Service quality perception and customer satisfaction in Nepalese banking sector	To determine bank customers' perceptions of service quality and customer satisfaction and to examine the link and relationship between service quality and customer satisfaction.	Correlation, regression, and ANOVA	A strong correlation between service quality dimensions and customer satisfaction, and these dimensions are statistically significant determinants of customer satisfaction.
3	Hennayake (2017)	Impact of service quality on customer satisfactions of public sector commercial banks: A study on rural economic context	To explore how perceived service quality factors affect customer satisfaction.	Descriptive statistics tools and correlations coefficient	Human related factors of perceived service quality had a greater impact on customer satisfaction than the non human related factors of perceived service quality (tangibles).
4	Yousuf (2017)	Impact of service quality on customer satisfaction in banking sector of Karachi	To assess the impact of tangibility, reliability, responsiveness, empathy and	Descriptive statistics, correlation coefficient, multiple-regression and	Reliability, tangibility, responsiveness, empathy and assurance were positively significant

			assurance on customer satisfaction in the banking sector of Karachi.	exploratory factor (EVA)	impact on customer satisfaction.
5	Shrestha (2018)	Service quality and customer satisfaction: evidence of Nepalese banks	To explore the relationship between service quality and customer satisfaction.	Descriptive statistics	Overall customers are satisfied with the service quality of commercial banks.
6	Hammoud et al. (2018)	The impact of e-banking service quality on customer satisfaction: Evidence from the Lebanese banking sector	To explore the relationship between dimensions of E-Banking service quality and customer satisfaction.	Descriptive statistics and structural equation modeling (SEM)	Reliability, efficiency, ease of use, responsiveness, communication, security, and privacy all significantly influence customer satisfaction.
7	Pakurar et al. (2019)	The service quality dimensions that affect customer satisfaction in the Jordanian banking sector	To analyze service quality dimensions, using the modified SERVQUAL model to measure customer satisfaction	Exploratory analysis	Modified SERVQUAL model have effective to improve overall customer satisfaction in the banking sector.
8	Singh (2019)	Banking service and customer satisfaction in commercial banks: Nepalese perspective	To determine customers' perception towards service quality and customer satisfaction.	Descriptive statistics, correlation coefficient and regression	Reliability, responsiveness, assurance and tangibles positive and significant influence on customer satisfaction.
9	Fida et al. (2020)	Impact of service quality on customer loyalty and customer satisfaction in Islamic banks in the Sultanate of Oman	To evaluate the level of service quality and its relationship with customer satisfaction.	Descriptive statistics, correlation, and multiple-regression	Respondents generally agreed on strong relationship between service quality, customer satisfaction and customer loyalty.
10	Shrestha (2020)	Impact of Service Quality dimension of Commercial Banks on Customer in Nepal	To assess service quality dimensions and to examine their influence on customer satisfaction.	Descriptive statistics and correlation coefficient	Tangibility, reliability, assurance, empathy, and responsiveness, have a strong positive correlation with customer satisfaction in commercial banks in Nepal.
11	Sugiarto et	Service quality	To examine the	Multi-linear	Service quality

	al. (2021)	(SERVQUAL) dimensions on customer satisfaction: empirical evidence from bank study	level to which various service quality dimensions influence customer satisfaction	regression method	dimensions, including tangibility, reliability, and empathy, had a positive and significant impact on customer satisfaction.
12	Joshi (2021)	Perceived service quality and customer satisfaction in Nepalese banking industry	To examine the relationship between banking service quality dimensions and customer satisfaction	Multiple-regression and Pearson's correlation coefficient	There is a positive relationship between service quality and customer satisfaction.
13	Rahuman et al. (2022)	Service Quality and Customer Satisfaction: Evidence from State Commercial Banks in Ampara District	To examine the relationship exist between the service quality and customer satisfaction.	Descriptive statistics and correlations coefficient	Positive relationship between service quality and customer satisfaction, with human-related factors having greater impact on customer satisfaction than non-human-related factors.
14	Gonu et al. (2023)	Customer orientation, service quality and customer satisfaction interplay in the banking sector: An emerging market perspective	To investigate the impact of service quality on customer orientation in increasing customer satisfaction.	Descriptive statistics and PLS-SEM (Partial Least Squares Structural Equation Modeling)	Customer orientation is a crucial predictor of customer satisfaction in banking.
15	Alkhaibari et al. (2023)	Impact of e-banking service quality on the sustainable customer satisfaction: Evidence from the Saudi Arabia commercial banking sector	To assess the impact of e-banking service quality on customer satisfaction.	Descriptive statistics and correlation	Service quality variables such as reliability, transactional efficiency, customer support, service security, ease of use, performance, satisfaction with service quality and service content all have a significant impact on the level of user's satisfaction with e-banking

2.4 Research Gap

Previous studies offered narrow results and cannot be directly comparable to this current research. In addition to the above-mentioned literature review by Gnawali (2016), Bhatta et al. (2016), Hennayake (2017), Yousuf (2017), Shrestha (2018), Pakurar et al. (2019), Singh (2019), Fida et al. (2020), Shrestha (2020), Sugiarto et al. (2021), Joshi (2021), and Rahuman et al. (2022) evaluated customer satisfaction level of commercial bank service quality. This study differs from previous research by selecting different periods, banks, and statistical tools and procedures. Previous research has often relied on a theoretical framework and small sample sizes. This study takes a huge sample size and uses descriptive and correlational research designs to analyze the essential dimensions of service quality. By examining customer satisfaction with service quality in Nepalese commercial banks in the Bardiya district, this study seeks to fill a research vacuum and establish a foundation for further research. In previous research Hammoud et al. (2018), Gonu et al. (2023), and Alkhaibari et al. (2023) used different variables of service quality such as efficiency, ease of use, communication, security, privacy, customer support and performance to measure customer satisfaction. This study focused on five specific dimensions of service quality like tangibility, reliability, responsiveness, assurance, and empathy, to assess their impact on customer satisfaction in Nepalese commercial banks, specifically in the Bardiya district, aiming for more accurate and precise outcomes.

This research fills the gap by examining the effects of service quality on customer satisfaction within commercial banks in Bardiya, where no prior studies have been conducted on this topic. All commercial banks are expanding their branches in Bardiya district, indicating potential for further growth. As a result, Bardiya district has been chosen as a study area for the effects of service quality on customer satisfaction of commercial banks. This study indicates an exploration to study about the impact of service quality on customer satisfaction of commercial banks in Bardiya district. We analyzed previous literature on customer satisfaction to support our findings. This study aims to address a research gap by exploring customer satisfaction of commercial banks' service quality in Bardiya district. It provides valuable insights for a wide range of individuals, including scholars, students, educators, civil society members, stakeholders, business professionals, and government officials, from both academic and policy-making perspectives.

CHAPTER III

RESEARCH METHODOLOGY

This chapter describes the methods utilized in this study, providing a systematic approach to the research process that includes collecting, documenting, analyzing, interpreting, and reporting data to solve the problem. It explains the entire plan for study and provides the fundamental framework. Before analyzing and interpreting data, it's important to define the research methodology. The population and sample examination, the type and source of the data, and the research method and strategy have all been the main topics of this chapter. It is made up of time duration, data gathering methods, and sample strategies. Essential statistical models and tools for examining the connection between customer happiness and service quality are covered in this chapter. Furthermore, the general goal of this study's research approach is to better understand service quality and its impact on customer satisfaction in Nepalese banking sector.

3.1 Research Design

A research design serves as the framework for a study that organizes collecting and analyzing data, ensuring the study's objectives connect with realistic data gathering requirements (Bloomfield and Fisher, 2019). In this context, research design is a framework that includes the methods and procedures to collect, analyze, and interpret data.

Descriptive and correlational research techniques were used in the study to address the basic issues related to customer satisfaction and effects of different dimensions of service quality of Nepalese commercial banks in Bardiya district. This study employed a descriptive research design to obtain factual findings and identify key factors influencing customer satisfaction in Nepalese commercial banks in the Bardiya district. Descriptive research design is a technique of gathering information that includes the systematic collecting and presentation of data to provide an in-depth overview of a specific scenario. It is used to present correct results and provide additional information about the sample's features.

