

# **DETERMINANTS OF CUSTOMER SATISFACTION IN COMMERCIAL BANKS OF NEPAL**

A Dissertation Submitted to Office of the Dean Faculty of Management In Partial  
fulfillment of the Requirements of the Degree of Master of Business Studies (M.B.S.)

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# CHAPTER I

## INTRODUCTION

### 1.1 Background of the study

Bank is the critical part of financial system that deals with monetary transactions. It plays an important role in the growth and the development of economic sector of any nation. The main function of a bank is to accept deposit and advance loans. Along with this a bank also provides a wide range of banking services to the society to fulfill the needs of customers. The banking sector acts as the life blood of modern trade and commerce to provide them with a major source of finance. Commercial bank occupies quite an important place in the framework of every economy (Hussain, 2010). It provides capital for the development of industry, trade & business investing the saving collected as deposit. All the economic activities of every country are greatly influenced by the commercial banking business of that country. Commercial banks, by playing active roles, have changed the economic structure of the world. Integrated and speedy development of the country is possible only when competitive banking services reach nooks and corners of the country (Hussain, 2010).

In recent years, the banking sector of Nepal has been transformed from government dominated sector to a much more lively, competitive and profitable industry. Different foreign banks have emerged recently which have increased the competition among commercial banks. In order to get competitive edge and to attract more and more customers, banks are focusing on providing better services to the customers. The transition in banking sector over the past decade primarily due to government's deregulation policy, technological advancement and increasing competition have resulted in creating new behaviors of customers and challenges for bank operators. At the same time, various banking and non-banking financial institutions have come into existence. The banking industry is facing an ever-increasing level of competition around the world as the dynamics of the business change. Technology, commoditization, deregulation and globalization forever changed the face of banking. The increased volume and number of banks lead to stiff competition among banks to offer better service quality for the

successful survival in the market. Service quality offered by service firms especially for banks is important due to an increasing competition as such service quality is considered the key to gain competitive advantage and important factor determining customer perception of bank's overall activities. And it is difficult to find a bank that has not initiated some kind of service quality improvement program in today's competitive business environment either it through superior customer service or via incorporation of advance technology to satisfy customers Garland (2001).

Satisfaction is the customer's evaluation of a product or service in terms of whether that product or service has met their needs and expectations. Happy and satisfied customers behave in a positive manner. Customer satisfaction is derived largely from the quality and reliability of products and services. However, almost every Nepalese commercial bank encounters similar problems in meeting customer's expectation of services and customer satisfaction. It is believed that the goal of every organization is to meet the needs and the requirements of its stakeholders. Meeting the needs and the requirements of the stakeholders will not only ensure the survival of the organization but also allow it to flourish. Customers are presumed to be one of the most important stakeholders in any organization because without them, organizations are not likely to succeed. Hence, marketers emphasize on research in the area of consumer behavior and particularly behavioral intention. Knowledge of consumer behavior will go a long way in ensuring effective marketing policies towards the interest of customers which will eventually facilitates positive customer attitude towards the organizations. More especially, since customer behavioral intention is a strong indication of his actual behavior (Hussain, 2010).

## **1.2 Problem Statement**

In service sector like banking industry where bank operators have little scope for differentiation either for the products or services they offer or for the cost they charge and above all customers are being approached by many competitors who are willing to use more than one financial institution to meet their needs and to switch funds for short-term gains. In such a scenario, the ultimate challenge faced by banking organizations today is to produce satisfied customers in order to produce loyal customers for strategic purposes.

Banking sector in Nepal is becoming more competitive than past and they are found to be competing with each other. However, they seem to pay less attention to the factors that satisfy the customer's need. There is a clear indication that Nepalese banks may not be able to sustain in the market without attracting new customers and retaining old customers. There is a great need to focus the efforts on maintaining a satisfied customer base as well as achieving customer loyalty through services. Without providing good service quality, business success may become impossible (Kristensen et al., 1992; McColl-Kennedy and Schneider, 2000; Zeithaml et al., 1996). Additionally, there is a growing number of customers who are increasingly aware of the options offered in relation to the rising standards of service (Naeem and Saif, 2010), that have added challenges such as service quality, customer satisfaction, customer retention in relation to the banking business in Nepal in general and commercial banking sector in particular.

The study uses SERVQUAL method for predicting the customer satisfaction of the commercial banks. The SERVQUAL scale which is also known as the gap model by Parasuraman et al., (1988) has been proven to be one of the best ways to measure the quality of services provided to customers. Although the elements listed in SERVQUAL model have been proven to be the main method for evaluating service quality from the consumer's perspective (Brown et al.1993), drawbacks in using SERVQUAL in measuring service quality has been the reason that the SERVPERF scale after they called into question the conceptual basis of the SERVQUAL, having found it, led to confusion with service satisfaction (Jain et al., 2004). This study discarded the 'E' for 'expectation' claiming instead that 'P' for 'performance' alone should be used. They meant that higher perceived performance entails higher quality service. Unfortunately, during this past century, customers have changed their behaviors in ways that do not suit organizational behavior. Till date, it is unclear as to which of SERVQUAL and SERVPERF is superior in measuring service quality (Jain et al., 2004). Ladhari (2008) summarized a list of theoretical and empirical criticisms of the model. First, he argued that the use of gap scores is not the right method because of the lack of the support in literature to consumers evaluating service quality in terms of perception-minus-expectation. He stated that it has

been recommended that service quality is more precisely and correctly evaluated by measuring only perceptions of quality. On the other hand, he mentioned that the concept expectation is not well defined and can be interpreted from different perspectives; as a result, the analysis of SERVQUAL may have different interpretations as well. In addition, he pointed out that previous research suggested using perception-only scores rather than gap scores for the overall assessment of service quality. Last but not least, he emphasized that previous research studies criticize SERVQUAL for its focus on the process of service delivery instead of the result and the outcome of service encounters.

Similarly, customers have expectations and criteria when they judge whether the provided banking services is satisfactory or not. At the same time, due to the high competition in a banking sector, the perception of customers and potential customers are also divided according to the services that they want to achieve. The proper identification of customer satisfaction helps to retain customers and to increase brand awareness, profitability and effectiveness of bank's services. In a competitive marketplace where businesses compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy. It is well established that satisfied customers are key to long-term business success. For that matter, many market leaders are found to be highly superior-customer-service orientated (Teece, 2010).

Further, various studies conducted in context of many developed countries have shown the link between customer satisfaction and factors affecting it. Hence, the focus of study is to examine customer satisfaction, customer loyalty and its determinants influencing customer satisfaction in commercial banks of Nepal.

### **Research Questions**

The research questions of the study are listed below:

- a. How does whether customer satisfaction influence the customer's loyalty towards their banks?

- b. What is the impact of tangible, reliability, assurance, empathy, responsiveness and price factor on customer satisfaction in Nepalese commercial banks?
- c. Does quality of services provided by commercial banks of Nepal?

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

The main objective of the study is to analyze the factors affecting customer satisfaction in commercial banks of Nepal. The other objectives are:

- a) To examine whether customer satisfaction influence the customer's loyalty towards their banks.
- b) To examine the impact of tangible, reliability, assurance, empathy, responsiveness and price factor on customer satisfaction in Nepalese commercial banks.
- c) To analyze the quality of services provided by commercial banks of Nepal.

### **1.4 Research Hypothesis**

Based on the objective, the present study seeks to test the following hypothesis:

H<sub>1</sub> There is a significant relationship between customer's satisfaction and reliability in commercial banks of Nepal.

H<sub>2</sub> There is a significant relationship between customer's satisfaction and assurance in commercial banks of Nepal.

H<sub>3</sub> There is a significant relationship between customer's satisfaction and tangibles in commercial banks of Nepal.

H<sub>4</sub> There is a significant relationship between customer's satisfaction and empathy in commercial banks of Nepal.

H<sub>5</sub> There is a significant relationship between customer's satisfaction and responsiveness in commercial banks of Nepal.

H<sub>6</sub> There is a significant relationship between customer's satisfaction and price factors in commercial banks of Nepal

### **1.5 Significance of the Study**

The emergence of new banking technology has created competitive market and competitive market conditions, which have a critical impact upon consumer behavior. In modern competitive environments, services are gaining increasingly importance in the competitive formula of firms as well as countries. Globalized competition has stressed the importance of quality services and satisfaction. In the battle for winning consumer preference and maintaining sustainable competitive advantages, these days satisfaction concept assumes greater importance, more particularly in banking industry and its different aspects can be studied in different situations.

The intense competition that prevails in Nepalese banking industry is the fact of today. The inability to increase the customer's base due to various reasons is not hidden to many who have been in banking business since then. Hence, this research helps banking sector to formulate effective customer retention strategies and business growth and development. Further, this study focuses on analyzing the various factors as follows:

- a. To identify the level of customer satisfaction and its impact on customer loyalty, retention and perceived service quality.
- b. To understand the factors that drives higher level of customer satisfaction and loyalty.
- c. To analyze the relationship between of customer satisfaction with tangibles, reliability, assurance, empathy, price factor and responsiveness.

## **CHAPTER II**

### **LITERATURE REVIEW**

#### **2.1 Literature Review**

The various studies have analyzed the determinants of customer satisfaction in banking sectors from time to time. Since the literature available in this field under the reference is limited in nature and scope, the literatures found in the form of popular write-ups, reports, and the studies/articles are reviewed. This chapter provides conceptual framework of the study and deals with review of empirical studies associated with customer satisfaction and its dimensions Munusamy et al. (2010).

The number of commercial banks is increasing in Nepal due to the attractive market opportunity available in the country, especially after the advent of democracy. Nowadays, the performance of these commercial banks has come under question in terms of customer satisfaction and customer retention. It is, therefore, quite imperative to assess their performance in terms of customer satisfaction. All the newly established commercial banks tried to operate efficiently and effectively resulting high competition in Nepalese banking industry. So far the Nepalese banking sector is facing the difficulty for banks to grow and to maintain their market share. The growth in the number of banks has on the one hand increased competition and on the other hand heightened the standard that need to be met in order to gain a competitive advantage. Thus, major question dealt in today's scenario is related with customer satisfaction which can be clearly explained by finding answers to the questions - a) What is the state of customer orientation of Nepalese commercial banks? b) What are the factors that can lead to customers toward satisfaction? which in turn helps to increase customer trust, commitment, loyalty and retention.

#### **2.2 Conceptual Framework**

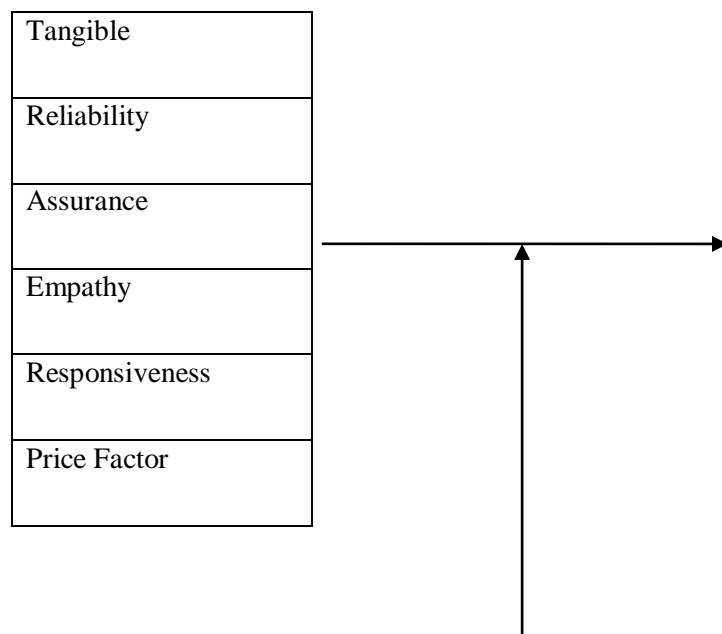
With reference to various models developed for measuring the customer satisfaction and factors affecting customer satisfaction, the self model has been employed as the

conceptual framework of this study to measure the determinants of customer satisfaction in commercial banks of Nepal. The model developed is shown in figure 2.1.

**Figure 1**  
**Conceptual Framework of Customer Satisfaction with its Determinants**

Independent variables

Dependent variable



Customer Satisfaction
--------------------------

Gander
Age
Qualification
Occupation
Experiences

**Moderating Variables**

Based on the conceptual framework presented in figure 1, it is clear that the dependent variable is customer satisfaction and the independent variables are tangibles, reliability, assurance, empathy, responsiveness and price factor.

**Operational Definitions and Assumptions**

The term, terminologies and the definition presented in this study are:

**Customer Satisfaction**

Customer satisfaction is a measure of how products and services supplied by a company meet customer expectation. In order words, Customer satisfaction is a highly personal assessment that is greatly influenced by individual expectations. Some definitions are based on the observation that customer satisfaction or dissatisfaction results from either the confirmation or disconfirmation of individual expectations regarding a service or product. Customer satisfaction can be experienced in a variety of situations and connected to both goods and services. As this definition makes clear, satisfaction is a function of perceived performance and expectations.

- a. If the performance falls short of expectations, the customer is dissatisfied.

- b. If the performance matches the expectations, the customer is satisfied.
- c. If the performance exceeds expectations, the customer is delighted.

### **Customer Loyalty**

Customer loyalty is the practice of finding, attracting, and retaining your customers who regularly purchase from you. Customer loyalty can be defined as the totality of feelings or attitudes that would incline a customer to consider the re-purchase of a particular product, service or brand or re-visit a particular company, shop or website. Customer loyalty has always been critical to business success and profitability advances.

### **Customer behavior**

Customer behavior is the study of individuals, groups, or organizations and the processes they use to select, secure, and dispose of products, services, experiences, or ideas to satisfy needs and the impacts that these processes have on the consumer and society. It blends elements from psychology, sociology, social anthropology and economics. It attempts to understand the decision-making processes of buyers, both individually and in groups. It studies characteristics of individual customers such as demographics and behavioral variables in an attempt to understand customer's wants. It also tries to assess influences on the consumer from groups such as family, friends, reference groups, and society in general.

### **Reliability**

It refers to the ability of employees to deliver the service accurately as promised as well as properly handling problems that arise. In other words, reliability is the ability to perform the promised services both dependably and accurately. Reliable service performed is a customer's expectation and means that the service is accomplished on time, in the same manner, and without error every time.

### **Assurance**

It refers to the knowledge and courtesy of employees and their ability to convey trust and confidence in customers, make customer feel safe in their transactions by maintaining

confidentiality, being consistently courteous as well as having knowledge to answer customer's questions.

### **Tangible**

It refers to the appearance of physical facilities, equipment, personnel, and communication materials available in an organization that can be touched and felt. It considers the parking facilities provided to customer, visually appealing materials associated with service such as signposts, readable bank statements, modern looking equipments, tidy counters, neatly dressed and professional appearance of employee's.

### **Empathy**

It refers to caring, individualized attention the organization provides to its customer. It includes having a concerned attitude towards customer and understanding the needs of their customers by providing convenient banking hours, branch location and little or no waiting time in queue for its customers.

### **Responsiveness**

It refers to willingness of employee to help customers and provide prompt service, readiness to respond to customers request and letting the customer know when things will get done.