In this study, to explore the cause-and-effect link between service quality and customer satisfaction, a correlational research design was also used. A correlational research design

was attempted to examine the cause-and-effect relationships of different independent and dependent variables. . It indicates the intensity and/or direction of a relationship between two or more variables. This approach helped examine how different independent and dependent variables are related to each other in the study.

3.2 Population and Sample, and sampling design

The population consists of the group of people, items, events, or things from which samples are taken that the investigator wishes to investigate. The population selected for this study was exclusively all customers using bank accounts within Bardiya district. To choose the sample, the convenience sampling approach was applied. The chosen sample was considered representative of the entire population. In general, depositors, borrowers, and other people in need of banking services are usually helped by commercial bank consumers. The study included 400 respondents, who were commercial bank customers, as the sample size for a population of 117421 (census 2021). Yamane (1967) devised the following formula to determine the minimal sample size.

$$\begin{aligned} n &= N \div (1 + Ne^2) \\ &= 117421 \div \{1 + 117421(0.05)^2\} \\ &= 398.04 \approx 400 \end{aligned}$$

n = sample size

N = population size = confidence level

In this formula, the confidence level used is 95% and acceptable margin of error is 5%.

The Yamane (1967) sample formula was used in this survey research to ensure that the sample size is sufficient to be representative of the entire population while reducing costs and effort.

3.3 Nature and sources of data

The study based on primary data and information, which gathered through a survey questionnaire to achieve its objectives. The questionnaire analyzed the relationship between customer satisfaction and service quality variables. A questionnaire survey was conducted to collect primary data about respondents opinions on factors influencing customer satisfaction regarding commercial banks in Bardiya district and the extent to which bank variables are affected. A questionnaire was collected through Google Docs

using social networking sites and directly requested from customers by visiting them to fill out the questionnaire.

The questionnaire was well structured, including multiple-choice questions and a five-point Likert scale. The multiple-choice questions covered respondents' demographic data, such as age, gender, education level, profession, level of income, and others. The Likert scale was used to record respondents' opinions on service quality and customer satisfaction with the following 5 scale options: strongly disagree (1), disagree (2), neutral (3), agree (4), and strongly agree (5). The mix-question methods were carefully chosen to cover all study variables and provide both quantitative and qualitative insights. The study also used secondary data from articles, dissertations, journals, websites, and different books. Secondary data was utilized for the literature review and to help create the questionnaire, while the study itself relied on primary data.

3.4 Instruments of data collection

The study was based on the primary data. In this study, the data collected from the questionnaire was analyzed using SPSS software, version 29, employing both descriptive and inferential statistical methods. Cronbach's alpha (α) was used to measure data reliability and validity. In this study, the determinants of customer satisfaction were measured using frequencies, percentages, means, standard deviations, and significance tests. A structured questionnaire was created to meet the study's objectives. The questionnaire was developed based on the suggestions raised throughout the literature review. The questionnaire was organized based on insights from the literature review and is divided into two parts. The first Part 'A,' gathers information about the respondents, and the second part 'B' includes Likert scale questions about service quality dimensions and customer satisfaction, whose scale ranges from 1 (strongly disagree) to 5 (strongly agree).

3.5 Methods of Analysis

Quantitative data was analyzed through descriptive statistics and inferential statistics. Primary data was analyzed and interpreted using various statistical tools, like percentage mean, and standard deviation for responses to Likert scale items. Pearson's correlation analysis was applied to examine the relationship between customer satisfaction (dependent variable) and service quality dimensions such as tangibility, reliability,

responsiveness, assurance, and empathy (independent variables). The study also included a multiple-regression analysis.

SPSS (Statistical Package of Social Science) was applied for the analysis of the collected data, with p-values was utilized to determine the significance levels between the independent factors and the dependent variable. All statistical tools were used to analyze the variables affecting customer satisfaction in commercial banks in Bardiya district.

The following statistical tools were utilized for data analysis in this study.

3.5.1 Descriptive Statistics

Descriptive statistics involve analyzing and summarizing data numerically and graphically approaches to get its essential features and patterns (Trochim, 2006). Descriptive statistics were utilized in this study to analyze personal information like age, gender, education, and profession of the participants. They were also applied to evaluate the effect of service quality aspects like, tangibility, reliability, responsiveness, assurance, empathy, and customer satisfaction in the commercial banks of Bardiya district in Nepal. This method proved easier to determine possible areas of strength and development, which aided in making strategic decisions to raise the standard of bank services as a whole.

3.5.2 Cronbach's Alpha

Cronbach's alpha is a popular method for testing internal consistency, reliability and validity. In this study, data from several multi-item structures that represent aspects of service quality and customer satisfaction were initially evaluated for validity and reliability using Cronbach's alpha. A cronbach's alpha value of 0.7 or above, as recommended by Nunnally (1978), ensured the dependability of the questionnaire for the study.

Validity refers to how well a test measures what it is intended to measure. A measurement is considered acceptable if it accurately measures what it is supposed to measure and performs its intended function. Devkota and Dahal (2016) define reliability as the questionnaire's capacity to consistently measure data across multiple populations and time periods. Reliability is concerned with the accuracy and efficiency of a measurement technique, referring to the test's credibility and the stability and consistency of

measurement outcomes and measuring equipment. The value of Cronbach's alpha is presented in Table 2.

Table 2

Cronbach's Alpha

Variables	No. of items	Cronbach's Alpha
Tangibility	4	0.762
Reliability	5	0.755
Responsiveness	4	0.772
Assurance	5	0.777
Empathy	5	0.802
Customer Satisfaction	5	0.794
Total	28	0.934

Source: SPSS results based on field Survey, 2024

Table 2 presents the Cronbach's alpha values for the variables in this study: tangibility (0.762), reliability (0.755), responsiveness (0.772), assurance (0.777), empathy (0.802), and customer satisfaction (0.794). Since all these values are above 0.70, it indicates that the questionnaire items used in the study are reliable and valid for measuring the data.

3.5.3 Pearson's Correlation Coefficient

Correlation analysis is a most valuable statistical tool. In other words, correlation qualifies the degree of relationship between one variable and another. It assesses the degree and direction of the relationship between variables but tells us nothing about the cause-and-effect connections. Correlation can either be positive or negative, ranging from +1 to -1. A correlation coefficient (r) close to +1 suggests a strong relationship between two variables; when the correlation coefficient (r) is close to 0, it indicates a weak relationship between two variables. A correlational approach was used in this study to investigate the relationships between customer satisfaction, assurance, tangibility, empathy, responsiveness, and reliability in commercial banks in the Bardiya district. The Karl Pearson Correlation coefficient was used to assess these relationships.

3.5.4 Multiple Regression Analysis

Regression analysis is a statistical tool applied to assess the relationship between service quality and customer satisfaction and to test the proposed hypotheses. In this study, regression analysis was employed to determine how various dimensions of service quality

like reliability, tangibility, responsiveness, empathy, and assurance, affect customer satisfaction (the dependent variable) in Nepalese commercial banks in the Bardiya district. The multiple regression model applied in this study is as follows:

Multiple Regression Model

$$Y_{CUS} = a + \beta_1TAN + \beta_2REL + \beta_3RES + \beta_4ASS + \beta_5EMP + e \dots\dots\dots (i)$$

Where,

CUS = Customer Satisfaction

TAN = Tangibility

REL = Reliability

RES = Responsiveness

ASS = Assurance

EMP = Empathy

e = Error Terms

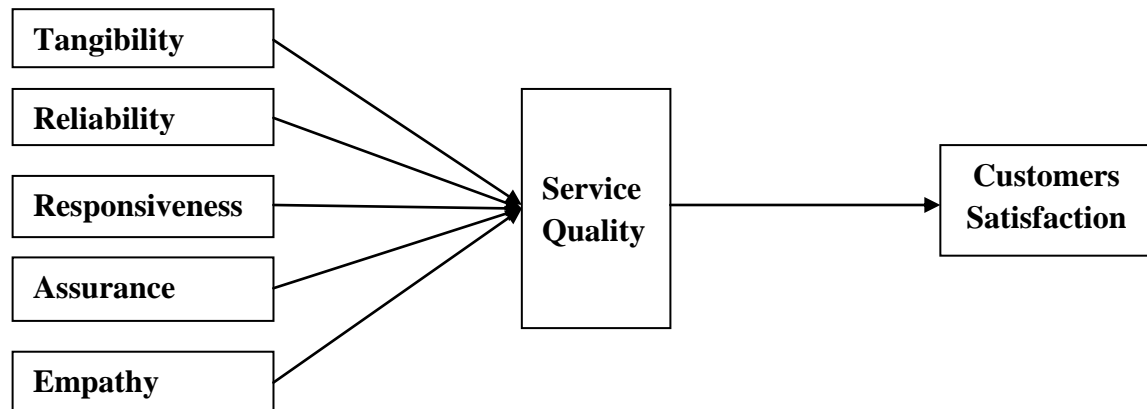
a = Intercept (Constant terms)

$\beta_1 \beta_2 \beta_3 \beta_4 \beta_5$ = Beta coefficient for respective variables

3.6 Research framework and definition of variables

A conceptual framework is an analytical tool with multiple variations and contexts. It helps define concepts and organize ideas. A conceptual framework summarizes essential literature to explain a situation. The conceptual framework listed below is created using the literature review as a guide.

In this study, the SERVQUAL model was employed to examine how different dimensions of service quality influence customer satisfaction in commercial banks in the Bardiya district of Nepal. In this study's conceptual framework, there is a systematic explanation of the relationship between dependent variable (customer satisfaction) and independent variables (service quality dimensions). In particular, the study's foundation is the use of service quality as the independent variable, which includes several complex variables such as tangibility, reliability, responsiveness, assurance, and empathy. Based on this, the following conceptual framework was developed.

Independent Variables**Dependent Variable****Figure 1: Conceptual Framework**

Source: (Ghimire, 2021), (Sthapit, 2023)

This study was focused on two key concepts; service quality and customer satisfaction, described in its conceptual framework. This study was based on Parasuraman et al. (1985) SERVQUAL model. The SERVQUAL model consists of five dimensions such as tangibility, reliability, responsiveness, assurance, and empathy, which were examined as independent variables, while customer satisfaction was considered the dependent variable. These five dimensions reflect how customers perceive and evaluate service quality and how they use these criteria to assess their overall satisfaction.

Variables were used in this study was defined as follows:

Service Quality

Service quality is the independent variable. As previously said, service quality is viewed as a technique for gaining a competitive advantage. It is defined as consumers' perception of the organization's relative deficiency or superiority. Service quality is typically defined as the difference between consumers' expectations and impressions of the service received. Service quality refers to how well offered services meet the demands of customers. Service quality positively influences a bank's success and performance (Mouawad and Kleiner, 1996). In the banking sector, maintaining high service quality is especially important because it leads to greater customer satisfaction, making it a crucial factor for gaining a competitive edge (Almossawi, 2001). Parasuraman et al. (1985) developed the SERVQUAL model all five dimensions of service quality were represented.

1. Tangibility

Tangibility relates to the physical and observable components of the experience of dealing with customers, such as staffs, provides of facilities, equipments that are present (Carman, 1990). Customers, particularly those who are unknown with the business, will use tangibles to assess quality because they offer actual depictions or images of the offering (Hennayake, 2017). Tangibility involves the ability to touch anything real, material or substantial. These evident clues influence customers' expectations of professionalism, competency, and service quality. A tangible organization is one that customers can remember due to positive experiences, well-groomed workers, and exceptional services (Mundie and Pirrie, 2006). For example, in development banks, customers receive booklets and brochures, facilities are visually appealing, employees remain professional and clean, and service materials are visually appealing. According to (Lovelock & Wright, 1999), excellent banks are businesses that provide sufficient assistance along with present equipment. As a result, leading banks in Nepal maintain visually attractive facilities, and their employees are expected to dress in a proper and professional manner. These banks must ensure that their service materials, like as brochures and financial statements, are visually appealing and easily understandable.

2. Reliability

According to Parasuraman et al. (1988), reliability is the ability of an organization to regularly offer consumers with accurate and promised services Ensuring accuracy and consistency in offering services develops trust and confidence among customers. Reliability focuses on a company's ability to fulfill its commitments concerning delivery, service performance, problem-solving, and pricing. Customers are more likely to engage with businesses that fulfill their commitments, especially those pertaining to service quality and essential features (Hennayake, 2017). According to Parasuraman et al. (1985), accurate billing, proper record-keeping, and timely service delivery are key components. Reliability refers to the supplier's capacity to provide safe and efficient services. It represents the consistent, error-free performance that builds that trust among customers. Suppliers must deliver on their promises without requiring rework (Lovelock and Wright, 1999). Thus, excellent banks prioritize resolving customers' issues promptly and as promised. Additionally, these banks are expected to keep error-free records.

3. Responsiveness

Responsiveness highlights attentiveness and promptness in handling customer requests, questions, complaints, and problems. It also includes the concept of flexibility and the ability to modify the service to meet customer needs (Hennayake, 2017). Responsiveness is the willingness of employees to assist in a pleasant and effective manner (Parasuraman, 1998). It plays an important role in improving customer satisfaction by reducing wait times and focusing on their requirements, thereby contributing to positive opinions about service quality. For example: in the current business environment, the economy is moving towards a cashless system, and the use of computer-based applications is becoming increasingly important. Nepalese banks are quietly but consistently heading in the same direction, delivering better and more effective service for their customers. Employees at top-performing banks inform customers precisely, when services will be provided and are willing to assist and deliver prompt service (Lovelock & Wright, 1999).

5. Assurance

According to Shanka (2012), assurance includes a range of factors that provide customers with confidence, such as the firm's service skills and employees' attitudes. Assurance refers to employees' knowledge and kindness, as well as their capacity to express trust and confidence. Competence, kindness, credibility, and security are other essential factors. This component helps to decrease risk associated with banks (Tamang, 2016). Assurance may not be as necessary in certain businesses due to higher risk and unclear results (Andaleeb and Conway, 2006). According to Lovelock and Wright (1999), the behavior of exceptional bank employees can increase customer confidence. These excellent bank employees are required to offer courteous and accurate responses to customers' inquiries.

4. Empathy

Empathy in service quality refers to the provider's ability to comprehend and meet customers' specific requirements, worries, and emotions (Liao & Chuang, 2004). Empathy is the caring, individual attention that firms offer to their customers. The fundamental goal of empathy is to communicate to customers that they are special and one-of-a-kind, and that their needs are being met through individualized or tailored service. Consumers want businesses that respond to them to make them feel valued and understood (Hannayake, 2017). To make customers feel unique and special, employees

should learn their customers' names, preferences, and requirements, and try to fulfill them. Small businesses that offer individualized services to customers typically demonstrate a higher level of empathy compared to larger companies. According to Lovelock and Wright (1999), top banks prioritize individualized customer service. Therefore, it is required of extraordinary banks to maintain accessible hours of operation for each and every one of their customers. Employees are also expected to provide individualized service by understanding and addressing each customer's needs.

Customer Satisfaction

In this study, customer satisfaction serves as the dependent variable, influenced by service quality and its five dimensions. The level by which a company's goods or services meet or surpass customers' expectations is assessed by customer satisfaction. These expectations encompass every component of a company's business, such as its product, service, and worldwide activities. According to Kotler (2006), customer satisfaction refers to the way a product achieves customers' expectations. Customer satisfaction is based on a product's perceived performance compared to buyer expectations. It is an analysis of a company's ability to meet customer expectations and a measure of the service and product provided by the company. It is a major performance indicator in the business industry. Generally, service organizations monitor and investigate the satisfaction level of customers on a current basis using different methods, such as Likert scales, to measure the level of customer satisfaction, which is primarily dependent on the service experience during the previous visit (Peterson and Wilson, 1992). Customer satisfaction has a direct impact on both customer retention and market share. Customer satisfaction at banks depends on service quality, features, and management of problems (Rust and Subramanian, 1995).

CHAPTER IV

RESULTS AND DISCUSSION

This chapter presents and analyzes data collection through a questionnaire survey. This research depends on primary data sources. It focuses on analyzing and interpreting primary data gathered via a questionnaire from 400 respondents. The data were examined based on the research objectives outlined in the previous chapter. This chapter analyzes and interprets data from a questionnaire survey, presents its results in systematic ways, and evaluates with SPSS software.

4.1 Analysis of Data

This section reports on the results of a questionnaire survey presented to various customer categories. The questionnaire survey analyzed customer satisfaction with bank service quality in Nepal's banking sector.