### **Price Factor:**

It refers to the interest bank provided by bank on deposits, interest charged by bank on loan and the service and fees charged by bank for various service rendered by bank.

### **Service Quality**

Service quality has been defined as customer overall impressions of an organization's services in terms of relative superiority or inferiority. It is a focused evaluation that reflects the customer's perception of specific dimensions of service: reliability, responsiveness, assurance, Empathy, tangibles. Satisfaction, on other hand, is more inclusive: it is influenced by perceptions of service quality, product quality, and price as well as situational factors and personal factors.

## **SERVQUAL**

SERVQUAL is a multi-dimensional scale developed to assess customer perceptions of service quality in service and retail businesses. It provides the basis for the measurement of customer satisfaction for the service provided using the gap between the customer's expectation of performance and their perceived experience of performance. This widely known instrument for measuring service quality is SERVQUAL model. Initially, According to Parasuraman et al. (1988), five principal dimensions that customers use to judge service quality include- reliability, responsiveness, assurance, empathy, and tangibles. Later, in 1991 it was modified into the RATER model after an extensive research and found six dimensions customers use when evaluating service quality. The six SERVQUAL dimensions include: Reliability, Assurance, Tangibles, Empathy, Price factor and Responsiveness. Parasuram et al. (1988), the conceptual framework for the SERVQUAL scale was derived from the works of a handful of researchers who have examined the meaning of service quality. Service quality and customer satisfaction has been investigated, and results have shown that the two constructs are indeed independent, but are closely related, implying that an increase in one is likely to lead to an increase in the other (Sureshchandar et al, 2002).

### **2.3 Research Gap**

Customers are the sponsors of banking organizations in context of Nepal and Customer satisfaction is much more important for operating banking services. The advancement in information technology and telecommunications has certainly introduced new delivery channels for Nepalese commercial banks' products and services. These new delivery channels include automated teller machines (ATM's), Mobile banking, Internet banking, SMS banking. Among these, the ATM's are the most widely accepted and highly utilized delivery channel. At present, the strategies of the Nepalese banks tend to retain the existing customer through E-banking. E-banking adopters use the basic banking facilities such as cash receive and withdraw, balance enquiry, regular and schedule payment. These changing scenario in Nepalese Banking Industry indicates that the banking sector have come to realizes the importance of customer satisfaction and as a result they have

been promoting number of services in fact the emphasis is diverted towards quality service to retain their customers by increasing deposits and market share in long-run.

The factors that affect the level of customer satisfaction are tangibles, reliability, assurance, price factor, empathy, responsiveness, service quality. The studies on determinants of customer satisfaction are limited in context of Nepal. This study presents the information that higher customer satisfaction will lead to higher customer loyalty and more customer retention which will ultimately lead to higher performance. It is very much required to study in the context of Nepal whether these factors reliability, responsiveness, assurance, tangibles, price factors and empathy are related with customer's satisfaction or not?

Fewer studies have been conducted on commercial banks in Nepal. Most of the studies were focused on other issues of the banks rather than focusing on factors affecting customer satisfaction. This study focuses on customer satisfaction and its dimension and it can also provide a framework for future studies.

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

Research methodology describes how the research is carried out in terms of research framework, variable specification, data collection methods and technique of data analysis. It is a way to solve the research problem systematically. It provides a basic framework on which the study is based. It explains why particular method or technique is applied and helps to find out accuracy, validity and suitability of research. Before presenting the analysis and interpretation of data, it is necessary that research methodology should be described first. This chapter, therefore, explains the methodology employed in this study which includes various sections describing research design, nature and sources of data, population, samples and sampling procedure, data analysis methods and techniques, and models used for this study.

#### **3.1 Research Plan and Design**

This study has employed descriptive and correlation research designs to deal with the determinants and fundamental issues associated with customer satisfaction of Nepalese commercial banks. The descriptive research design has been adopted for fact-finding and searching adequate information about factors affecting customer satisfaction of commercial banks. This design has also been employed to assess the opinions and perceptions of customers. Data for this survey is collected from the respondents of different commercial banks in Nepal. Percentage, mean, medium, standard deviation is used for data analysis. A sample of 144 respondents of different commercial banks is covered for questionnaires concerning their views and issues on customer satisfaction. The questionnaire includes respondent's personal information such as gender, age, profession, educational level, It also includes years of banking experience, types of account, respondents are currently holding, major problems faced by the respondents while transacting with the bank and their level of satisfaction according to different criteria such as yes/no questions, multiple choice questions, ranking questions, likert scale questions and open end question.

### **3.2 Nature and Sources of Data**

The study is based on primary sources of data. The primary sources of data have been used to assess the opinion of respondents with the respect of customer satisfaction with its determinants (tangibles, reliability, assurance, empathy, price factors and responsiveness) in Nepalese commercial banks.

The total of 144 respondents were taken as sample from different commercial banks for questionnaire survey. The questionnaire survey has been conducted to analyze the opinions, perceptions, and characteristics of depositors, students, service person, housewives and businessperson with respect to satisfaction level. The survey has been basically designed to understand the opinions of respondents as how they perceive the factors affecting customer satisfaction of the commercial banks in Nepal. This section also contains the information about the characteristics of the respondents and their views about the improvements in the Nepalese banking industry. The questionnaires were prepared and distributed to survey the responses of depositors, students, service person,

house-wives and businessperson. This set of questionnaires contained total of 25 questions of mixed type options such as personal information, ranking items, five point likert scale items, open-end options. First part questions were about personal information of the respondents such as name, age, gender, and academic qualification. Next part of the questions were of multiple choice options in which respondents were asked to tick mark in an appropriate option in relation to the satisfaction of the customers. Other different types of questionnaires are used such as Yes/No questions, ranking questions regarding factors affecting customer satisfaction in Nepalese commercial banks. Similarly, question in likert scale are designed to identify the degree of agreement or disagreement of respondents in relation to the operations, banking facilities, location, years of experience etc. Finally, one open-end question was included to obtain write-in comments of customers about the improvement area of the bank.

### **3.3 Research Approach**

This section focuses on the main issue of the study. The selection of appropriate research is based on the issues of the study and available of resources. It focuses on the way that the main issue of the study is going to be addressed. The selection of which research approach is appropriate in a given study should be based upon the problem of interest, resources available, the skills and training of the researcher, and the audience for the research. The research approach can be Qualitative and Quantitative, Inductive and Deductive etc but this study focuses Qualitative. Qualitative research is primarily exploratory research focusing on the individual and group opinion regarding of the study. It also used in the research as open-ended questions for providing participants the opportunity to respond in their own words, rather than forcing them to choose from fixed responses.

Qualitative research approach is often a broad term that describes research focusing on how individuals and groups view and understand the world and construct meanings out of their experiences. It essentially is narrative-oriented and uses content analysis methods on selected levels of communication content. Some researchers consider it simply to be research whose goal is not to estimate statistical parameters but to generate hypotheses that can be tested quantitatively. It is a set of research techniques, used in marketing and the social sciences, in which data are obtained from a relatively small group of respondents and not analyzed with statistical techniques.

Qualitative research methods are used primarily as a prelude to quantitative research. They are used to define a problem, generate hypotheses, identify determinants and develop quantitative research designs. They are inexpensive and fast. Because of the low number of the respondents involved, these exploratory research methods cannot be used to generalize to the whole population. They are however, very valuable for exploring an issue and are used by almost all studies.

### **3.4 Population and Sample of the Study**

The total population for this research is the customers of the commercial bank. These targeted populations are the customers of commercial bank within Kathmandu Valley.

From what I understand in your previous question, the researchers have selected a sample size of 384 respondents for their study. Within this sample, they have categorized respondents based on the bank they are using for their banking transactions. Additionally, they have further categorized the respondents based on age groups and occupations to explore the potential impact of these demographic attributes on customer satisfaction with service attributes. However, you mentioned a second number, "144 respondents sample," without providing additional context. It's unclear how this number relates to the previous information or what it refers to specifically.

If you could provide more context or clarify the information, I would be happy to help further. Specifically, please provide more details about the purpose of the "144 respondents sample" and how it fits into the overall research design. Additionally, if you have any other specific questions or concerns related to sampling methods or the research description, feel free to ask.

There are two primary types of sampling methods that you can use in your research: Probability sampling involves random selection, allowing you to make strong statistical inferences about the whole group. Non-probability sampling involves non-random selection based on convenience or other criteria, allowing you to easily collect data.

**Table 3**  
**Sample Description of the Respondents**

<b>Name of Banks</b>	<b>No. of Respondents</b>	<b>Name of Banks</b>	<b>No. of Respondents</b>
NABIL	12	GIBL	12
NIC ASIA	12	LBL	12
SCBNL	12	MBL	12
HBL	12	KUMARI	12
NSBL	12	SANIMA	12
EBL	12	SBL	12
	72		72
Total = 144			

Source: Field Survey 2023

Table 3 shows the name of commercial banks with in Kathmandu valley from where data were collected and the numbers of respondents who were taken for the study from each bank.

### **3.5 Data Collection Procedure**

This section elaborates on how data were collected for this study purpose and also the time frame for this study.

During the data collection process, the data collectors first explained the respondents about the questions in the questionnaire and requested to provide with factual information. The questionnaire was prepared in the English language to enhance the reliability of the study. The first step towards data collection involved discussions with experts, collection of secondary data and relevant literature review. The purpose of this discussion and literature review was to prepare questionnaire for this study purpose. Moreover, the questions were designed based on SERVQUAL model under 5 dimension known as rater to measure the perceived service quality offered by commercial bank to its customers.

However, some modifications were made to the dimension to suit the study purpose and hence measurement of customer satisfaction and customer loyalty were added to measure the level of customer satisfaction even on these dimensions including rater. The questions were structured using the five point likert scale format. The questionnaire also included single choice, multiple choice, ranking scale and open-ended question to extract the view of the banks customer. Secondly, the questionnaires were distributed to collect the data from customers of commercial bank. Hence, these questionnaires were used as a source of data collection. In order to ensure accurate response from the respondents who could not read the questionnaire were dictated to them. This made them fully understand the content of the questionnaire and respond appropriately.

### **3.6 Tools**

The research is based on the qualitative method. Rank is used to determine the factors influences for customer satisfaction with internet banking services in Nepalese commercial banks and likert scale is by asking people to respond to a series of statements about topic. In this research different tools are used like SPSS and Ms Excel.

### **3.7 Instruments**

The study is based on the primary data. The data obtained from the questionnaires survey are analyzed through SPSS. The instruments are descriptive statistics and inferential statistics. To analyze the reliability and validity of the data Cronbach's alpha ( $\alpha$ ) is used. Frequencies, percentage, mean, medium, standard deviation, correlation and test of significance are used in this study to measure the determinants of customer satisfaction.

### **3.8 The Model**

In this study, the model has been used to test the theoretical relation between the customer satisfactions and its determinants. The customer satisfaction is function of tangibles, reliability, assurance, empathy, price factors and responsiveness. The theoretical statement may be framed as under:

$$Y = f(X_1, X_2, X_3, X_4, X_5, X_6)$$

Y = customer satisfaction

X<sub>1</sub>= tangibles

X<sub>2</sub>= reliability

X<sub>3</sub> = assurance

X<sub>4</sub> = empathy

X<sub>5</sub>= price factors

X<sub>6</sub>= responsiveness

### **3.9. Time Frame**

The research was prepared within the time period of 6 months. All together it took 4 weeks to visit various places to fill-up the questionnaires and collect them back from the respondents and 8 weeks to prepare the final report. The time allocated for completion of this research is shown in table 4

**Table 4**  
**Time Allocation for Completion of the GRP**

Activities Performed	Time Allocated
Topic Finalization	2 week
Study On Research Methodology	4 weeks
Data Collection and Literature Review	4 weeks
Data Entry and Analysis	6weeks
Preparation of Report	8weeks

### 3.10 Reliability and Validity

Validity is the extent to which a test measures what we actually wish to measure. It refers to the accuracy of a measure and a measurement is valid when it measures what it is suppose to measure and perform the functions that it purports to perform. Methods of establishing validity of the measurement technique fall into one of three categories: self-evident measures, pragmatic measures and construct validity.

Reliability is to do with the accuracy and precision of a measurement procedure. It refers to the credibility of the test, and it mainly tests measurements results and measurement tools ‘stability and consistency.

The most popular internal consistency reliability estimate is given by Cronbach’s alpha. The value of cronbach's alpha of collected primary information is presented in Table 4.

**Table 4**  
**Coefficient of Cronbach's Alpha**

Cronbach's Alpha	Cronbach’s Alpha on Standardized items	Number of Items
0.838	0.863	42

*Source: Results of the questionnaire included in Appendix 1*

The research is reliable and valid when the coefficient of cronbach’s alpha is greater than or equals to 0.7 that is 70 percent. The reliability and validity results in the Table 3.3

showed that the instrument was both reliable and valid since the variable coefficient is 86.3 percent.

### **3.11 Analysis Plan**

Data for this survey is collected through questionnaire for measuring customer satisfaction of the sample commercial banks. A sample of 144 respondents of sample commercial banks covered for questionnaires concerning the factors affecting customer satisfaction of Nepalese commercial banks. The questionnaires were distributed among the respondents and the responses were collected thereafter. After gathering all the completed questionnaires from the respondents, for the analysis and interpretation of the data SPSS and Excel was used. Total responses collected from the respondent were coded and tabulated into SPSS worksheet. Depending upon the nature of the question such as multiple choices, ranking scale and likert Scale, the coding was followed as per the rule. After the analysis and interpretation of the responses, the results were presented.

Different types of questionnaires are used such as Yes/No questions, multiple choice questions, ranking questions regarding determinants of customer satisfaction in Nepalese commercial banks. The questionnaire includes personal information about respondents such as gender, age, qualification and occupation. The questionnaire also included single choice, multiple choice, ranking questions to extract the view of the banks customer. There is also five point likert scale questions in which respondents were asked to express to what extent respondents agree or disagree about the determinants of customer satisfaction (tangibles, reliability, assurance, empathy, price factor and responsiveness) to their banks. Finally, one open-end question is included to obtain suggestions of respondents.

Simple descriptive statistics such as simple frequency count, percentage, mean, median and standard deviation, etc. is used particularly to analyze the factors affecting customer satisfaction and issues related to it in commercial banks of Nepal.

## **CHAPTER IV**

### **RESULTS AND DISCUSSION**

This chapter provides systematic presentation and analysis of primary to deal with the various issues related to customer satisfaction and its influencing factors in relation with the Nepalese commercial bank. Various statistical regression models described in pervious chapter have been used for this purpose. This section is divided into three parts. The first section deals with the presentation and analysis of the data and presents the result of questionnaire survey to measure the level of customer satisfaction based on primary data collected from 144 respondents who are the customer's of commercial bank. Further, to measure the satisfaction level of the customer's information related to demographic as well as information related to various dimension dealt with service quality for measuring customer's satisfaction is considered. The second section deals with analysis of regression model including coefficient. The third section of this chapter

deals with concluding remarks associated on the basis of findings from primary data analysis.

#### **4.1 Analysis of Primary Data**

This study is primarily based on primary data analysis, which mainly deals with qualitative aspects in terms of customer satisfaction in Nepalese commercial banks. In this section, primary data are taken in consideration to measure the satisfaction level of customer and their loyalty towards their primary bank. Further, customer satisfaction index is computed to determine the level of customer satisfaction with their primary bank. This section also reports the result of questionnaire survey conducted among different groups of customers. Questionnaire survey was designed to understand the views of the respondents in relation to their satisfaction level with the factors like tangibles, reliability, assurance, responsiveness, empathy, price factors and loyalty towards their banks. A set of questionnaire including yes/no types, multiple choices, rankings, and likert scale questions are provided. Altogether 144 respondents are surveyed and analyzed in accordance with the objectives of the study. The respondents profile along with their personal characteristics and result of the survey are presented below.

##### **4.1.1 General Demographic Analysis of different group of customers in Nepalese Commercial Banks**

The demographic tables reveal the personal characteristics of respondents on the basis of gender, age group, years of experience with bank, academic qualification and occupation of respondents. The popularity of using demographic factors is attributable to the observed relationship between the consumption of certain products and certain demographic factors. Thus we can accept that demographic factors are frequently used as a basis for understanding consumer characteristics. Demographic characteristics play a vital role in understanding the buying behavior of consumers. The demographic characteristics include age, gender, occupation, education. In addition, for measuring the

customer satisfaction and to increase loyalty towards their banks, banks must consider a user's demographic characteristics to offer the correct range of service products. This section deals with gender, age, academic qualification and occupation of the respondents which are explained with the help of different tables and figures below. In short, it deals with the behavioral analysis of the different customers.

**Table 5**  
**Male and Female Respondents**

Variable		Total Respondents	
		No. of respondents	Percentage (%)
Gender	Male	82	56.9
	Female	62	43.1
	Total	144	100.0

Source: Field Survey, 2023

As shown in Table 5 the majority of the respondents are male by 56.9% whereas the female respondents were 43.1 %. It indicates that more male customers were using banking service of Nepalese commercial banks.

**Table 6**  
**Age of the Respondents**

Variable		Total Respondents	
		No. of respondents	Percentage (%)
Age	16 - 30 years	93	64.6
	31 - 45 years	31	21.5
	46 - 60 years	18	12.5
	60 and above	2	1.4
	Total	144	100.0

Source: Field Survey, 2023

Table 6 shows the age of respondents. Among the 144 respondents, 64.6 percent of the respondents were from age 16 to 30 years, 21.5 percent of the respondents were from age

31 to 45years, 12.5 percent of the respondents were from age 46 to 60 years and 1.4 percent of the respondent from age 60 and above. Hence, the major respondent of age group 16 to 30 years can be seen.

**Table 7**  
**Qualification of the Respondents**

Variables		Total Respondents	
		No. of respondents	Percentage (%)
Qualification	PhD	7	4.9
	Master	45	31.3
	Bachelor	58	40.3
	Intermediate	29	20.1
	SLC and Below	5	3.5
Total		144	100.0

Source: Field Survey, 2023

Table 7 shows the qualification of respondents. Among the 144 respondents, 4.9 percentage of the respondent were PhD holders, 31.3 percentage of the respondent were master degree, 40.3 percentage of the respondent were bachelor graduates, 20.1 percentage of the respondent were intermediates and 3.5 percentage of respondents were SLC and below. Hence, the major respondents were bachelor graduates.

**Table 8**  
**Occupation of the Respondents**

Variable		Total Respondents	
		No. of respondents	Percentage (%)
Occupation	Business	40	27.8
	Students	45	31.3
	Service	40	27.8
	Housewives	17	11.8
	Others	2	1.4

	Total	144	100.0
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Source: Field Survey, 2023

Table 8 shows the age of respondents. Among the 144 respondents, 27.8 percentage of the respondent were business persons, 31.3 percentage of the respondent were students, 27.8 percentage of the respondent service person and 11.8 percentage of the respondent were housewives and 1.4 percentage of respondents were others. Hence the major respondents were students.

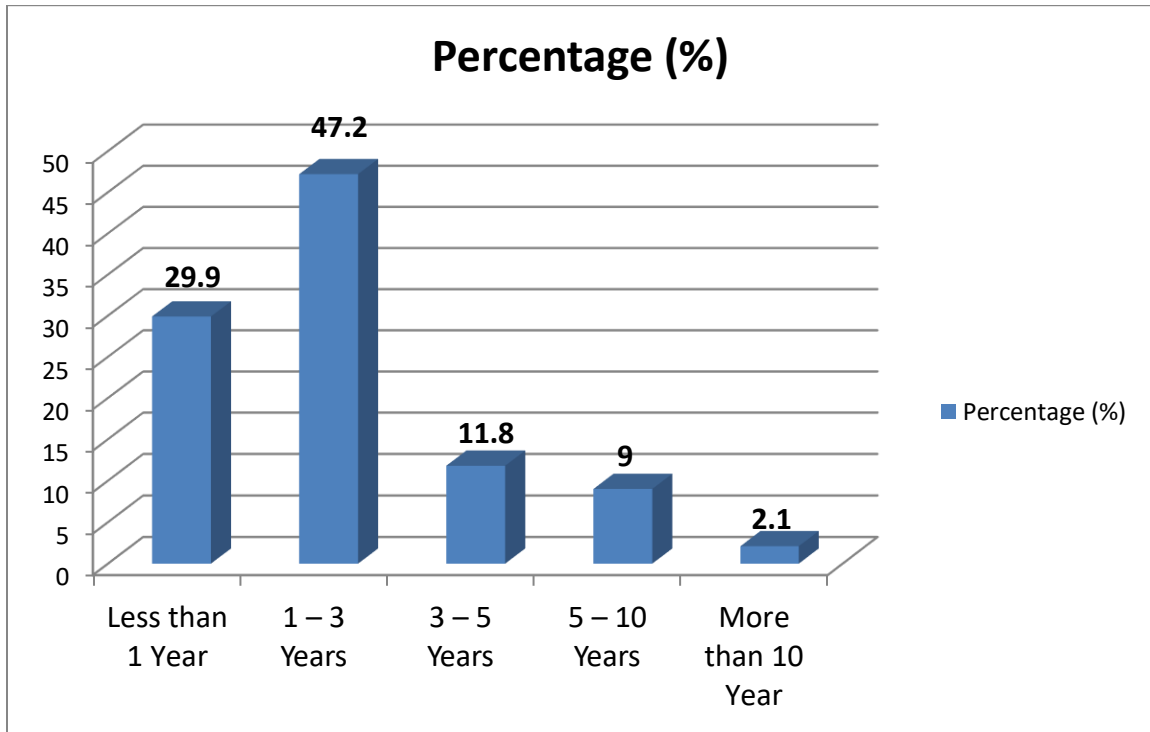
**Table 9**  
**Years of Banking Experience of Respondents**

Years of Banking Experience	Frequency	Percentage (%)
Less than 1 Year	43	29.9
1 – 3 Years	68	47.2
3 – 5 Years	17	11.8
5 – 10 Years	13	9.0
More than 10 Year	3	2.1
Total	144	100
Mean 2.07		

Source: Field Survey, 2023

Here the years of banking experience is classified into five different levels such as less than 1 year, 1 to 3 years and other groups. The respondent involvement in the respective banks are categorized in the different level of years which are scored as follows, 29.9% of respondents belongs to category less than 1 year which means they are experiencing banking service around 1 year or less. 47.2% of respondents were involved between 1 to 3 years, 11.8% of respondents were associated with the bank between 3 to 5 years, whereas 9% of respondents were involved within 5 to 10 years and 2.1% of respondents are involved and experiencing the banking service for more than 10 years. Therefore the major respondents belong to 1 to 3 years that is 47.2% and its average mean is 2.07.

**Figure 1**  
**Years of Banking Experience of the Respondents**



Source: Field Survey, 2023

Figure 1 shows that among the 144 respondent 29.9 percentage of the respondent have less than 1 year of relationship, 47.2 percentage of the respondent have 1 to 3 years of relationship, 11.8 percentage of the respondent have 3 to 5 years of relationship, 9 percentage of the respondent have 5 to 10 years of relationship with their primary bank and 2.1 percentage of the respondent have more than 10 years of relationship with their primary bank. Hence, the major respondent belongs to 1 to 3 years of category.

**Table 10**  
**Fluency of Respondents visit to the Bank**

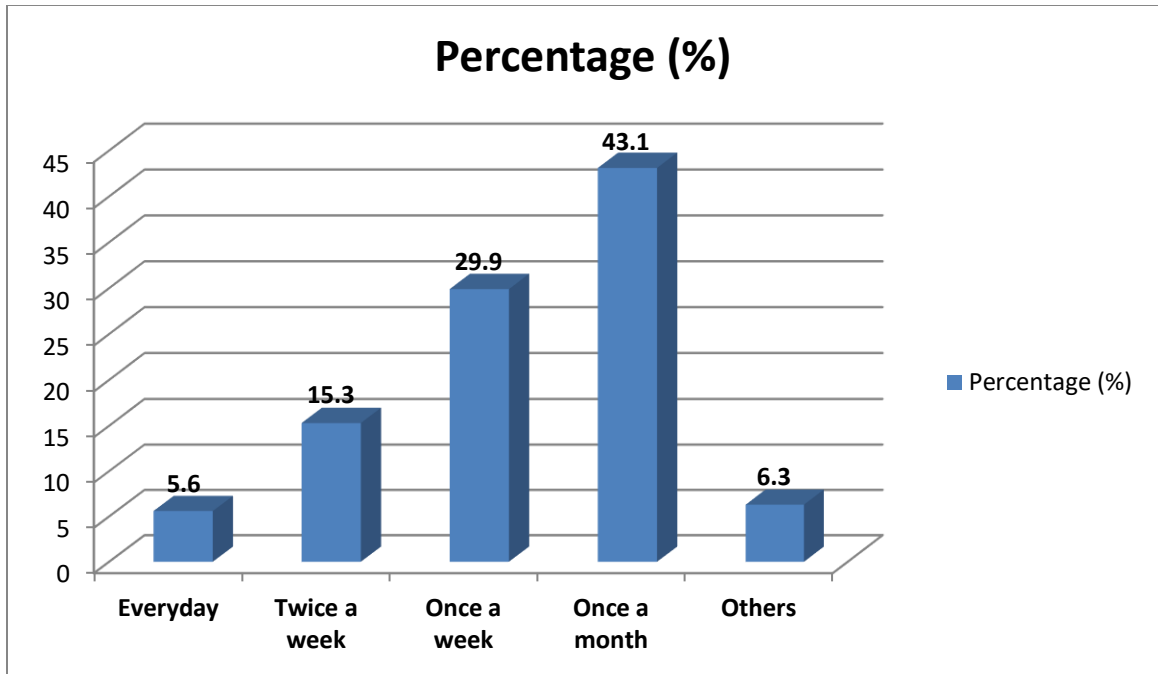
Fluency of visit by the Respondents	Frequency	Percentage (%)
Everyday	8	5.6
Twice a week	22	15.3
Once a week	43	29.9

Once a month	62	43.1
Others	9	6.3
Total	144	100
Mean 2.07		

Source: Field Survey, 2023

Here table 10 shows the fluency of visit by the respondents. Among 144 respondents the majority of respondents visit once a month that 43.1%. At the same time 29.9 percentage of respondents visit once a week and 15.3 percentage of respondents visit twice a week. Only 5.6% of respondents visit every day and 6.3% of respondents visit in more than a month.

**Figure 2**  
**Fluency of Respondents visit to the Bank**



Source: Field Survey, 2023

From the above figure we can see that majority of respondent visit once a month with 43.1% where as minority of respondents visit every day with 5.6% for transaction purpose.

**Table 11**

**Types of Account currently hold by Respondents**

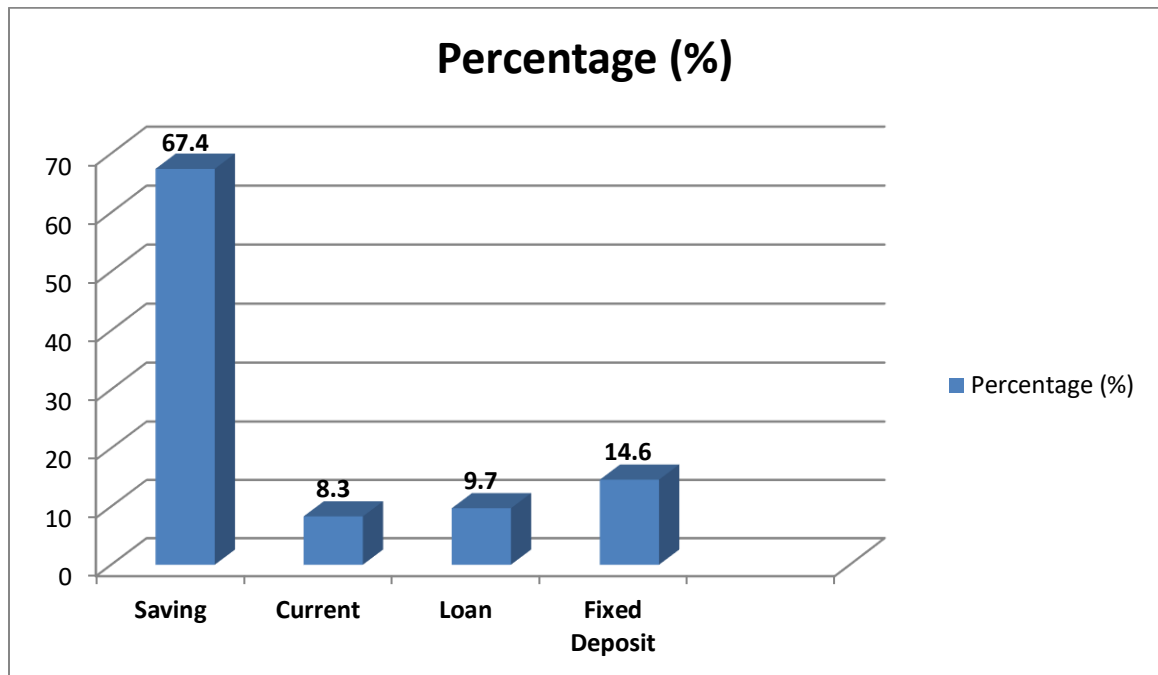
Types of Account	Frequency	Percentage (%)
Saving	97	67.4
Current	12	8.3
Loan	14	9.7
Fixed Deposit	21	14.6
Total	144	100.0
Mean 1.71		

Source: Field Survey, 2023

Table 11 shows the type of account that is currently holding by the respondents. Among 144 respondents, the majority of respondents are holding saving account which is 67.4%.

At the same, 8.3% of respondents hold current account, 9.7% of respondents are using loan facilities whereas 14.6% of respondents hold fixed deposit. Its overall mean is 1.71.

**Figure 3**  
**Types of Account currently hold by Respondents**



Source: Field Survey, 2023

From figure 3, it is shown that majority of respondent hold saving account with 67.4% where as minority of respondent hold current account with 8.3%.