The questionnaire was separated into three parts. In the first part, respondents provided general information such as their age, gender, education, income level, type of bank account, profession, etc. The second part, collected responses to statements about five major features of service quality and customer satisfaction, treating these as independent variables and one dependent variable, all measured using a five-point Likert scale. The data were analyzed using descriptive statistics and the reliability test. The survey included 400 questionnaires, depending on respondents' demographics. The responses were evaluated through statistical methods such as Pearson's correlation analysis and multiple regression analysis. The final section of the chapter focuses on discussing and drawing conclusions by evaluating and interpreting the data collected on service quality and customer satisfaction in the banking sector of the Bardiya district in Nepal.

4.1.1 Respondents Information

The respondent information section of the questionnaire was designed for collecting important information from respondents to better understand the sample distribution. These demographic data analyses included essential characteristics like gender, age, profession, monthly income, account type, and educational background. The goal of collecting this data was to assure that the sample was inclusive and representative. This

diversified representation allowed a comprehensive examination of service quality and the customer satisfaction in commercial banks of Bardiya district in Nepal.

Table 3

Respondent's Information

Variables	Statements	Frequency	Percentage (%)
Gender	Male	212	53.0
	Female	188	47.0
	Total	400	100
Age (Years)	Below 20	32	8.0
	20-25	84	21.0
	25-30	106	26.5
	30-35	92	23.0
	35 and above	86	21.5
	Total	400	100
	Total	400	100
Education	Masters	63	15.8
	Bachelors	79	19.8
	Intermediate (+2)	73	18.3
	SLC or SEE	82	20.5
	Below SLC or SEE	103	25.8
Profession	Total	400	100
	Business	62	15.5
	Service	76	19.0
	Employee	88	22.0
	Student	79	19.8
	Labour	63	15.8
	Housewife	32	8.0
Type of bank account	Total	400	100
	Saving a/c	303	75.8
	Fixed a/c	29	7.2
	Current a/c	68	17.0
Level of income	Total	400	100
	Below 5000	71	17.8
	5000-10000	88	22.0
	10000-15000	97	24.3
	15000-20000	85	21.3
	Above 20000	59	14.8
Years of banking experience	Total	400	100
	Less than 1 year	56	14.0
	1-5 years	84	21.0
	5-10 years	121	30.3
	10-15 years	86	21.5
	Above 15 years	53	13.3
Total	400	100	

Source: SPSS results based on field Survey, 2024

Gender

Gender is an important variable in communicating and responding to problems. It is classified into two categories: male and female. The gender distribution in the sample was almost balanced. The above table 3 displays that 212 respondents (53%) identified as male and 188 respondents (47%) identified as female to the questionnaire. The survey shows that males utilize banking services more frequently than females.

Age (Years)

Age of respondents plays a role for understanding their viewpoints on specific issues. The respondents are categorized into five different age groups: below 20 years, 20-25 years, 25-30 years, 30-35 years, 35 and above years. Table 3 displays that classification of respondent by age in terms of percentage. The majority of the respondents were by the range of age groups, with 106 respondents (26%) aged between 25-30 years and 32 respondents (8%) falling below age of 20 years. A total of 84 respondents between 20-25 years old were comprised of 21% of total respondents. 92 respondents (23%) aged between 30-35 years and 86 respondents (22%) aged between 35 above years.

Educational Qualification

Table 3 shows that the respondent educational qualification is categorized into five groups; i.e., Masters, Bachelor, Intermediate (+2), SLC or SEE and Below SLC or SEE. It displays that 15.75% of the respondents were in the masters, 19.75% of the respondents were in the bachelors, 18.25% of the respondents were in intermediate (+2), 20.5% of the respondents were in the SLC or SEE, and 25.75% of the respondents were under SLC or SEE. This indicates that the majority of customers in Nepal's banking sector have limited literacy and education to fully comprehend the services offered.

Profession

The questionnaire was distributed to respondents from various professional backgrounds such as business, service, employee, student, labor and housewife. Table 3 depicts the distribution of respondents on basis of profession. The majority of the respondents (22% are employees, and 15.5% are business persons, 19% are service, 19.75% are students, 15.75% are laborers and 8% are housewives).

Type of Bank Account

The questionnaire was distributed to respondents who had different bank accounts, i.e., saving accounts, fixed accounts, and current accounts. Table 3 displays that a classification of the bank account based on the respondent had a bank account in terms of percentage. Table 3 reveals that among the respondents, 76% held a savings account, 7% had a fixed account, and 17% maintained a current account for their banking transactions. The study found that most respondents preferred to use their savings account for banking transactions.

Level of Income

The above table 3 shows that classification of respondents by their income level. The respondents' income levels are divided into five categories: below 5000, 5000-10000, 10000-15000, 15000-20000, and above 20000. The majority of the respondents (24.25%) had income between Rs. 10000 and 15000. Followed by income below 5000 (17.75%), 5000-10000 (22%), 15000-20000 (21.25%), with the fewest respondents earning more than Rs. 20,000 (14.75%).

Years of banking experience

Table 3 shows that respondents' banking experience is grouped into five levels: less than 1 year, 1-5 years, 5-10 years, 10-15 years, and over 15 years. The majority (30.25%) have 5 to 10 years of banking experience, while only 14% have less than 1 year of experience. Further, 21% of respondents have banking experience of 1 to 5 years, 21.5% of respondents have banking experience of 10 to 15 years, and 13.25% of respondents have banking experience above 15 years.

4.1.2 Descriptive Statistics

This study employed descriptive statistics to analyze how service quality affected customer satisfaction during the study period. The descriptive statistics utilized in this study include the mean and standard deviation for the variables under examination. The independent variable is service quality, which includes reliability, responsiveness, tangibility, empathy, and assurance. The dependent variable is customer satisfaction. A total of 28 questions, each with specific mean scores, were used as output in the analysis. Each question was rated on a five-point Likert scale, where 1 indicated 'strongly disagree,' 2 indicated 'disagree,' 3 indicated 'neutral,' 4 indicated 'agree,' and 5 indicated 'strongly agree.'

agree.' These ratings were utilized to assess the data in terms of frequency and aggregates according to research questions and variables. Table 4 provides a summary of the descriptive statistics, including the number of respondents (N), mean, and standard deviation for each variable.

Table 4

Current status of Tangibility

Code	Tangibility	Mean	Standard Deviation
TAN 1	I feel comfortable in using bank physical facilities.	3.59	1.132
TAN 2	Banks have sufficient up to date equipment for usage.	3.50	0.996
TAN 3	Bank's physical facilities and material associated with service are visually pleasing.	3.60	0.981
TAN 4	The bank's website and mobile banking app are user-friendly.	3.79	0.999
Tangibility of service quality		3.62	0.786

Source: SPSS results based on field Survey, 2024

Table 4 presents the descriptive statistics for each item, highlighting the current status of tangibility in banking services. Four statements were used to evaluate the tangibility aspect of service quality, The table shows that the items have a mean value ranging from 3.50 to 3.79 and a standard deviation value ranging from 0.981 to 1.132, i.e., the responses are positive. In all four statements, the mean is the average range. Hence, it means that the majority of participants agree with the service quality provided by banks in terms of tangibility. This shows that customers generally find the physical facilities, appearance, and materials of banks to be satisfactory.

Table 5

Current status of Reliability

Code	Reliability	Mean	Standard Deviation
REL1	The bank provides the services at promised and right time.	3.63	1.291
REL 2	The bank provides secure and accurate service in all type of transactions.	3.99	0.930
REL 3	Bank shows a sincere interest to solve the customer's problem.	3.70	0.934
REL4	Employees are sincerely handling the problems.	3.65	0.997
REL 5	The bank maintains timely and error-free records.	3.82	1.071
Reliability of service quality		3.76	0.748

Source: SPSS results based on field Survey, 2024

Table 5 shows the descriptive statistics of individual variables. It presents the average scores for all the statements that reflect the reliability of the service quality as perceived by customers. Five statements were used to evaluate the reliability of banking service quality. 400 respondents submitted their responses on the five-point Likert scale. The table shows that the statements have a mean value ranging from 3.63 to 3.99 and a standard deviation value ranging from 0.930 to 1.291. Among the five statements, 'REL 1' statements have scored the lowest mean of 3.63 with a standard deviation of 1.291, and 'REL 2' statements have scored the highest mean of 3.99 with a standard deviation of 0.930. This indicates that customers are satisfied and agree with the service quality in terms of reliability provided by banks. This suggests that customers believe banks constantly fulfill their promises, which results in higher satisfaction levels.