#### **4.1.2. Measurement of level of customer satisfaction in terms of tangibles in Nepalese commercial banks**

The first objective of the study is to measure the level of customer satisfaction in terms of tangibles in Nepalese commercial banks. This section discusses about customer satisfaction factors that is tangibles under which different questions are prepared and thus its descriptive statistics are also shown with values of the mean, median as well as standard deviation of each statements.

The table 12 depicts the first determinants of customer satisfaction, that is tangibles and it reveals the descriptive statistics of level of physical facilities and equipments in Nepalese commercial banks. In order to assess the level of tangibility in Nepalese commercial

banks, five questions were constructed the questionnaire attempted to measure the level of tangibility through different respondents. The weighted average of responses on these five questions about tangibles is 2.26. The individual mean of these five questions are 2.069, 2.42, 2.34, 2.23, and 2.29 respectively and it is shown in terms of percentage wise. Thus all the details relating to the factors are explained in the table below.

**Table 12**  
**Respondent Opinions Regarding Tangibles**

This table shows the number of responses on the five point Likert scale and it is calculated on basis of the tangibles as per statement-wise. Also mean values with %, median, standard deviations and overall rank associated with each statement are given. (Note the mean % shown in the table is the % of disagreement of the statement whereas agreement % of the statement is calculated by  $100\% - \text{mean } \%$ ).

Statements	1	2	3	4	5	Total	Mean (%)	Median	S.D
The bank use modern technology and instruments.	28 (19.4)	80 (55.6)	34 (23.6)	2 (1.4)	0	144 (100)	2.069 (41.4)	2	0.7
The bank has good parking facilities.	12 (8.3)	71 (49.3)	51 (35.4)	8 (5.6)	2 (1.4)	144 (100)	2.42 (48.4)	2	0.8
The bank use clear signpost for different areas inside the branch.	17 (11.8)	76 (52.8)	40 (27.8)	6 (4.2)	5 (3.5)	144 (100)	2.34 (46.8)	2	0.9
The bank provides clear and understandable bank statements.	17 (11.8)	80 (55.6)	43 (29.9)	4 (2.8)	0	144 (100)	2.23 (44.6)	2	0.7

Employees of the bank are well dressed.	6 (4.2)	91 (63.2 )	46 (31.9)	1 (0.7)	0	144 (100)	2.29 (45.8)	2	0.5
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Source: Field Survey, 2023

Note: 1= Strongly Agree                      2 = Agree                      3 =Neutral  
4 =Disagree                                      5=Strongly Disagree

On the first statement (T1) its average mean is 2.069 which states that 58.62 % of the respondents agreed on the statement whereas 41.38% of them disagreed with the statement. Out of 144 respondents, 28 respondents strongly agreed on the statement, none of them strongly disagreed on the statement. At the same time 80 respondents agreed and 2 respondents disagreed on the statement whereas 34 respondents neither agreed nor disagreed. Similarly The bank has good parking facilities (T2) the second statement, with mean value of 2.42 which revealed that 51.6% of sample respondent agreed on the statement, here 71 respondents agreed on the statement and 12 respondents strongly agreed on the statement whereas 8 respondents disagreed and 2 respondents strongly disagreed on the statement and 51 respondents remained neutral with the statement. At the same time the third statement, The bank use clear signpost for different areas inside the branch (T3) has a mean score of 2.34 which means 53.2 % of the respondents agreed on the statement, here out of 144 respondents 76 agreed with the statement and 17 strongly agreed with the statement where as 6 disagreed and 5 strongly disagreed with the statement and 40 stayed neutral. The bank provides clear and understandable bank statements (T4), the fourth statement with a mean value of 2.23 which means 55.4% of respondents agreed on the statement, here 80 agreed with the statement and 17 strongly agreed with the statement where as 4 disagreed and 40 stayed neutral with the statement. Similarly the fifth statement (T5), Employees of the bank are well dressed with a mean value of 2.29 means 54.2% of respondents agreed on the statement. Here 91 agreed with the statement and 6 strongly agreed with the statement where as 1 disagreed and 46 remained neutral with the statement.

The mean values of all these five questions lies on the range of 2 to 3 which shows that there is not a big difference between the highest and lowest mean value of the five

questions set. However there is no significant difference between the mean which indicates that there is consistency in responses of the respondents on the specified likert scale items statements. The lowest mean is 2.069 for the statement one, the statement is “The bank use modern technology and instruments”. It shows that the sample respondents are satisfied with the equipments and technology used by commercial bank of Nepal as compared to other statements. On the other hand, the highest mean is 2.42 which have occurred from the question two which states “The bank has good parking facilities”. Thus as per the respondents response it is clear that the parking facility of provided by the Nepalese commercial banks are not satisfactory to some extent. Thus they are not satisfied with the parking facility offered by banks as compared to other physical facilities

Moreover the table also reveals the median and standard deviation of each statement. Here the median explains that majority of respondents agreed with the statement. Thus in conclusion tangibles, physical facilities and equipments are very much important for satisfying customers in commercial banks of Nepal.

#### **4.1.3 Measurement of level of customer satisfaction in terms of reliability in Nepalese commercial banks**

The second objective of the study is to measure the level of customer satisfaction in terms of reliability in Nepalese commercial banks. This section discusses about customer satisfaction factors that is reliability under which different questions are prepared and thus its descriptive statistics are also shown with values of the mean, median as well as standard deviation of each statements.

The table 13 depicts the second determinant of customer satisfaction, that is reliability and it reveals the descriptive statistics of level of timely and accurate service in Nepalese commercial banks. In order to assess the level of reliability in Nepalese commercial banks, five questions were constructed the questionnaire attempted to measure the level of reliability through different respondents. The weighted average of responses on these five questions about reliability is 2.29. The individual mean of these five questions are

2.54, 2.4, 2.24, 2.15, and 2.21 respectively and it is shown in terms of percentage wise. Thus all the details relating to the factors are explained in the table

**Table 13**  
**Respondent Opinions Regarding Reliability**

This table shows the number of responses on the five point Likert scale and it is calculated on basis of the reliability as per statement-wise. Also mean values with %, median, standard deviations and overall rank associated with each statement are given. (Note the mean % shown in the table is the % of disagreement of the statement whereas agreement % of the statement is calculated by 100% – mean %).

Statements	1	2	3	4	5	Total	Mean (%)	Median	S.D
The bank show fair value disclosure for loan.	10 (6.9)	51 (35.4)	79 (54.9)	3 (2.1)	1 (0.7)	144	2.54 (50.8)	3	0.7
The bank maintains error free records.	17 (11.8)	64 (44.4)	60 (41.7)	2 (1.4)	1 (0.7)	144	2.34 (46.8)	2	0.7
The bank is able to deliver all services in time.	17 (11.8)	86 (59.7)	30 (20.8)	11 (7.6)	0	144	2.24 (44.8)	2	0.8
The bank maintains confidential transaction.	20 (13.9)	88 (61.1)	30 (20.8)	6 (4.2)	0	144	2.15 (43)	2	0.7
The bank provides accuracy in all type of transaction.	10 (6.9)	96 (66.7)	35 (24.3)	3 (2.1)	0	144	2.21 (44.2)	2	0.6

Source: Field Survey, 2023

Note: 1= Strongly Agree

2 = Agree

3 =Neutral

4 =Disagree

5=Strongly Disagree

From the first statement (RE1) its average mean is 2.54, which means 49.2% of the respondents agreed with the statement. Among 144 respondents, 10 respondents strongly agreed on the statement, 1 of them strongly disagreed on the statement. At the same time 51 respondents agreed and 3 respondents disagreed on the statement whereas 79 respondents neither agreed nor disagreed. Similarly the bank maintains error free records(RE2), the second statement, with mean value is 2.42, here 64 respondents agreed on the statement and 17 respondents strongly agreed on the statement whereas 2 respondents disagreed and 1 respondents strongly disagreed on the statement and 60 respondents remained neutral with the statement. At the same time the third statement, The bank is able to deliver all services in time(RE3) has a mean score of 2.24, here out of 144 respondents 86 agreed with the statement and 17 strongly agreed with the statement where as 11 disagreed and 30 stayed neutral with the statement. The bank maintains confidential transaction(RE4) is the fourth statement with mean value of 2.15, here 88 agreed with the statement and 20 strongly agreed with the statement where as 6 disagreed and 30 stayed neutral with the statement. Similarly the fifth statement (RE5), the bank provides accuracy in all type of transaction has a mean value of 2.21. Here 96 agreed with the statement and 10 strongly agreed with the statement where as 3 disagreed and 35 remained neutral with the statement.

The mean values of all these five questions lies on the range of 2 to 3 which shows that there is not a big difference between the highest and lowest mean value of the five questions set. However there is no significant difference between the mean which indicates that there is consistency in responses of the respondents on the specified likert scale items statements. The highest mean is 2.54 which have occurred from the question one which states “The bank show fair value disclosure for loan”. Thus as per the respondents response, banks does not show clear value in disclosure of loan to some extent. On the other hand the lowest mean is 2.15 for the statement “The bank maintains confidential transaction”. It shows that the sample respondents do have confidence and trust in confidential transaction in commercial banks of Nepal.

#### 4.1.4 Measurement of level of customer satisfaction in terms of assurance in Nepalese commercial banks

The third objective of the study is to measure the level of customer satisfaction in terms of assurance in Nepalese commercial banks. This section discusses about customer satisfaction factors that is assurance under which different questions are prepared and thus its descriptive statistics are also shown with values of the mean, median as well as standard deviation of each statements.

The table 14 depicts the third determinants of customer satisfaction, that is, assurance and it reveals the descriptive statistics of level of trust and confidence in Nepalese commercial banks. In order to assess the level of assurance in Nepalese commercial banks, five questions were constructed the questionnaire attempted to measure the level of assurance through different respondents. The weighted average of responses on these five questions about tangibles is 2.38. The individual mean of these questions are 2.37, 2.34, 2.35, 2.35, and 2.51 respectively.

**Table 14**  
**Respondent Opinions Regarding Assurance**

This table shows the number of responses on the five point Likert scale and it is calculated on basis of the assurance as per statement-wise. Also mean values with %, median, standard deviations and overall rank associated with each statement are given. (Note the mean % shown in the table is the % of disagreement of the statement whereas agreement % of the statement is calculated by  $100\% - \text{mean } \%$ ).

Statements	1	2	3	4	5	Total	Mean (%)	Median	S.D
The employees are constantly courteous.	10 (6.9)	75 (52.1)	55 (38.2)	3 (2.1)	1 (0.7)	144	2.37 (47.4)	2	0.7
The employees are capable and competent.	9 (6.3)	79 (54.9)	53 (36.8)	3 (2.1)	0	144	2.34 (46.8)	2	0.6

The employees have ability to answer your queries.	10 (6.9)	80 (55.6)	47 (32.6)	7 (4.9)	0	144	2.35 (47)	2	0.7
The bank employees are polite with you.	15 (10.4)	69 (47.9)	54 (37.5)	6 (4.2)	0	144	2.35 (47)	2	0.7
You can easily trust the employees of the bank.	7 (4.9)	63 (43.8)	68 (47.2)	5 (3.5)	1 (0.7)	144	2.51 (50.2)	3	0.7

Source: Field Survey, 2023

Note: 1= Strongly Agree                      2 = Agree                      3 =Neutral  
4 =Disagree                                      5=Strongly Disagree

Table 14 explains the descriptive statistics of determinant of customer satisfaction that is assurance, in which statement one includes the employees are constantly courteous (AS1) with a mean score of 2.37. Out of 144 respondents, 10 respondents strongly agreed on the statement, one of them strongly disagreed on the statement. At the same time 75 respondents agreed and 3 respondents disagreed on the statement whereas 55 respondents neither agreed nor disagreed. Similarly the second statement, the employees are capable and competent (AS2) has a mean value 2. Among different respondents 79 respondents agreed on the statement and 9 respondents strongly agreed on the statement whereas 3 respondents disagreed, none of them strongly disagreed on the statement and 53 of them remained neutral with the statement. At the same time the third statement, the employees have ability to answer your queries (AS3), has a mean score of 2.35. Here out of 144 respondents 80agreed with the statement and 10 strongly agreed with the statement where as 7 disagreed and 47 stayed neutral. The bank employees are polite with you (AS4), the fourth statement with a mean value of 2.35.69 respondents agreed with the statement and 15 strongly agreed with the statement where as 6 disagreed and 54 stayed neutral with the statement. Similarly the fifth statement “You can easily trust the employees of the bank” (AS5) has a mean value of 2.51.Here 63 agreed with the statement and 7 strongly agreed

with the statement, 68 remained neutral with the statement whereas 5 disagreed and 1 strongly disagreed with the statement.

The mean values of all these five questions lies on the range of 2 to 3 which shows that there is not a big difference between the highest and lowest mean value of the five questions set. However there is no significant difference between the mean which indicates that there is consistency in responses of the respondents on the specified likert scale items statements. The highest mean is 2.51 and lowest mean is 2.34. Moreover the table also reveals the median and standard deviation of each statement. Here the median explains that majority of respondents agreed with the statement. Thus in conclusion assurance plays important role for satisfying customers.

#### **4.1.5 Measurement of level of customer satisfaction in terms of empathy in Nepalese commercial banks**

The fourth objective of the study is to measure the level of customer satisfaction in terms of empathy in Nepalese commercial banks. This section discusses about customer satisfaction factors that is empathy under which different questions are prepared and thus its descriptive statistics are also shown with values of the mean, median as well as standard deviation of each statements.

The table 15 depicts the fourth determinants of customer satisfaction, that is empathy and it reveals the descriptive statistics of level of personal attention and behavior in Nepalese commercial banks. In order to assess the level of empathy in Nepalese commercial banks, five questions were constructed the questionnaire attempted to measure the level of tangibility through different respondents. The weighted average of responses on these five questions about empathy is 2.21. The individual mean of these five questions are 2.22, 2.19, 2.16, 2.20, and 2.29 respectively and it is shown in terms of percentage wise. Thus all the details relating to the factors are explained in the table below.

**Table 15**

**Respondent Opinions Regarding Empathy**

This table shows the number of responses on the five point Likert scale and it is calculated on basis of the empathy as per statement-wise. Also mean values with %, median, standard deviations and overall rank associated with each statement are given. (Note the mean % shown in the table is the % of disagreement of the statement whereas agreement % of the statement is calculated by 100% – mean %).

Statements	1	2	3	4	5	Total	Mean (%)	Median	S.D
The bank has convenient branch locations.	19 (13.2)	78 (54.2)	42 (29.2)	5 (3.5)	0	144	2.22 (44.4)	2	0.71
The bank provides convenient service charges.	12 (8.3)	94 (65.3)	36 (25)	2 (1.4)	0	144	2.19 (43.8)	2	0.59
The bank provides convenient banking hours.	14 (9.7)	98 (68.1)	28 (19.4)	2 (1.4)	2 (1.4)	144	2.16 (43.2)	2	0.66
The bank maintains good customer relationship.	10 (6.9)	98 (68.1)	32 (22.2)	4 (2.8)	0	144	2.20 (44)	2	0.60
Employees of bank have good attitude.	5 (3.5)	95 (66)	41 (28.5)	3 (2.1)	0	144	2.29 (45.8)	2	0.56

Source: Field Survey, 2023

Note: 1= Strongly Agree                      2 = Agree                      3 =Neutral  
4 =Disagree                      5=Strongly Disagree

On the first statement (EM1) its average mean is 2.22 which states that 55.6 % of the respondents agreed on the statement. Out of 144 respondents, 19 respondents strongly agreed on the statement, none of them strongly disagreed on the statement. At the same time 78 respondents agreed and 5 respondents disagreed on the statement whereas 42 respondents neither agreed nor disagreed. Similarly The bank provides convenient

service charges (EM2) the second statement, with mean value of 2.19 which revealed that 56.2% of sample respondent agreed on the statement, here 94 respondents agreed on the statement and 12 respondents strongly agreed on the statement whereas 2 respondents disagreed, none of them, strongly disagreed on the statement and 36 respondents remained neutral with the statement. At the same time the third statement, The bank provides convenient banking hours (EM3) has a mean score of 2.16 which means 56.8 % of the respondents agreed on the statement, here out of 144 respondents 98agreed with the statement and 14 strongly agreed with the statement where as 2 disagreed and 2 strongly disagreed with the statement and 28 stayed neutral. The bank maintains good customer relationship (EM4), the fourth statement with a mean value of 2.20 which means 56% of respondents agreed on the statement, here 98agreed with the statement and 10 strongly agreed with the statement where as 4 disagreed and 32 stayed neutral with the statement. Similarly the fifth statement (EM5), Employees of bank have good attitude with a mean value of 2.29 means 54.2% of respondents agreed on the statement. Here 95 agreed with the statement and 5 strongly agreed with the statement where as 3 disagreed and 41 remained neutral with the statement.

The mean values of all these five questions lies on the range of 2 to 3 which shows that there is not a big difference between the highest and lowest mean value of the five questions set. However there is no significant difference between the mean which indicates that there is consistency in responses of the respondents on the specified likert scale items statements. The lowest mean is 2.16 which have occurred from the statement three which states “The bank provides convenient banking hours. Thus as per the respondents response it is clear that the operation hours provided by the Nepalese commercial banks satisfy the customers to some extent. On the other hand the highest mean is 2.29 for the statement five the statement is “Employees of bank have good attitude”. It shows that the sample respondents are not fully satisfied with attitudes and responses of the employees as compared to others statements in commercial bank of Nepal.

Moreover the table also reveals the median and standard deviation of each statement. Here the median explains that majority of respondents agreed with the statement. Thus in conclusion tangibles are very much important for satisfying customers.

#### **4.1.6 Measurement of level of customer satisfaction in terms of price factors in Nepalese commercial banks**

The fifth objective of the study is to measure the level of customer satisfaction in terms of Price factor in Nepalese commercial banks. This section discusses about customer satisfaction factors that is charges taken by the banks under which different questions are prepared and thus its descriptive statistics are also shown with values of the mean, median as well as standard deviation of each statements.

The table 16 depicts the fifth determinants of customer satisfaction, that is price factor and it reveals the descriptive statistics of charges taken by Nepalese commercial banks. In order to assess the level of price factor in Nepalese commercial banks, five questions were constructed the questionnaire attempted to measure the level of price factor through different respondents. The weighted average of responses on these five questions about price factor is 2.69. The individual mean of these five questions are 2.77, 2.68, 2.77, 2.66, and 2.61 respectively and it is shown in terms of percentage wise. Thus all the details relating to the factors are explained in the table below.

**Table 16**

#### **Respondent Opinions Regarding Price factor**

This table shows the number of responses on the five point Likert scale and it is calculated on basis of the price factor as per statement-wise. Also mean values with %, median, standard deviations and overall rank associated with each statement are given. (Note the mean % shown in the table is the % of disagreement of the statement whereas agreement % of the statement is calculated by  $100\% - \text{mean } \%$ ).

Statements	1	2	3	4	5	Total	Mean (%)	Median	S.D
The bank charge low interest rate on	3	42	84	14	0	144	2.77	3	0.67

loan.	(2.1)	(29.2)	(58.3)	(9.7)			(55.4)		
The bank charge reasonable fines and penalties.	6 (4.2)	48 (33.3)	77 (53.5)	12 (8.3)	1 (0.7)	144	2.68 (53.6)	3	0.71
The bank provide high interest rate on deposit	3 (2.1)	50 (34.7)	72 (50)	15 (10.4)	4 (2.8)	144	2.77 (55.4)	3	0.77
Low bank charges.	4 (2.8)	51 (35.4)	80 (55.6)	7 (4.9)	2 (1.4)	144	2.66 (53.2)	3	0.67
Service charge is low in this bank.	8 (5.6)	51 (35.4)	77 (53.5)	5 (3.5)	3 (2.1)	144	2.61 (52.2)	3	0.73

Source: Field Survey, 2023

Note: 1= Strongly Agree                      2 = Agree                      3 =Neutral  
4 =Disagree                                      5=Strongly Disagree

On the first statement (PF1) its average mean is 2.77 which states that 44.6 % of the respondents agreed on the statement. Out of 144 respondents, 3 respondents strongly agreed on the statement, none of them strongly disagreed on the statement. At the same time 42 respondents agreed and 14 respondents disagreed on the statement whereas 84 respondents neither agreed nor disagreed. Similarly The bank charge reasonable fines and penalties (PF2) the second statement, with mean value of 2.68 which revealed that 46.4% of sample respondent agreed on the statement, here 48 respondents agreed on the statement and 6 respondents strongly agreed on the statement whereas 12 respondents disagreed and 1 respondents strongly disagreed on the statement and 77 respondents remained neutral with the statement. At the same time the third statement, The bank provide high interest rate on deposit (PF3) has a mean score of 2.77 which means 44.6 % of the respondents agreed on the statement, here out of 144 respondents 50agreed with the statement and 3 strongly agreed with the statement where as 15 disagreed and 4 strongly disagreed with the statement and 72 stayed neutral. Low bank charges (PF4), the fourth statement with a mean value of 2.66 which means 46.8% of respondents agreed on the statement, here 51agreed with the statement and 4 strongly agreed with the statement where as 7 disagreed, 2 strongly disagreed and 80 stayed neutral with the statement.

Similarly the fifth statement (PF5), Service charge is low in this bank with a mean value of 2.61 means 47.8% of respondents agreed on the statement. Here 51 agreed with the statement and 8 strongly agreed with the statement where as 5 disagreed, 3 strongly disagreed and 77 remained neutral with the statement.

The mean values of all these five questions lies on the range of 2 to 3 which shows that there is not a big difference between the highest and lowest mean value of the five questions set. However there is no significant difference between the mean which indicates that there is consistency in responses of the respondents on the specified likert scale items statements. The highest mean is 2.77 and the lowest mean is 2.61. Moreover the table also reveals the median and standard deviation of each statement. Here the median explains that majority of respondents are neutral with the statement. Thus price factor play very important role in satisfying customers in commercial banks of Nepal.

#### **4.1.7 Measurement of level of customer satisfaction in terms of responsiveness in Nepalese commercial banks**

The sixth objective of the study is to measure the level of customer satisfaction in terms of responsiveness in Nepalese commercial banks. This section discusses about customer satisfaction factors that is responsiveness under which different questions are prepared and thus its descriptive statistics are also shown with values of the mean, median as well as standard deviation of each statements.

The table 17 depicts the sixth determinants of customer satisfaction, that is responsiveness and it reveals the descriptive statistics of level of quick services and willingness to help in Nepalese commercial banks. In order to assess the level of responsiveness in Nepalese commercial banks, five questions were constructed the questionnaire attempted to measure the level of responsiveness through different respondents. The weighted average of responses on these five questions about responsiveness is 2.37. The individual mean of these five questions are 2.35, 2.37, 2.27, 2.54, and 2.36 respectively and it is shown in terms of percentage wise. Thus all the details relating to the factors are explained in the table below.

**Table 18****Respondent Opinions Regarding Responsiveness**

This table shows the number of responses on the five point Likert scale and it is calculated on basis of the responsiveness as per statement-wise. Also mean values with %, median, standard deviations and overall rank associated with each statement are given. (Note the mean % shown in the table is the % of disagreement of the statement whereas agreement % of the statement is calculated by 100% – mean %).

Statements	1	2	3	4	5	Tot al	Mean (%)	Med	S.D
The bank lets to know you when things will get done.	9 (6.3)	83 (57.6)	44 (30.6)	8 (5.6)	0	144	2.35 (47)	2	0.6 8
The employees are always willing to help you.	5 (3.5)	88 (61.1)	45 (31.3)	4 (2.8)	2 (1.4)	144	2.37 (47.4)	2	0.6 6
The bank provides prompt service.	7 (4.9)	93 (64.6)	41 (28.5)	3 (2.1)	0	144	2.27 (45.4)	2	0.5 8
The bank provides financial advice.	2 (1.4)	76 (52.8)	55 (38.2)	8 (5.6)	3 (2.1)	144	2.54 (50.8)	2	0.7 1
The bank provides prompt responses to your queries.	6 (4.2)	88 (61.1)	44 (30.6)	4 (2.8)	2 (1.4)	144	2.36 (47.2)	2	0.6 7

Source: Field Survey, 2023

Note: 1= Strongly Agree                      2 = Agree                      3 =Neutral  
           4 =Disagree                                5=Strongly Disagree

On the first statement (RES1) its average mean is 2.35 which states that 53 % of the respondents agreed on the statement. Out of 144 respondents, 9 respondents strongly agreed on the statement, none of them strongly disagreed on the statement. At the same time 83 respondents agreed and 8 respondents disagreed on the statement whereas 44 respondents neither agreed nor disagreed. Similarly The employees are always willing to help you (RES2) the second statement, with mean value of 2.37 which revealed that

52.6% of sample respondent agreed on the statement, here 88 respondents agreed on the statement and 5 respondents strongly agreed on the statement whereas 4 respondents disagreed and 2 respondents strongly disagreed on the statement and 45 respondents remained neutral with the statement. At the same time the third statement, “The bank provides prompt service”(RES3) has a mean score of 2.27 which means 54.6 % of the respondents agreed on the statement, here out of 144 respondents 93 agreed with the statement and 7 strongly agreed with the statement where as 3 disagreed and 41 stayed neutral with the statement. The bank provides financial advice (RES4), the fourth statement with a mean value of 2.54 which means 49.2% of respondents agreed on the statement, here 76agreed with the statement and 2 strongly agreed with the statement where as 8 disagreed, 3 strongly disagreed and 55 stayed neutral with the statement. Similarly the fifth statement (RES5), the bank provides prompt responses to your queries with a mean value of 2.36 means 52.8% of respondents agreed on the statement. Here 88 agreed with the statement and 6 strongly agreed with the statement where as 4 disagreed, 2 strongly disagreed and 44 remained neutral with the statement.

The mean values of all these five questions lies on the range of 2 to 3 which shows that there is not a big difference between the highest and lowest mean value of the five questions set. However there is no significant difference between the mean which indicates that there is consistency in responses of the respondents on the specified likert scale items statements. The highest mean is 2.54 and the lowest mean is 2.27. Moreover the table also reveals the median and standard deviation of each statement. Here the median explains that majority of respondents agreed with the statement. Thus in conclusion responsiveness is very much important for satisfying customers.

#### **4.1.8 Measurement of customer satisfaction in Nepalese commercial banks**

The aim of the study is to measure the level of customer satisfaction in terms of tangibles, reliability, assurance, empathy, price factor and responsiveness in Nepalese commercial banks. This section deals with descriptive statistics of customer satisfaction along with the mean, median as well as standard deviation.

The table 19 depicts the descriptive statistics. Here, mean, median and standard deviation and the response of the respondents are presented which helps to gain the result of the study. The total number of observation is 144. First six different questions were constructed and the questionnaire attempted to measure the customer satisfaction and issues concerned to it through different respondents. The weighted average of responses on these six questions is 2.29. The individual mean of these six questions are 2.16, 2.32, 2.34, 2.5, 2.29, and 2.179 respectively and it is shown in terms of percentage wise as well.

**Table 19**  
**Respondent Opinions Regarding Customer Satisfaction**

This table shows the number of responses on the five point Likert scale and it is calculated on basis of the customer satisfaction as per statement-wise. Also mean values, median, standard deviations and overall rank associated with each statement are given.

Statements	1	2	3	4	5	Tot al	Mea n	Me d	S.D
The banks forms and slips are easy to fill.	17 (11.8)	87 (60.4)	39 (27.1)	1 (0.7)	0	144	2.16	2	0.62
The bank provides timely service.	6 (4.2)	88 (61.1)	47 (32.6)	3 (2.1)	0	144	2.32	2	0.58
Bank charges are clearly explained.	6 (4.2)	86 (59.7)	48 (33.3)	4 (2.8)	0	144	2.34	2	0.62
Internet banking and SMS banking are easy to use	7 (4.9)	67 (46.5)	63 (43.8)	4 (2.8)	3 (2.1)	144	2.5	2	0.72
You are satisfied with the ATM service of the bank.	10 (6.9)	85 (59)	45 (31.3)	4 (2.8)	0	144	2.29	2	0.63
The bank provide easy access	10 (6.9)	102 (70.8)	29 (20.1)	3 (2.1)	0	144	2.17	2	0.57

Source: Field Survey, 2023

Note: 1= Strongly Agree                      2 = Agree                      3 =Neutral  
4 =Disagree                                      5=Strongly Disagree

As per the statement, there is no significance difference between the mean values of the statements. The mean values of all these five questions lies on the range of 2 to 3 which shows that there is not a big difference between the highest and lowest mean value of the statements which indicates that there is consistency in responses of the respondents on the specified likert scale items statements. The banks forms and slips are easy to fill has the lowest mean is 2.16. It shows that the sample respondents can easily understand the forms and slips and feels easy while filling the bank forms slips in commercial bank of Nepal. On the other hand bank charges are clearly explained has highest mean of highest mean is 2.34. Thus as per the respondents response, charges taken by Nepalese commercial banks are not clearly explained and customer face difficulties in understanding the charges charged. Thus customers are not satisfied with the charges charged by the banks as compared to other statements. Moreover the table also reveals the median and standard deviation of each statement. The median explains that majority of respondents agreed with the statement.

#### **4.1.9 Measurement of customer loyalty in Nepalese commercial banks**

The study also aims to analyze the relationship between customer satisfaction and customer loyalty in Nepalese commercial banks. This section deals with descriptive statistics of customer loyalty along with the mean, median as well as standard deviation.

The table 20 depicts the descriptive statistics of customer loyalty. Here, mean, median and standard deviation and the response of the respondents are presented which helps to gain the result of the study. The total number of observation is 144. First six different questions were constructed and the questionnaire attempted to measure the customer loyalty and issues concerned to it through different respondents. The weighted average of responses on these six questions is 2.39. The individual mean of these six questions are 2.32, 2.32, 2.46, 2.48, 2.88, and 1.88 respectively and it is shown in terms of percentage wise as well.

**Table 20****Respondent Opinions Regarding Customer Loyalty**

This table shows the number of responses on the five point Likert scale and it is calculated on basis of the customer loyalty as per statement-wise. Also mean values, median, standard deviations and overall rank associated with the statements are given.