Table 6

Current status of Responsiveness

Code	Responsiveness	Mean	Standard Deviation
RES 1	Bank provides prompt services to the customers.	3.36	1.129
RES 2	Employees of bank are always willing to help customers.	3.47	0.993
RES 3	Employees' behavior in the bank instills customer confidence.	3.55	1.047
RES 4	Bank provides financial advice to the customers.	3.60	1.031
Responsiveness of service quality		3.49	0.810

Source: SPSS results based on field Survey, 2024

Table 6 displays the average scores for all statements related to the perceived service quality variable of responsiveness from the customers' perspective. The overall average score for the bank's service quality is 3. Five statements were used to assess the responsiveness of banking service quality. 400 respondents submitted their responses on the five-point Likert scale. The table shows that the statements have a mean value ranging from 3.36 to 3.60 and a standard deviation value ranging from 0.993 to 1.129, which responses are positive. The descriptive analysis indicates that the mean score for responsiveness is 3.36, suggesting that respondents generally have a neutral opinion, with the bank providing prompt services to the customers; the standard deviation is 0.993, which answers that employees of the bank are always willing to help customers. This suggests customers satisfied with the service quality provided by banks, employee

behavior in banks, and employees willing to be helpful. Hence, improving responsiveness can increase customer satisfaction, as they value prompt and efficient service.

Table 7

Current status of Assurance

Code	Assurance	Mean	Standard Deviation
ASS 1	I feel safe to transact with the bank.	3.86	1.082
ASS 2	Employees are consistently polite and well-mannered with the customers.	3.67	0.949
ASS 3	Employees have the knowledge to answer the questions of customers.	3.70	0.954
ASS 4	Employee's behavior brings confidence on me.	3.65	0.993
ASS 5	I can easily trust employee of the bank	3.75	1.028
Assurance of service quality		3.72	0.729

Source: SPSS results based on field Survey, 2024

Table 7 displays the current status of assurance in the banking sector. The table shows that the statements have a mean value ranging from 3.65 to 3.86 and a standard deviation value ranging from 0.949 to 1.082. It means that the majority of respondents are positively agreed with the service quality provided by the banks in terms of assurance. The mean of 3.65 indicates that respondents are less agreeing with employee's behavior, which brings confidence to respondents, and the mean 3.86 indicates that respondents strongly agree that they feel safe transacting with the bank. All five statements show that the majority of respondents agreed with the service quality provided by the banks. The table shows that respondents feel secure when transacting with the bank because the workers are consistently polite and updated, generating confidence and trust in them. Assurance enhances services feel more dependable and secure, which raises satisfaction among customers.

Table 8

Current status of Empathy

Code	Empathy	N	Mean	Standard Deviation
EMP 1	The bank focuses to fulfill customers need.	400	3.73	1.098
EMP 2	Employee's personal attention to the customer.	400	3.50	0.955
EMP 3	The bank provides convenient operating hours to all its customers.	400	3.60	0.940
EMP 4	The bank provides convenient service charge.	400	3.55	1.118
EMP 5	Bank employees have the enthusiasm to understand customers' specific needs.	400	3.69	1.068
Empathy of service quality		400	3.61	0.776

Source: SPSS results based on field Survey, 2024

Table 8 shows the current status of the empathy in the banking sector. It displays the average mean value for all five statements on the perceived service quality variable of empathy by customers. The table shows that the statements have a mean value ranging from 3.50 to 3.73 and a standard deviation value ranging from 0.940 to 1.118, which responses are positive. All five statements have an average mean score. Hence, it means that the majority of respondents agreed with the service quality provided by the banks. It implies that the bank is dedicated to meeting the needs of its customers by providing customized attention, convenient working hours, reasonable service charges, and enthusiastic employees who understand the customer's specific needs. Therefore, high empathy in service interactions can increase customer satisfaction.

Table 9

Analysis of Customer Satisfaction

Code	Customer Satisfaction	Mean	Standard Deviation
CUS 1	I am satisfied with the services provided by the bank.	3.87	1.131
CUS 2	Banks forms and slips are easy to understand and fill.	3.74	0.944
CUS 3	I am satisfied with the bank's ATM services.	3.81	0.981
CUS 4	The performance of bank is more than my expectation.	3.55	1.052
CUS 5	I would recommend others to open account in this bank.	3.61	1.135
Customer Satisfaction		3.71	0.779

Source: SPSS results based on field Survey, 2024

Table 9 shows the current status of customer satisfaction in the banking sector. The table shows that the statements have a mean value ranging from 3.55 to 3.87 and a standard

deviation value ranging from 0.944 to 1.135. It displays the average to high scores for all the statements related to perceived customer satisfaction from the customers' perspective. The lowest mean value is 3.55, which means the performance of the bank is more than the respondent's expectation. This indicates that customers are neutrally satisfied with the performance of the bank. The high score for other four statements that represent customers are very satisfied with the level of service they receive from the banks. Furthermore, the table reveals that CUS 5 has the highest standard deviation at 1.135, while CUS 2 has the lowest at 0.944. This suggests that there is greater variability in how respondents feel about the statement 'I would recommend others to open accounts in this bank'. Customer satisfaction depends strongly on opinions regarding service quality components.

4.1.3 Correlation Analysis

Correlation analysis was employed to explore the relationships between multiple independent and dependent variables critical to the study. It examines the linear relationship between pairs of variables. This study focused on variables with simple multiple-choice responses. A correlation matrix was used to gauge the strength and nature of the connections between the research variables. A positive correlation means that as one variable increases, the other also tends to increase, while a negative correlation indicates that as one variable increases, the other tends to decrease. This analysis was applied to assess how different dimensions of service quality such as tangibility, reliability, responsiveness, assurance, and empathy, affect customer satisfaction. The technique provided a quantitative measure of the strength and direction of these connections, helping to identify whether service quality factors were positively or negatively associated with customer satisfaction.

Table 10

Correlation Coefficient Matrix

	Correlations					
	TAN	REL	RES	ASS	EMP	CUS
TAN	1					
REL	.567**	1				
RES	.613**	.533**	1			
ASS	.639**	.513**	.585**	1		
EMP	.613**	.504**	.591**	.653**	1	
CUS	.608**	.575**	.531**	.605**	.593**	1

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

Source: SPSS results based on field Survey, 2024

Table 10 presents the correlation matrix analysis between customer satisfaction (the dependent variable) and the independent variables, which include tangibility, reliability, responsiveness, assurance, and empathy, all of which are related to service quality.

The correlation coefficient between tangibility and customer satisfaction is 0.608 indicating a positive relationship between both variables. This means that, in comparison to other factors affecting service quality, the physical attributes and attractiveness of the bank's assets and resources significantly influence overall customer satisfaction more than the other service quality factors. The positive coefficient of correlation is 0.608 at the 1% significant level. The correlation analysis shows that there is a positively significant relationship between tangibility and customer satisfaction.

The correlation coefficient (r) between the independent variable reliability and customer satisfaction is 0.575 which shows a moderately positive relationship between both variables. The p value is < 0.01 which indicates a statistically significant positive relationship between reliability and customer satisfaction. This suggests that an increase in the service quality of reliability can also increase in the level of customer satisfaction.

For the relationship between responsiveness and customer satisfaction, the coefficient is 0.531. This indicates a positive correlation between the two variables. Essentially,

customers who feel that the bank is responsive to their needs are more likely to be highly satisfied. The correlation is moderately positive, with a coefficient of 0.531, and this result is significant at the 1% level. This implies that customers place a high value on the bank's responsiveness to their inquiries and issues. The correlation analysis shows that there is a positively significant relationship between responsiveness and customer satisfaction.

The correlation coefficient between the independent variable assurance and the dependent variable customer satisfaction is 0.605 which shows a positive relationship between both variables. This indicates that customers are more satisfied when they feel confident in the bank's services, including staff competence and manners. The positive coefficient of correlation is 0.605 at the 1% significant level. The correlation analysis shows that there is a positively significant relationship between assurance and customer satisfaction.