Statements	1	2	3	4	5	Total	Mean	Median	S.D
You will recommend this bank to others.	7 (4.9)	84 (58.3)	52 (36.1)	1 (0.7)	0	144	2.32	2	0.6
You will increase your banking business with this bank in following years.	7 (4.9)	84 (58.3)	52 (36.1)	1 (0.7)	0	144	2.32	2	0.6
You would like to personally recognize by staffs in your visit.	10 (6.9)	86 (59.7)	42 (29.2)	4 (2.8)	2 (1.4)	144	2.46	2	1.8
Enjoy the particular privileges from this bank that you would not get elsewhere.	5 (3.5)	70 (48.6)	64 (44.4)	4 (2.8)	1 (0.7)	144	2.48	2	0.6
You will do all your banking business with this bank even if another bank offer a slightly better.	6 (4.2)	53 (37.2)	48 (33.3)	25 (17)	12 (8.3)	144	2.88	3	1
You consider yourself to be a loyal customer.	41 (28.5)	79 (54.9)	24 (16.6)	0	0	144	1.88	2	0.7

Source: Field Survey, 2023

Note: 1= Strongly Agree                      2 = Agree                      3 =Neutral  
           4 =Disagree                                5=Strongly Disagree

As per the statement, there is a bit significance difference between the mean values of the statements. The mean values of all these five questions lies on the range of 1 to 3 which shows that there is a small difference between the highest and lowest mean value of the statements which indicates that there is less consistency in responses of the respondents on the specified likert scale items statements. You will do all your banking business with this bank even if another bank offer a slightly better has the highest mean of 2.88 which indicates the customer will switch their banking transaction with another if other banks offer better products and services. At the same time, “You consider yourself to be a loyal customer” has the lowest mean of 1.88 which indicates most of respondents considered themselves as a loyal customer. Moreover the table also reveals the median and standard deviation of each statement. The median explains that majority of respondents agreed with the statement.

#### 4.1.10. Factors affecting customer satisfaction in Nepalese commercial banks

There are various factors that affect customer satisfaction. As per the survey, table 21 explains the major factors that played significant role in customer satisfaction. Thus it is ranked as per its importance.

**Table 21**

#### **Rank of factors affecting customer satisfaction in Nepalese commercial banks**

This table represents the observed responses on ranking scores of factors affecting customer satisfaction in commercial banks of Nepal. The rank order 1 indicates most important one and so on up to 6 indicating the least important one. (Note the mean % shown in the table is the % of disagreement of the factor whereas agreement % of the factor is calculated by 100% – mean %).

<b>Factors</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>Mean (%)</b>	<b>Me d</b>	<b>Ran k</b>
Tangibles	13 (9)	29 (20.1)	23 (16)	20 (13.9)	20 (13.9)	37 (27.1)	3.84 (64)	4	4
Reliability	64	25	13	11	25	6	2.48	2	1

	(44.4)	(17.4)	(9)	(7.6)	(17.6)	(4.2)	(41.3)		
Assurance	19 (13.2)	26 (18.1)	27 (18.8)	39 (27.1)	18 (12.5)	15 (10.4)	3.39 (56.5)	3.5	3
Empathy	12 (8.3)	13 (9)	26 (18.1)	18 (12.5)	31 (21.5)	40 (30.6)	4.21 (70)	5	6
Price factors	27 (18.8)	28 (19.4)	25 (17.5)	31 (21.5)	26 (18.1)	7 (4.9)	3.15 (53)	3	2
Responsiveness	9 (6.3)	23 (16)	30 (20.8)	25 (17.4)	25 (17.4)	32 (22.2)	3.90 (65)	4	5

Source: Field Survey, 2023

Note: 1 = Most Important

2 = Second Most Important

3 = Third Most Important

4 = Fourth Most important

5 = Fifth Most Important

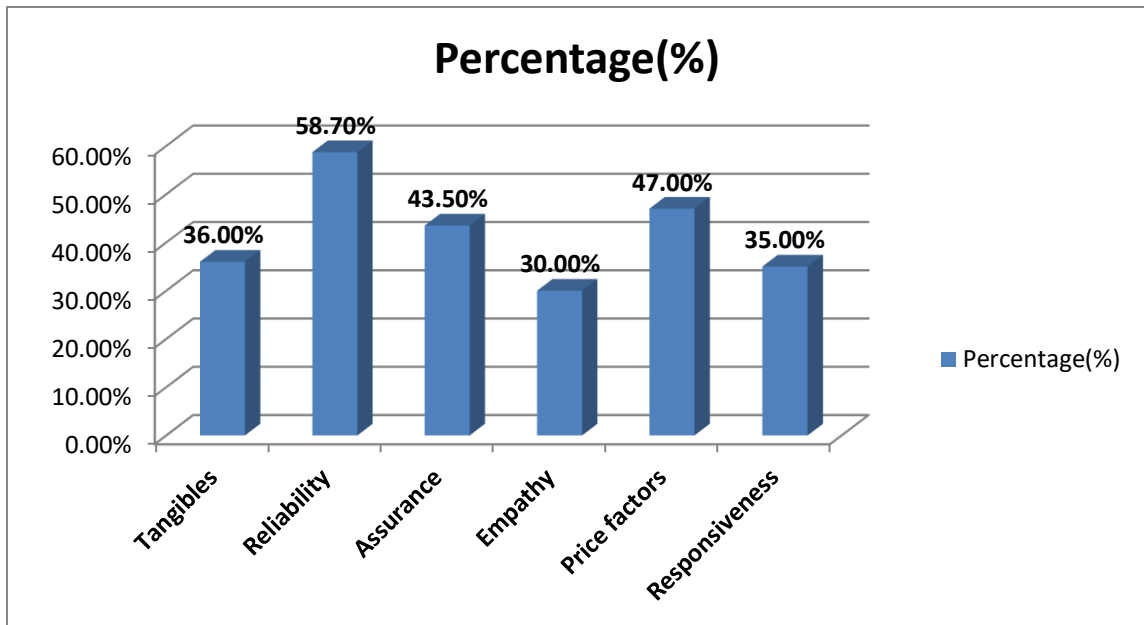
6 = Least Important

The table 21 describes the major factors of customer satisfaction in commercial banks of Nepal. There are various factors like tangibles, reliability, assurance, empathy, price factors and responsiveness and it has been ranked as per the mean percentage and median is also calculated. As per the ranking, it shows that the major factor affecting customer satisfaction is reliability with 58.7% which means customers are more satisfied with timely and accurate services provided by the banks. Secondly customers are more satisfied towards price factor with 47%. The third most important factor for customer satisfaction is considered as assurance with 43.5% and so on. Thus, every details are clearly shown in the table along with the percentage. The lowest percentage shown in the table indicates the most important factor that is reliability, timely and accurate services. Thus reliability is considered as the most important factor for satisfying customers. At the same time the highest percentage shown in the table is indicates least important factor that is empathy, timely and accurate services provided by the bank is regarded as the least important factor for customer satisfaction.

In short, on the basis on calculated percentage reliability is ranked in first position. Similarly price factors, assurance, tangibles, responsiveness and empathy are ranked

second third fourth fifth and sixth position respectively. All of the factor plays major role in satisfying customers but plays role of the most important factor to the least important factor of customer satisfaction in sample commercial banks of Nepal.

**Figure 4**  
**Factors of customer satisfaction**



Source: Field Survey, 2023

Figure 4 reveals the view of respondents on factors of customer satisfaction and it is presented along with percentage wise. As per the figure, reliability has highest percentage of 58.7 and empathy has lowest percentage of 30.

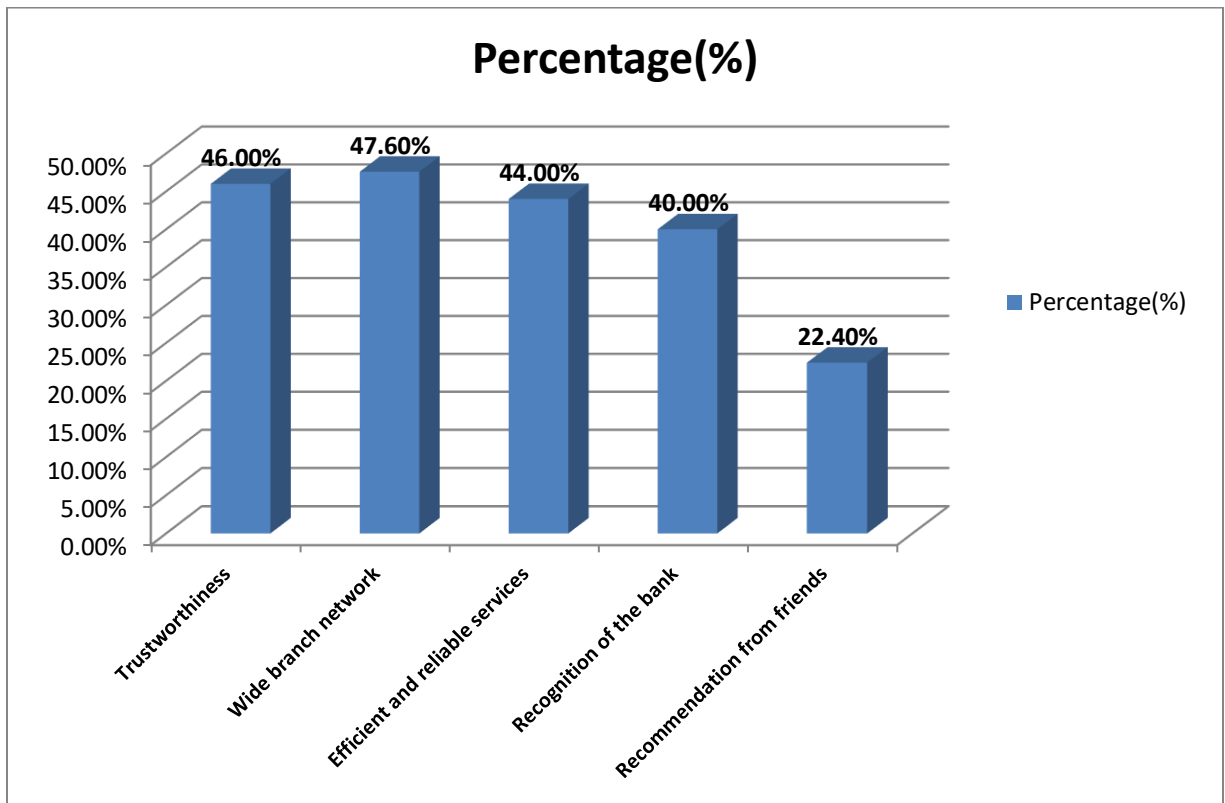
#### **4.1.11 Major factors of choosing the bank for transaction purpose**

There are various reasons of choosing the bank for transaction purpose. As per the survey, table 22 explains the major factors that played significant role in influencing the customer decision and choose bank for transaction purpose. Thus it is ranked as per its importance.



choosing banks for 46%. Similarly, efficient services, recognition of bank and recommendation from friends are third, fourth and fifth most influencing factor affecting customer decision in choosing banks of Nepalese commercial banks for 44%, 40% and 22.4% respectively. All factors play major role in customer decision but plays role of the most important factor to the least important factor affecting customer decision in choosing bank in sample commercial banks of Nepal.

**Fig 5**  
**Factors affecting Customer Decision in choosing Bank**



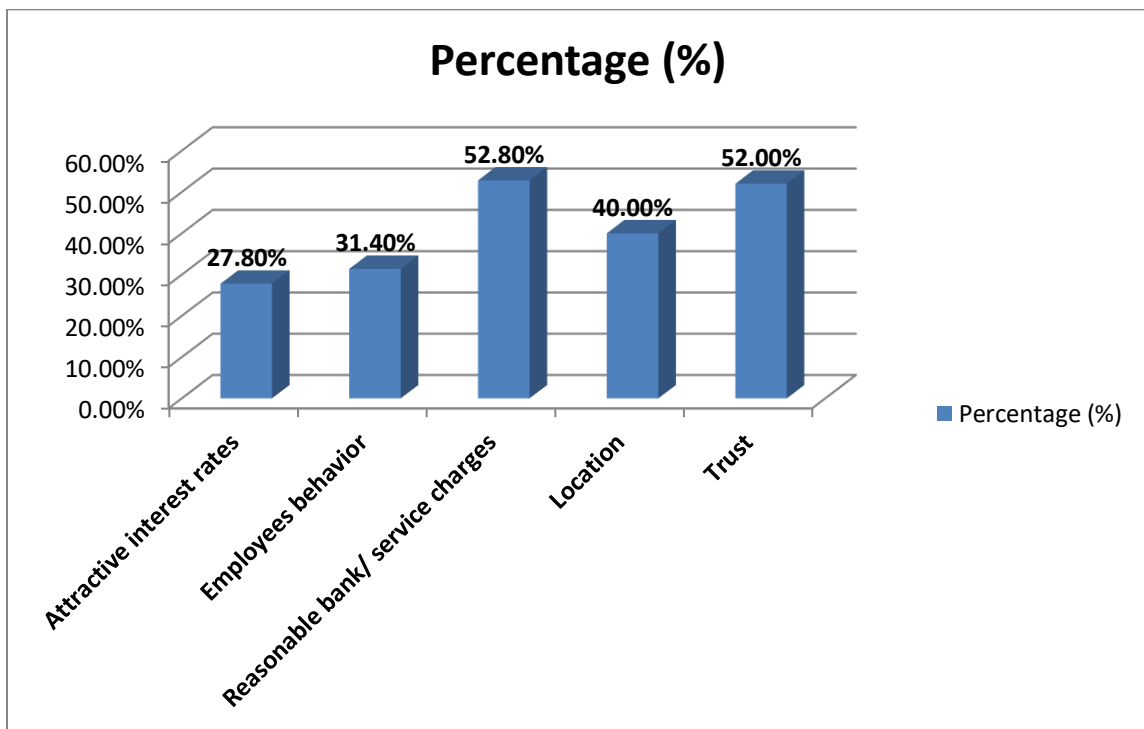
Source: Field Survey, 2023

Figure 5 reveals the major factors of customer decision to choose a bank for transaction purpose and it is presented along with percentage wise. As per the figure, wide branch network has highest percentage of 47.60 and recommendation from friends has lowest percentage of 22.40.



mean percentage and median is also calculated. As per the table it is seen that most of the respondents ranked reasonable bank and service charge as a most important factor influencing customer loyalty in Nepalese commercial banks with 52.8%. Likewise, trust is the second most important factor that influences customer loyalty for 52%. Similarly, location, employees behavior and attractive interest rate are third, fourth and fifth most influencing factor affecting customer loyalty towards bank of Nepalese commercial banks for 40%, 31.40% and 27.80% respectively. All factors play major role in customer loyalty but plays role of the most important factor to the least important factor affecting customer loyalty towards their bank in sample commercial banks of Nepal.

**Figure 6**  
**Factors of customer loyalty towards bank**



Source: Field Survey, 2023

Figure 6 reveals the major factors affecting customer loyalty toward bank and it is presented along with percentage wise. As per the figure, reasonable bank and service

charge has highest percentage of 52.80 and attractive interest rate has lowest percentage of 27.80.

#### 4.1.13 Major problems faced by the customers while receiving services

Table 24 shows the major problems faced by the customers while receiving services and doing banking transaction. The major problems are categorized which are listed in below table.

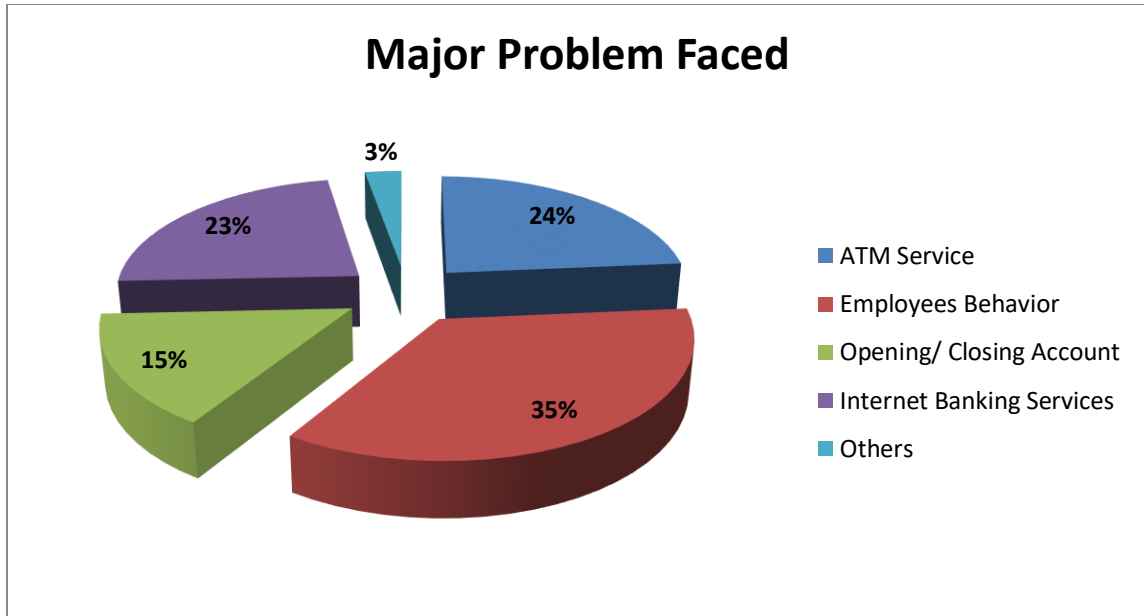
**Table 24**  
**Major Problems Faced**

<b>Problems faced by customers</b>	<b>Frequency</b>	<b>Percentage (%)</b>
ATM Service	34	23.6
Employees Behavior	51	35.4
Opening/ Closing Account	22	15.3
Internet Banking Services	33	22.9
Others	4	2.8
Total	144	100
Mean 2.45		

Source: Field Survey, 2023

Table 24 deals with the multiple choice questions in which the question are related to the problems faced from the bank. It shows the different difficulties faced by customers of commercial banks. Among various problems faced, the respondents ranked employees behavior as the most problem with highest frequency of 51 with 354%. ATM service is considered as the second most problem with frequency of 34 with 23.6%.the overall mean value of the statement is 2.45.

**Figure 7**  
**Major Problems Faced by Customers in Banks**



Source: Field Survey, 2023

Figure 7 presents the major difficulties faced by the customers in commercial banks of Nepal. Five major factors are listed as most difficulties faced by customers in banking purpose. From the above figure, it is shown that majority of respondent faced the problem of employees behavior problem with 35.4%. It means most of the respondents are facing the problem of behavior of the employees where as the second most problem faced is ATM service with 23.6%.

**4.1.14 Major factors that measure Customer Satisfaction**

Table 25 shows the factors that measures customer satisfaction in commercial banks of Nepal. The major factors are categorized which are listed in below table.

**Table 25**

**Factors to measure Customer Satisfaction**

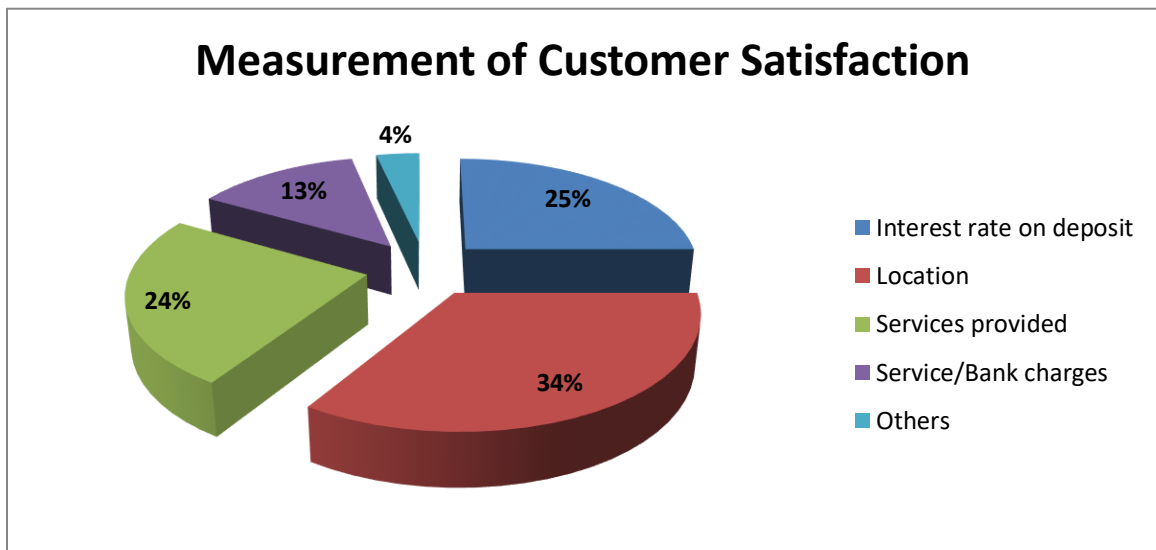
<b>Factors to measure Customer Satisfaction</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Interest rate on deposit	36	25.0
Location	49	34.0
Services provided	35	24.3
Service/Bank charges	19	13.2
Others	5	3.5
Total	144	100.0
Mean 2.45		

Source: Field Survey, 2023

Table 25 deals with the multiple choice questions in which the question are related to the problems faced from the bank. It shows the different factors that measure customer satisfaction. Among various factors the respondents ranked location as the most important with highest frequency of 49 with 34%. Interest rate on deposit is considered as the second most important factor with frequency of 36 with 25%. the overall mean value of the statement is 2.36.

**Figure 8**

**Factors to measure Customer Satisfaction**



Source: Field Survey, 2023

Figure 8 presents the major factors that measures customer satisfaction in commercial banks of Nepal. Five major factors are listed as most major factors that measures customer satisfaction. From the above figure, it is shown that majority of respondent ranked location as the important factor, interest rate on deposit is the second most important factor and the least important factor is other than these factors.

## 4.2 Correlation Analysis

This study examines the relationship between customer satisfaction and tangibles, reliability, assurance, empathy, price factors and responsiveness. The following regression model is run to examine the relationship between them.

$$CS_t = \beta_0 + \beta_1 TA_t + \beta_2 RE_t + \beta_3 AS_t + \beta_4 EM_t + \beta_5 PF_t + \beta_6 RES_t + \varepsilon_t$$

Here customer satisfaction (CS) is the dependent variable and tangibles(TA), reliability(RE), assurance(AS), empathy(EM), price factors(PF), and responsiveness (RES) are independent variables and  $\varepsilon$  is the error term.

### 4.2.1 Correlation Coefficient

The research has seven factors in total with one dependent factor and six independent factors which are determining their effect on the dependent factor that is satisfaction. The dependent variable is customer satisfaction and the independent variables are tangibles, reliability, assurance, empathy, price factors, and responsiveness. The correlations are shown on the table 26.

Table 26

#### Correlation Coefficient of Customer Satisfaction with its Determinants

This table presents bivariate Pearson's correlation coefficient between different variables used in the study (customer satisfaction tangibles, reliability, assurance, empathy, price factors, and responsiveness. \* Correlation is significant at 1 percent level.

	CS	TA	RE	AS	EM	PF	RES
CS	1.000	.732*	.761*	.478*	.381*	.498*	.296*
TA		1.000	.301*	.126*	.213*	.162*	.149*
RE			1.000	.268*	.207*	.055*	.175*
AS				1.000	.272*	.080*	.221*
EM					1.000	.119*	.009*
PF						1.000	.073*
RES							1.000

Source: Field Survey, 2023

Here, customer satisfaction has a relation with variables dimension of determinants of satisfaction like tangibles, reliability, assurance, empathy, price factors, and responsiveness. All the variables have positive and significant relationship with customer satisfaction. Positive correlation implies that as one variable increases in values so does the other. The data shows reliability factor is highly positively correlated with customer satisfaction with .761 and is significant at 1 percent level of significance. Similarly, the correlation between customer satisfaction and tangibility is positively correlated which is accounted at .732 and is significant at 1 percent level of significance. Price factor is also positively correlated with customer satisfaction by .498 which is significant at level of 1 percent. Similarly, assurance, empathy and responsiveness is also positively correlated with customer satisfaction at magnitude of .478, .381 and .296 respectively and all are significant at level of 1 percent. In overall tangibles, reliability, and price factors are important factors which show higher correlation with satisfaction than assurance, empathy and responsiveness.

#### 4.3 Regression Analysis

In this part of analysis, regression between the independent variables namely are tangibles, reliability, assurance, empathy, price factors, and responsiveness as well as the regression between the dependent variable, customer satisfaction are explained in table 27.

**Table 27**

**Model Summary of Regression**

Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std. Error of the Estimate	Change Statistics					Durbin - Watson
					Sig. F Change	R <sup>2</sup> Change	F Change	df1	df2	
1	.631(a)	.398	.238	.70588	.398	2.488	30	114	.000	1.882

Source: Field Survey, 2023

**Table 28**

**ANOVA of Regression**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	37.190	30	1.240	2.488	.001(a)
Residual	56.303	114	0.498		
Total	93.493	144			

Source: Field Survey, 2023

Table 27 and table 28 give the regression model. It shows the model is significant at 1% level of significance and about 24% of the variation in customer satisfaction is explained by the explanatory variables that have been used in this model. Similarly here R<sup>2</sup> is 0.398 which means about 40 percent of the variation in customer satisfaction is explained by the explanatory variables. In addition, there is no problem associated with the autocorrelation as shown by acceptable Durbin-Watson statistics that is 1.882.

**Table 29**

**Regression analysis of customer satisfaction and independent variables**

This table presents regression analysis of  $CS_t = \beta_0 + \beta_1TA_t + \beta_2RE_t + \beta_3AS_t + \beta_4EM_t + \beta_5PF_t + \beta_6RES_t + \varepsilon_t$  used in the study. Here\*\* and \* denote that the results are significant at 1% and 5% level of significance respectively.

Models	Constant	Regression Coefficients of						Adjusted R <sup>2</sup>	F value
		RE	TA	EM	AS	RES	PF		
( 1 )	1.198	0.46 (4.66)**						0.10	18.08* *
( 2 )	0.900	0.389 (3.45)**	0.19 (2.30)*					0.13	11.96* *
( 3 )	1.147	0.44 (3.90)**	.218 (2.59)* *	-0.19 -(2.23)*				0.15	9.86**
( 4 )	0.934	0.40 (3.47)**	0.213 (2.56)*	-0.20 -(2.40)*	0.148 (1.67)			0.17	8.19**
( 5 )	0.668	0.392 (3.37)**	0.223 (2.67)* *	-0.209 (2.461)*	0.142 (1.61)*	0.132 (1.28)		0.17	6.91**
( 6 )	0.526	0.350 (3.50)**		0.006 (0.05)	0.170 (1.73)*	0.181 (1.99)*	0.86 (0.92)	0.13	12.62* *
( 7 )	0.556	0.354 (3.61)**	0.234 (1.55)*		0.173 (1.76)	0.191 (2.12)*	0.49 (0.48)	0.12	4.80**
( 8 )	0.971	0.391 (3.99)**	0.184 (1.92)*	-0.073 -(0.84)		0.161 (1.62)*	0.63 (0.60)	0.105	3.79**
( 9 )	0.964	0.354 (3.60)**	0.215 (2.32)*	-0.13 -(1.43)*	0.102 (1.22)		0.101 (1.00)	0.11	3.97**
(10)	0.931	0.35 (3.46)**	0.210 (2.22)*	-0.128 (1.439)*	0.136 (1.27)	0.122 (1.14)	0.99 (0.98)	0.19	15.76* *

Source: Field Survey, 2023

Note: Figures in parentheses are t values

Table 29 presents the regression results of various model of customer satisfaction with its independent variables, the regression analysis of the study which helps to determine the positives and negatives significant and insignificant impact of factors affecting customer

satisfaction. The t statistics suggests that the coefficient of reliability is the most significant factor followed by tangible that influences customer satisfaction in Nepalese commercial banks. The coefficient of empathy is negative but significant. Similarly the coefficient of assurance, responsiveness and price factor are insignificant. Therefore reliability, tangible has positive and significant relation to satisfaction where as empathy has negative relation but plays significant role in customer satisfaction. Similarly assurance, responsiveness and price factor has positive but insignificant relation with customer satisfaction.

The specifications of the all models reveal the relationship of customer satisfaction with its determinants. The model 1 provides significant relationship of reliability and customer satisfaction and adding on model 2 the result does not deviate, both the variables are significant and positively related to customer satisfaction. On model 3 empathy factor provides negative coefficient but significant relationship with customer satisfaction. On models 4, 5 and 6 assurance, responsiveness and price factor provides positive but insignificant coefficient which plays insignificant role in customer satisfaction.

In model 10 when all the independent variables are simultaneously included, reliability and tangible are statistically positively significant at 1 percent and 5 percent level of significance respectively. Assurance, responsiveness and price factor are positive and insignificant at 1 and 5 percent level of significance while empathy is negative and significant with customer satisfaction. The model 10 presents the adjusted R square as 19% which means about 19% of the variation in customer satisfaction is explained by the explanatory variables that have been used in this model. The models are significant as revealed by F-value.

The estimated coefficients of linear regression for independent variables in model 10 reliability ( $\beta = 0.350$ , t-value = 3.46) and retention policy ( $\beta = 0.210$ , t value 2.22) shows a significant and positive impact on customer satisfaction. It means that the results of reliability and tangible are positively significant and one percent increment in reliability and tangible bring a significant increment in satisfaction by 0.350 and 0.210 respectively and vice versa. In case of assurance there is positive relationship but is statistically

insignificant with value ( $\beta = 0.136$ ,  $t$  value = 1.27), responsiveness ( $\beta = 0.122$ ,  $t = 1.140$ ) and price factor ( $\beta = 0.99$ ,  $t$  value = 1.98). On the other hand, empathy ( $\beta = -0.128$ ,  $t$  value = -1.439) has inverse and significant relation.