The correlation coefficient between empathy and customer satisfaction is 0.593, indicating a positive relationship. This means that customers who feel that the bank's staff is understanding and compassionate are more likely to be satisfied with the service. The moderate positive coefficient of correlation is 0.593 at the 1% significant level. The correlation analysis shows that there is a positively significant relationship between empathy and customer satisfaction.

In general, all the service quality factor like tangibility, reliability, responsiveness, assurance, and empathy, show significant positive correlations with customer satisfaction. This implies that improving these aspects of service quality can enhance customer satisfaction in the banking sector.

4.1.4 Regression Analysis

This section examines which independent variables account for changes in the outcome, the extent to which both independent and dependent variables explain the variation in the dependent variable, and which variables are most significant (in comparison to other variables) in explaining this variation. Multiple regression analysis was used to assess the impact of the independent variables on the dependent variable.

Table 11

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.720 ^a	.518	.512	.54378

a. Predictors: (Constant), Assurance (ASS), Reliability (REL), Responsiveness (RES), Empathy (EMP), Tangibility (TAN).

Source: SPSS results based on field Survey, 2024

Table 11 shows overview of the study's regression model. Various statistical metrics are employed to evaluate the quality of match of the model. The table shows that R value is 0.720 for overall service quality variables such as assurance, reliability, responsiveness, empathy, and tangibility. It suggests a strong influence of the five variables on customer satisfaction. The table shows that the coefficient of determination (R^2) is 0.518, meaning that 51.8% of the variation in customer satisfaction can be explained by the independent variable, service quality, demonstrating a moderate explanatory power of the regression.

Table 12

ANOVA Table

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	125.410	5	25.082	84.823	<.001 ^b
	Residual	116.506	394	.296		
	Total	241.916	399			

a. Dependent Variable: Customer Satisfaction (CUS)

b. Predictors: (Constant), Assurance (ASS), Reliability (REL), Responsiveness (RES), Empathy (EMP), Tangibility (TAN)

Source: SPSS results based on field Survey, 2024

Table 12 displays that p-value is 0.001, which is less than 0.05. It shows an F-value of 84.823 and p-value of 0.001, confirming the regression model's significance in explaining customer satisfaction variations. Hence, there is a significant relationship between the independent variable (service quality) and the dependent variable (customer satisfaction). The ANOVA test offers a clear summary of the regression model's statistical significance and quality of match.

Table 13

Beta coefficient of Regression Analysis

		Coefficients^a				
		Unstandardized		Standardized		
		Coefficients		Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	.414	.164		2.522	.012
	TAN	.191	.052	.193	3.705	<.001
	REL	.246	.047	.236	5.229	<.001
	RES	.053	.047	.055	1.128	.260
	ASS	.217	.055	.203	3.933	<.001
	EMP	.191	.051	.190	3.739	<.001

a. Dependent Variable: CUS

Source: SPSS results based on field Survey, 2024

Table 13 shows the results of a regression analysis that examines the relationship between customer satisfaction (the dependent variable) and five independent variables related to service quality: tangibility (TAN), reliability (REL), responsiveness (RES), assurance (ASS), and empathy (EMP).

Regression analysis found that unstandardized coefficient (B), standardized coefficient (Beta), and t-value (t) of tangibility is (B=0.191, Beta=0.193, and t=3.705), reliability (B=0.246, Beta=0.236, and t=5.229), assurance (B=0.217, Beta=0.203, and t=3.933), and empathy (B=0.191, Beta=0.190, and t=3.739) are all significant predictors of customer satisfaction, with p-values less than 0.001. This indicates that tangibility, assurance, and empathy are showing a moderate positive relationship with customer satisfaction, whereas reliability suggesting a relatively strong positive effect on customer satisfaction.

The unstandardized coefficient of responsiveness is 0.053, and the standardized coefficient (Beta) is 0.055, indicating a weak positive relationship with customer satisfaction. The t-value is 1.128, and the p-value is 0.260, which is greater than 0.05. This suggests that responsiveness does not have a statistically significant impact on customer satisfaction. Overall, regression analysis suggests that most aspects of service quality (reliability, tangibility, assurance, and empathy) significantly contribute to customer satisfaction, except for responsiveness. Thus, the regression model is:

$$\begin{aligned} \text{Overall customer satisfaction} &= a + \beta_1\text{TAN} + \beta_2\text{REL} + \beta_3\text{RES} + \beta_4\text{ASS} + \beta_5\text{EMP} + e \\ &= 0.414 + 0.193 \text{ TAN} + 0.236 \text{ REL} + 0.055 \text{ RES} + 0.203\text{ASS} + 0.190 \text{ EMP} \end{aligned}$$

4.1.5 Hypothesis Testing

Hypothesis testing utilizes statistics to assess the possibility of a hypothesis being true. Inferential analysis is used to test hypotheses and evaluate whether the observed differences between groups or variables are actual or just coincidental. The easiest technique to assess that a statistical hypothesis is correct is to study the entire population. To avoid impracticality, researchers usually investigate a selected portion of the population. The hypothesis is rejected, if the data from this sample do not support the statistical hypothesis.

In this study, five alternative hypotheses were developed to determine the relationship between the dependent and independent variables. Each hypothesis is investigated using Pearson's correlation coefficient and multiple regression analysis. The p-value indicates whether to accept or reject the alternative hypothesis. In this case, we support the alternative hypothesis, which maintains customer satisfaction is significantly impacted by tangibility, reliability, assurance, and empathy, as the p-values for H1.1, H1.2, H1.4, and H1.5 are less than 0.05 with significance level. On the other hand, we find that H1.3 has a p-value of 0.260 is greater than 0.05. Consequently we accept the null hypothesis (H0) that responsiveness does not have a significant effect on customer satisfaction.

4.2 Discussion

This study was conducted in commercial banks of Bardiya district in Nepal to find out the effect of independent variables such as tangibility, reliability, responsiveness, assurance, and empathy on customer satisfaction. These five service quality dimensions play significant role in the determination of the customer satisfaction. This research has mainly focused to examine the relationship between service quality variables and customer satisfaction. The study found that a positive correlation coefficient between all service quality dimensions (tangibility, reliability, responsiveness, assurance, and empathy) and customer satisfaction. These findings suggest that improving any of these service quality dimensions is likely to have a meaningful impact on enhancing customer satisfaction. The regression analysis reveals that a positive significant impact and relationship between tangibility, reliability, assurance, and empathy. Service quality plays a key role in meeting customers' banking needs, and satisfied customers are more likely to remain loyal to the bank over time. This implies all hypotheses (H1.1, H1.2, H1.4, and H1.5) are accepted and H1.3 do not supported.

The results of the correlation analysis shows that all service quality variables such as tangibility, reliability, responsiveness, assurance, and empathy are positively correlated with customer satisfaction (CUS), suggesting that as these service quality factors improve, customer satisfaction also increases in commercial banks of Bardiya district in Nepal. This study is consistent with Shrestha (2018) to explore the relationship between service quality dimensions and customer satisfaction, and Shrestha (2020) to examine impact of service quality on customer satisfaction. The study found that, overall customers are satisfied with the level of service provided by Nepalese commercial banks. Therefore, the customer satisfaction level based on service quality in these banks can be regarded satisfactory.

The study concludes that higher service quality helps to enhance customer satisfaction, with all dimensions like tangibility, reliability, responsiveness, assurance, and empathy being important factors that effects satisfaction. These findings align with Gnawali (2016), who also examined the relationship between these service quality dimensions and customer satisfaction in Nepalese commercial banks. The study concludes that overall customer satisfaction is determined by these aspects of service quality. Joshi (2021) concluded that and there is a positive relationship between service quality and customer satisfaction, which aligns with the current study results. Fida et al. (2020) and Rahuman et al. (2022) discovered that there is a positive correlation between service quality and customer satisfaction, which is similar to the current study.

This study aims to evaluate how service quality affects customer satisfaction in the commercial banks of Bardiya district in Nepal, using multivariate regression analysis. and significant positive impacts were found. Among the variables of service quality, tangibility, reliability, assurance, and empathy had a significant positive impact on customer satisfaction. This result is consistent with the findings of Pakurar et al. (2019). This suggests banks need sustainable strategies to enhance customer satisfaction. Hammoud et al. (2018) studied on how customer satisfaction influence through e-banking service quality and found that all service quality dimensions had a significant effect on customer satisfaction, which is similar to the present study. Hennayake (2017) concluded that perceived service quality had a greater impact on providing managerial implications for customer satisfaction, which aligns with the current study's results.

The recent study's finding indicates that responsiveness does not have a significant impact on customer satisfaction, these results contradicts with Sugiarto et al. (2021). Similarly, the main problem faced by customers from their banks is employee behavior. If bank focuses on increasing its service qualities obviously it leads to higher customer satisfaction, retention, loyalty, and flow, and will improve the bank's performance. This study implies that commercial banks prioritize their strategies on improving customer satisfaction to enhance their service quality to attract and retain their customers because customer satisfaction relies heavily on service quality.

CHAPTER V

SUMMARY AND CONCLUSION

This chapter provides a summary of the research methodology and key findings of the study, presented in three parts. The first part explains this study and provides an overall summary of research, the second part develops the study's conclusion, and the third section discusses its implications.

5.1 Summary

In today's competitive business world, providing high quality customer service is crucial to maintaining a competitive edge. Service quality is especially important in the banking sector as it helps achieve a competitive advantage by ensuring customer satisfaction. This study examines how service quality affects customer satisfaction of commercial banks in Bardiya district in Nepal. This would also assist in determining customer satisfaction at various phases.

The main objective of the study is to assess the effect of service quality on customer satisfaction of commercial banks in Bardiya district in Nepal. Moreover, the specific objectives of the study were to examine the relationship between service quality and customer satisfaction, to analyze the impact of service quality dimensions such as tangibility, reliability, responsiveness, assurance, and empathy on customer satisfaction.

This study conducted a comprehensive evaluation of the current literature, taking into consideration a variety of critical variables. The theoretical review part examined major concepts such as Expectation Theory, The Evaluative Congruity Theory, providing an excellent conceptual basis for the research. During the conceptual review section the SERVQUAL Model (Parasuraman et al., 1985) was examined, a key tool for understanding service quality dimensions (tangibility, reliability, responsiveness, assurance, and empathy), and its impact on customer satisfaction. Empirical reviews of journals, articles, books, and dissertations provide a comprehensive overview of existing research on how customer satisfaction affects from service quality. This comprehensive evaluation prepared up the pathway for finding a appropriate research gap, that represented the study's focus point, with the goal of bridging and contributing significantly the current state of knowledge.

A comprehensive quantitative approach applied in this study, including descriptive statistics and correlational research designs, to analyze the effects of service quality dimensions (tangibility, reliability, responsiveness, assurance, and empathy) on customer satisfaction. The study included 400 respondents with various backgrounds. The study utilized a 28-item questionnaire. A survey was conducted utilizing convenience sampling, and the sample includes respondents all information from Bardiya district in Nepal.

The analysis methods utilized in the study include Cronbach's alpha for evaluating the reliability of the questionnaire, descriptive statistics to summarize respondents' information and perceptions, Pearson's correlation to explore the relationships between dimensions of service quality and customer satisfaction, and multiple-regression analysis to examine the impact of service quality dimensions on customer satisfaction. Data was collected through questionnaire using a five-point Likert scale, and data analyzed through both correlation and multiple-regression analysis in this study. The collected data was processed using the SPSS statistical software.

The research framework identified independent variables for service quality, including tangibility, reliability, responsiveness, assurance, and empathy. These variables established the framework against the dependent variable (customer satisfaction). This framework analyzed the relationship between service quality and customer satisfaction, providing insight into the commercial banking sector of Bardiya district in Nepal.

The descriptive findings show that customers have a typically positive view. The total weighted average mean value for tangibility, reliability, responsiveness, assurance, empathy, and customer satisfaction is 3.62, 3.76, 3.49, 3.72, 3.61, and 3.71, respectively. Banks were seen as having tangibility as physical facilities and supplies of banks, reliability as dependable and trustworthy, responsiveness as slightly lower, assurance as realistic and fostering a sense of trust and security, and empathy as a noticeable level. This indicates that customers are neutrally satisfied with the service quality provided by banks of Bardiya district in Nepal, indicating a positive overall experience.

Pearson's correlation coefficient findings show that customer satisfaction correlates positively and statistically with all service dimensions such as tangibility ($r = 0.608$), reliability ($r = 0.575$), responsiveness ($r = 0.531$), assurance ($r = 0.605$), and empathy ($r = 0.593$). All correlations are significant ($p < 0.001$), emphasizing the need to address

positive impacting satisfaction. From the regression analysis, it was found that tangibility ($\beta=0.193$), reliability ($\beta=0.236$), responsiveness ($\beta=0.055$), assurance ($\beta=0.203$), and empathy ($\beta=0.190$) had the positive statistically effect on customer satisfaction. All coefficient are significant (<0.001) except responsiveness (0.260 greater than 0.05), which does not have a significant impact on customer satisfaction. The regression model has an R^2 of 0.518, indicating that approximately 51.8% of the variance in customer satisfaction is explained by service quality variables, demonstrating neutral explanatory power. Thus, the alternative hypotheses H1.1, H1.2, H1.4, and H1.5 were accepted, whereas the alternative hypothesis H1.3 was not supported.

This study has major implications for a variety of groups. It offers valuable knowledge towards the crucial aspects of service quality that have a direct influence customer satisfaction for the management of Nepalese commercial banks. Future researchers can build upon this extensive examination of service quality aspects and their consequences, which lays the groundwork for further investigation and improvement of these correlations.

5.2 Conclusion

As previously mentioned, a sample size of 400 respondents was used in the study for examination of the relationships among customer satisfaction and service quality, and how it's effects on customer satisfaction. This study provides comprehensive insights into the effects of service quality aspects such as tangibility, reliability, responsiveness, assurance, and empathy on customer satisfaction within commercial banks of Bardiya district in Nepal.

The study aims focused on connecting the dimensions of service quality, including tangibility, reliability, responsiveness, assurance, and empathy. The research successfully analyzes the dimensions of service quality among customer satisfaction in commercial banks of Bardiya district in Nepal. All service quality's dimensions are critical factors that contribute to the overall customer satisfaction, impacting perception and delivery. Understanding these dimensions is essential for banks to develop effective strategies to provide high quality of service and enhance customer satisfaction. The study highlights that analyzing these service quality's dimensions is crucial for improving the work performance of banks and enhancing customer satisfaction.

The study finds a strong positive link between service quality and customer satisfaction. Tangibility has a positive association, indicating that physical features have a positive significant impact on overall pleasure. Reliability stands out as a key motivator of customer satisfaction, showing that customers who see the bank as reliable and can be trusted tend to be much more satisfied. Customer satisfaction is least correlated to responsiveness, indicating that timely and efficient service interactions are valued. Similarly, assurance is another potent indicator of satisfaction; customers who have greater degrees of confidence in the bank's services also tend to be more satisfied. Empathy is important, as consumers who believe the bank's staff understands and empathizes with them are more satisfied. Together, these findings highlight the crucial role of these service quality aspects in defining customer satisfaction in the commercial banking sector of Bardiya district, Nepal.

A multivariate regression analysis was conducted to analyze the effects of various service quality dimensions on customer satisfaction further confirms the significance of service quality management in enhance customer satisfaction. The study demonstrates that dimensions such as tangibility, reliability, assurance, and empathy have a significantly positive effect on customer satisfaction. Customer satisfaction improves in proportion to increases in the delivery of these service quality aspects, according to the statistically significant unstandardized coefficient and beta value. On the other hand responsiveness demonstrates a weak positive impact and exhibits no significant impact on customer satisfaction. Therefore, the study highlights service quality as a crucial factor in ensuring customer satisfaction. As a service industry, banks should prioritize maintaining high standards of service quality to satisfy their customers across all dimensions.

The study highlights the need for Bardiya's commercial banks in Nepal to adopt strategies that address the identified service quality dimensions and improve customer satisfaction conditions. By implementing effective service quality management practices, such as providing physical facilities, providing service dependably and accurately, willingness to help customers, providing prompt service, employee's ability to inspire trust and confidence to customer, banks can create a more customer satisfaction. These are likely to improve customer satisfaction. In conclusion, analyzing service quality dimensions is not only beneficial for customer satisfied but crucial for the sustainable and competitive advantages of commercial banks of Bardiya district in Nepal. The research

emphasizes the importance of developing evidence-based strategies to enhance customer satisfaction.