Among the six factors of customer satisfaction reliability, tangibles and empathy has higher explanatory power than other variables to satisfy customer toward banking services in commercial banks of Nepal.

Based on the analysis of data the following are the major findings:

#### **4.5 Major Findings**

- a) Demographic characteristics include personal characteristics of respondents combined on the basis of gender, age group, academic characteristics and occupation of the respondents. Out of the total 144 respondents, 56.9% were male and 43.1% were female which shows male users were inclined to banking transaction.
- b) Among the total of 144 respondents, with regard to age, majority of respondents fall under the category of 16 - 30 years with 64.6% that is 93 respondents.
- c) In terms of occupation, among 144 respondents, the maximum respondents are students with 45 respondents that is 31.3%.
- d) The majority of respondents have master degree 58 out of 144 respondents, have master degree as the qualification and that was of 40.3% of total respondents.
- e) The majority of the respondents have been using the service for 1 to 3 years with 47.2% whereas 29.9%, 11.8% 9% and 2.1% belonged to the categories of below 1 year, 3 to 5 years, 5 to 10 years and more than 10 years respectively.
- f) Among different dimensions to measure customer satisfaction, reliability, price factor, assurance and tangibles are ranked high while other dimensions like responsiveness and empathy are ranked as less important.

- g) The major areas in which the respondents are dissatisfied are employee behavior, ATM facilities, and internet banking services provided by the commercial banks in Nepal.
- h) Based on the observation statement related to major factor that increase loyalty, 52.8% of respondents agreed that the major factor that increase loyalty toward bank is due to reasonable bank charges, hence it is ranked at first position. Trust, location, employee behavior and attractive interest rate are ranked second, third, fourth and fifth position with 52%, 40%, 31.40% and 27.80% respectively.
- i) Pearson correlation is used to assess the existence of relationship between dependent variable customer satisfaction and independent variables reliability, price factor, assurance, tangibles, responsiveness and empathy. As per the regression equation the strong correlation of satisfaction was with reliability.
- j) The proposed model explained a certain percentage variance in satisfaction is 40 percent. It means about 39.8% of the variance in satisfaction was accounted for independent variables. Similarly the value of adjusted  $R^2$  is 0.238 which means the total value in dependent variable is explained by this equation.
- k) Finally, the study reveals that there is a positive and significant relationship between dependent variable customer satisfaction and independent variables reliability and tangible where as empathy has significant but negative relation with satisfaction. Similarly, there is insignificant relationship between customer satisfaction and price factor, assurance, and responsiveness.

This chapter provides a brief overview of customer satisfaction by analyzing the factors affecting it. The empirical result according to the research data and the methodology is outlined in this chapter. Since the research is based on primary data, the examination of the data indicated that the questionnaire is valid and reliable, and the statistical assumptions of determinants of customer satisfaction (tangibles, reliability, assurance, empathy, price factors, and responsiveness). The aim of the study is to analyze the relationship between customer satisfaction and its determinants as well as identifying its

impact in terms of Nepalese commercial banks. In the study, customer satisfaction (CS) is used as independent variable in which other explanatory variables such as tangibles (TA), reliability (RE), assurance (AS), empathy (EM), price factor (PF), and responsiveness (RES) are used for the analysis in order to determine its impact on customer satisfaction of the sample commercial banks.

Among the total of 144 respondents, with regards to age of the respondent maximum of the respondent were from age 16 to 30 years with 64.5%. In relation to occupation maximum of the respondent were salaried person with 31.3%. In terms of type of account holder majority of respondents hold saving account with 67.4%. At the same time majority of respondents visit bank once a month with 43.1%. In relation to years of banking experience, major respondents belong to 1 to 3 years with 47.2% and then 29.9% of respondents belong to less than 1 year.

The study also shows that the major area of dissatisfaction can be seen on employee's behavior, ATM service and internet banking services of the by bank. Further, these are the areas where bank's customer would like to see the improvement. Bank location is found to be main reason to stay with the bank where as reliability is ranked first in the important dimensions to measure customer satisfaction. This survey also deals with major reason for choosing bank, and the result revealed that wide branch network is ranked at first position where as recommendation from friend is ranked last.

In the regression analysis, it is found that independent variables reliability (RE) and tangibles (TA) are positively and significantly related where as empathy variable is significantly but negatively related with customer satisfaction. Similarly variables like assurance (AS), responsiveness (RES) and price factor (PF) are not significantly related. So as per the research conducted null hypothesis one, three and four are rejected and rest null hypothesis two, five and six are accepted. It clarifies independent variables like reliability and tangible play significant role in satisfying customer in commercial banks of Nepal. As far as the correlation matrix, the dependent and independent variables are strongly correlated with each other mainly reliability is highly correlated with customer satisfaction.

## 4.6 Discussion

Srivastav and Chatterjee (2008) With the help of five dimensions of SERVQUAL scale the level of customer satisfaction was determined. The findings revealed that 'Responsiveness' was the main dimension governing customer satisfaction of SBI. Similarly, another study conducted by Bahzadi & Al-Hashash (2008) aimed to investigate customer satisfaction in the retail banking in state of Kuwait. The finding suggests that bank's customers considered following factors as a major source of their satisfaction and the reason for continuing their banking business. Leonard and Murphy, (2009). The sample was taken from 5,568 employees across 90 companies and 37,036 of their customers. Basically a questionnaire method was used to depict the fact of this paper. The major conclusion of this paper indicated that the fact is that your employees are pivotal to customer satisfaction, and satisfied customers are many times more likely to be repeat buyers than dissatisfied or even moderately satisfied customers. Hossain & Shirley (2009) conducted a study to evaluate the different levels of customer's perception regarding service quality in retail banking based on the study of Parasuraman et al., (1988).

Munusamy et al. (2010), focused on the measurement of customer satisfaction through delivery of service quality in the banking sector in Malaysia. A quantitative research was used to study the relationship between service quality dimensions and customer satisfaction. Assurance has positive relationship but it has no significant effect on customer satisfaction. Reliability has negative relationship but it has no significant effect on customer satisfaction. Tangibles have positive relationship and have significant impact on customer satisfaction. Empathy has positive relationship but it has no significant effect on customer satisfaction. Responsiveness has positive relationship but no significant impact on customer satisfaction.

The study on service quality and customer satisfaction in the telecommunication industry: evidence from Nigeria showed that it costs much more higher attract new customers than to retain old customers (Ojo, 2010). The objective of this study is to determine the relationship between service quality and customer satisfaction, and also investigate the strategies utilized by an organization to deliver exceptional service quality and customer

satisfaction through customer service. The major finding of the study is that telecommunication industry in Nigeria is the fastest growing sector, especially the mobile market. This development has become a catalyst for the growth of the nation's commercial and industrial sectors. Agyapong (2011). The objective of this paper was to examine the relationship between service quality and customer satisfaction in the utility industry (telecom) in Ghana. Thus, identifying and satisfying customers' needs could improve network services because what is offered can be used to separate the company's services from competitor.

Anber and Shireen (2011). The main aim of the study was to examine the level of service quality as perceived by customers of commercial bank working in Jordan and its effect on customer satisfaction, Service quality measure is based on modified version of SERVQUAL as proposed by Parasuraman et al. (1988), which involve five dimensions of Service quality, namely Reliability, Responsiveness, Empathy, Assurance, and Tangibles. Customer satisfaction was measured by a nine item adapted from Walfried et al. (2000), 260 questionnaires were distributed randomly to customers of commercial banks branches located (thirteen commercial banks in Jordan). Multiple regression analysis was employed to test the impact of service quality on customer satisfaction. The results of this study indicated that service quality is an important antecedent of customer satisfaction. It is apparent from the present study that managers and decision makers in Jordanian commercial banks to seek and improve the elements of service quality that make the most significant contributions on customer satisfaction.

## **CHAPTER V**

### **SUMMARY AND CONCLUSION**

This chapter gives a summary of key findings of the study presented according to the objectives of the study. Conclusions are drawn from the findings and recommendations are given to help improve the factors affecting customer satisfaction in Nepalese commercial banks.

#### **5.1 Summary**

The banking sector acts as the life blood of modern trade and commerce to provide them a major source of finance. It provides capital for the development of industry, trade business investing the saving collected as deposit. All the economic activities of every country are greatly influenced by the commercial banking business of that country. The banking industry is facing an ever-increasing level of competition around the world as the dynamics of the business change. Technology, commoditization, deregulation and globalization forever changed the face of banking. The increased volume and number of banks leads to stiff competition among banks to offer better service quality for the successful survival in the market. Service quality offered by service firms especially for bank is important due to an increasing competition. As such service quality is considered the key to gain competitive advantage and important factor determining customer perception of bank's overall activities.

Customer satisfaction is a measure of how products and services supplied by a company meet customer expectation. In other words, Customer satisfaction is a highly personal assessment that is greatly influenced by individual expectations. Customer satisfaction or dissatisfaction results from either the confirmation or disconfirmation of individual expectations regarding a service or product. Customer satisfaction can be experienced in a variety of situations and connected to both goods and services and it is a function of perceived performance and expectations. In service sector like banking industry where bank operators face immense pressure and new challenges, the ultimate challenge faced by banking organizations today is to produce satisfied customers in order to produce

loyal customers for strategic purposes. The days of a customer adopting one product or company for life are long gone. With easy access and global competitiveness, customers are often swayed by advertising and a chance at a better deal. Despite of satisfactory financial performance proved by major commercial banks of Nepal, the need to understand and measure the non-financial aspect has been important for these commercial banks. However, almost all commercial bank encounters similar problems in meeting customer's expectation of services and customer satisfaction. For example, the issue of money transfer in banks is one major problem that customers of certain banks have been made to experience. The long queues and huge crowds in the banking halls can be highly devastating and discouraging most times, especially when the weekend is near. The methodology used for analysis is based on SERVQUAL method but some studies reveal it has been recommended that service quality is more precisely and correctly evaluated by measuring only perceptions of quality. On the other hand, the concept of expectation is not well defined and can be interpreted from different perspectives; as a result, the analysis of SERVQUAL may have different interpretations as well.

There is a clear indication that Nepalese banks may not be able to sustain in the market without attracting new customers and retaining old customers. There is a great need to focus the efforts on maintaining a satisfied customer base as well as achieving customer loyalty through services. Without providing good service quality, business success may become impossible. Additionally, there is a growing number of customers who are increasingly aware of the options offered in relation to the rising standards of service that have added challenges such as service quality, customer satisfaction, customer retention in relation to the banking business in Nepal in general and commercial banking sector in particular.

The major purpose of the study was to explore and test the influence of determinants of customer satisfaction (tangibles, reliability, assurance, empathy, price factor and responsiveness). The first objective was to assess the level of customer satisfaction in Nepalese commercial banks; second objective was to study whether customer satisfaction influence the customer's loyalty towards their banks; third objective was to gain a better understanding of how banking sectors service providers can retain their targeted

customers over time; fourth objective was identify the impact of tangibles on customer satisfaction in commercial banks of Nepal; fifth objective was to examine the impact of reliability on customer satisfaction in Nepalese commercial banks; and the last objective was to analyze the quality of services provided by commercial banks of Nepal. In short the main purpose of the study is identifying the factors that provide maximum level of satisfaction to the customers.

## **5.2 Conclusions**

The major conclusion of the study is satisfied customers are the valuable asset of banking organization as it is much more difficult to attract new customer than to retain old customers. Customer satisfaction plays a major role in the success of banking sectors. This study showed Customers were found to be satisfied with those banks where customers had to spend less time on waiting, and the employees with good behavior. This study also showed that factor like reliability, tangibles and price factors influence more in satisfying customers than factors like assurance, empathy and responsiveness. At the same time, as per the correlation analysis the highest coefficient correlation was recorded between customer satisfaction and reliability of the services which indicates that there was a strong positive and significant relationship. Reliability is regarded as the most important positive and significant determinant, followed by tangibles, empathy, assurance, price factor and responsiveness in commercial banks of Nepal. Therefore, it should be noted that the null hypotheses one three and four are rejected and remaining null hypothesis which are formulated in this study are accepted.

The study also concludes that a lot need to be done to create confidence in the minds of customers about the benefits and security of the new delivery channels. Lack of patronage for electronic banking products is expressed in lack of confidence. Based on the findings of this research, it is recommended that much needs to be done in the area of creating awareness about the availability of electronic banking products and services, how they operate and their benefits. The study signifies that no business can exist without customers. In the philosophical words of Peppers and Rogers “The only value your company will ever create is the value that comes from customers, the ones you have now and the ones you will have in the future. This is absolutely true. Customer value is an

asset to the organization. Hence, in order to maintain the customer, the organization needs to ensure that the right products and services, supported by the right promotion and making it available at the right time for the customers. While quality service and merchandise are essential in today's competitive market, it is equally important that a customer experiences the "Wow Effect" that only superior customer service can deliver. A business that caters to their customers' needs will inevitably gain the loyalty of their customers, thus resulting in repeat business as well as potential referrals. Banks should organize public exhibitions and talk shows and make products accessible to all customers. In addition, they should improve their service delivery to justify the benefits of electronic banking products and services. This way, customers' interest would be aroused. They should also ensure good connectivity and power base that will enable them serve customers faster and more conveniently. The banks should ensure that at no time should service cease as a result of network problem. In overall conclusion, Banks should match price with service quality. Regular visits are needed to reassure the customers of the bank's preparedness to serve the customer better. Efforts at continually improving services should be communicated orally and in written form to the customer. Each bank should be prepared to commit resources to providing excellent customer services that would reduce complaints to the barest minimum. Finally, a winning bank is the one that makes customer satisfaction its top priority.

### **5.3 Implication**

- a. Most of the respondents have stated ATM and employee behavior has the most dissatisfying factor, so banks should pay greater attention towards these problems to enhance service efficiency and effectiveness.
- b. Regarding problem faced by the customers during different services like ATM, internet banking, SMS banking and so on, it is suggested that there should be a prompt phone lines or other mechanism in place to resolve problems occurred and the customers should be assured in what case and how they can get refund if problem occur in order to achieve confidence of the customers.

- c. There is a positive association between service quality, customer satisfaction and customer retention. Therefore the bank should be able to satisfy the customers through superior services and facilities.
- d. The banks should ensure that whatever services they advertise should be available to the customers in every branch of the banks in order to increase the satisfaction level. And also, the customer must make sure to feel secure when they use products and services of the bank.
- e. Most of customer think some services like internet banking is cost effective so banks need to go a step forward (addition of new services) to improve their service and thus gain competitive advantage by satisfying, retaining and attracting their customers.
- f. The banks should identify the potential factors in the products and services that may either enhance or deteriorate the customer satisfactions. On identifying such factors, the banks should accordingly act in a way that maximize the customer satisfaction and loyalty that will be tuned into profits in future.
- g. Future study should investigate the evolution and changing roles of expectation and desires of the customer's overtime and focus on satisfaction concept and its impact in commercial banks of Nepal.
- h. The bank must try to maintain long term relationship with customers. The customers must believe firmly that their respective banks deliver what they promise in their advertisement. Thus the bank should regularly take the feedback of the customers.
- i. Further research should be conducted to determine the factors that actually contribute to the differences in customer satisfaction between banks in different places.

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