5.3 Implications

Based on the study's findings, the implications for service quality dimensions and customer satisfaction in Nepalese commercial banks (specifically in the Bardiya district) are significant and diverse. The implications are discovered for further improving the service quality and to meet customer needs and expectations. These Implications offer actionable insights for improving customer satisfaction and organizational effectiveness in the banking sector. These implications are presented as recommendations and suggestions for future research.

5.3.1 Managerial Implications

1. Since the data collection was limited to the Bardiya district in Nepal, there is a need to extend the study to a larger and more geographically varied sample of customers.
2. This study examined overall banking service delivery and its impact on customer satisfaction. Future research could explore the satisfaction levels among different types of banking customers. This will lead to a better knowledge of customer behavior, variables related with banking service quality and the impact on consumer perception levels while using banking services.
3. Tangibility has a positive relationship with customer satisfaction. Banks should ensure that their physical features and facilities meet satisfactory standards to improve overall service quality satisfaction.
4. The study revealed a positive relationship between reliability and customer satisfaction. Commercial banks should prioritize regularly meeting promises and agreements. This may build customer trust as well as confidence, resulting in higher satisfaction level. Hence, banks are want to boost customer satisfaction should increase reliability.
5. Customer concerns and requests must be addressed promptly and efficiently. The considerable positive relationship between responsiveness and customer satisfaction highlights the necessity of providing prompt customer assistance.
6. The study revealed that positive relationship between assurance and customer satisfaction. Therefore, banks looking to boost customer satisfaction should work

on providing a friendly environment, confidence, and so forth. Invest in staff training programs that prioritize service quality variables for customer satisfaction.

7. According to the study, empathy has a positive relationship with customer satisfaction. Building a customer-centric strategy and displaying empathy can have a significant impact on satisfaction level of customers. Banks should teach their employees to recognize and efficiently address their customers' wants and problems.
8. Focusing on these variables can improve customer satisfaction and provide banks a competitive advantage in the service sector.

5.3.2 Future research implications

This study may be quite helpful for scholars who wish to learn about and investigate the idea of service quality and its relationship to customer satisfaction. The next study may include development banks, insurance financing corporations, microfinance companies, and other Nepalese regions.

- I. The study relies mainly on primary data and respondents' opinions. However, more research can be conducted through observation and interviews with the study group.
- II. The study's sample size and time period were limited. Future studies should use larger sample sizes and longer time periods.
- III. This study focused on 'A' class commercial bank customers, but other financial institutions, such as development banks and finance businesses, could be included in future research.
- IV. This study measured customer satisfaction through reliability, responsiveness, tangibility, empathy, and assurance. Additional dimensions and variables may be used to assess service quality in future research.
- V. This study used a quantitative approach to assess effect of service quality on customer satisfaction. Although quantitative methods are useful for studying links between variables. Future research should incorporate both qualitative and quantitative methodologies to better understand the interactions between factors.

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Appendix 1

Survey Questionnaire

Effect of Service Quality on Customer Satisfaction of Commercial Bank

Dear Respondents,

This survey research on “**EFFECT OF SERVICE QUALITY ON CUSTOMER SATISFACTION OF COMMERCIAL BANK**” is conducted to meet the academic requirement of the MBS affiliated with **Shanker Dev Campus**, Tribhuvan University, and to submit a graduate research project report. I would be thankful if you take a minute and complete this questionnaire for giving feedback. All your answers will be maintained highly confidential and used for academic purpose only.

Thanking you

Srijana Tharu

Shanker Dev Campus

Part A: Respondent Information

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

1. Gender:

- a. Female [] b. Male [] c. Others []

2. Age (years):

- a. Below 20 [] b. 20-25 [] c. 25-30 [] d. 30-35 [] e. 35 and above

3. Education:

- a. Masters [] b. Bachelors [] c. Intermediate (+2) [] d. SLC or SEE []
e. Below SLC or SEE

4. Profession:

- a. Business [] b. Service [] c. Employee [] d. Student []
e. Others

5. Type of Account you have:

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

6. Level of income:

- a. Below 5000 [] b. 5000-10000 [] c. 10000-15000 [] d. 15000-20000 []
e. 20000 and above []

7. How long have you been transacting with this Bank?

- a. Less than 1 year [] b. 1-5 years [] c. 5 -10 years [] d. 10-15 years []
 e. More than 15 years

Part B: Core Questions Service quality measurement dimensions.

Please indicate your opinion by circling the appropriate number using the scale below:

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

S.N	Statement	Level of Perception				
		1	2	3	4	5
1	Reliability					
1.1	The bank provides the services at promised and right time.					
1.2	The bank provides secure and accurate service in all type of transactions.					
1.3	Bank shows a sincere interest to solve the customer's problem.					
1.4	Employees are sincerely handling the problems.					
1.5	The bank maintains timely and error-free records.					
2	Responsiveness	1	2	3	4	5
2.1	Bank provides prompt services to the customers.					
2.2	Employees of bank are always willing to help customers.					
2.3	Employees' behavior in the bank instills customer confidence.					
2.4	Bank provides financial advice to the customers.					
3	Tangibility	1	2	3	4	5
3.1	I feel comfortable in using bank physical facilities.					
3.2	Banks have sufficient up to date equipment for usage.					
3.3	Bank's physical facilities and material associated with service are visually pleasing.					
3.4	The bank's website and mobile banking app are user-friendly.					
4	Empathy	1	2	3	4	5
4.1	The bank focuses to fulfill customers need.					

4.2	Employee's personal attention to the customer.					
4.3	The bank provides convenient operating hours to all its customers.					
4.4	The bank provides convenient service charge.					
4.5	Bank employees have the enthusiasm to understand customers' specific needs.					
5	Assurance	1	2	3	4	5
5.1	I feel safe to transact with the bank.					
5.2	Employees are consistently polite and well-mannered with the customers.					
5.3	Employees have the knowledge to answer the questions of customers.					
5.4	Employee's behavior brings confidence on me.					
5.5	I can easily trust employee of the bank.					
6	Customer Satisfaction	1	2	3	4	5
6.1	I am satisfied with the services provided by the bank.					
6.2	Banks forms and slips are easy to understand and fill.					
6.3	I am satisfied with the bank's ATM services.					
6.4	The performance of bank is more than my expectation.					
6.5	I would recommend others to open account in this bank.					

Appendix 2

SPSS Data

		Correlations					
		TAN	REL	RES	ASS	EMP	CUS
TAN	Pearson Correlation	1	.567**	.613**	.639**	.613**	.608**
	Sig. (2-tailed)		<.001	<.001	<.001	<.001	<.001
	N	400	400	400	400	400	400
REL	Pearson Correlation	.567**	1	.533**	.513**	.504**	.575**
	Sig. (2-tailed)	<.001		<.001	<.001	<.001	<.001
	N	400	400	400	400	400	400
RES	Pearson Correlation	.613**	.533**	1	.585**	.591**	.531**
	Sig. (2-tailed)	<.001	<.001		<.001	<.001	<.001
	N	400	400	400	400	400	400
ASS	Pearson Correlation	.639**	.513**	.585**	1	.653**	.605**
	Sig. (2-tailed)	<.001	<.001	<.001		<.001	<.001
	N	400	400	400	400	400	400
EMP	Pearson Correlation	.613**	.504**	.591**	.653**	1	.593**
	Sig. (2-tailed)	<.001	<.001	<.001	<.001		<.001
	N	400	400	400	400	400	400
CUS	Pearson Correlation	.608**	.575**	.531**	.605**	.593**	1
	Sig. (2-tailed)	<.001	<.001	<.001	<.001	<.001	
	N	400	400	400	400	400	400

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

Result of Hypotheses Test

S. N	Hypothesis	P-value	Results
H1.1	Tangibility has significant effect on customer satisfaction.	<.001	Accept
H1.2	Reliability has significant effect on customer satisfaction.	<.001	Accept
H1.3	Responsiveness has no significant effect on customer satisfaction.	.260	Reject
H1.4	Assurance has significant effect on customer satisfaction.	<.001	Accept
H1.5	Empathy has significant effect on customer satisfaction.	<.001	Accept

EFFECT OF SERVICE QUALITY ON CUSTOMER SATISFACT...

By: Srijana Tharu

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