

**CUSTOMER PERCEPTION TOWARDS
COMMERCIAL BANKS**
(A Comparative Study of Selected Commercial Banks)

BY

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A

Thesis

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VIVA- VOCE SHEET

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(A Comparative Study of Selected Commercial Banks)

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

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DECLARATION

I hereby declare that the work reported in this thesis entitled **Customer Perception towards Commercial Banks (A Comparative Study of Selected Commercial Banks)** submitted to Office of the Dean, Faculty of Management, Tribhuvan University is my original work done in the form of partial fulfillment of the requirements for the degree of Master of Business Studies (M.B.S.) under the guidance and supervision of **Mr. Laxman Pokhrel**, (Lecturer) of Mahendra Multiple Campus, Nepalgunj. Hence, the sole responsibility would be remained on me regarding this thesis for any positive or negative implication if emerged in future.

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ABBREVIATION

AD	=	Advertisement
ATM	=	Automated Teller Machine
CSR	=	Corporate social Responsibility
DSAs	=	Direct Selling Agents
EB	=	Everest Bank Limited
FDICIA	=	Federal Deposit Insurance Corporation Improvements
FMs	=	Frequency of modulation
GDP	=	Gross Development Product
HBL	=	Himalayan Bank Limited
JVBs	=	Joint Venture Banks
NABIL	=	Nabil Bank Limited
NCDs	=	Non- Convertible Debentures
NGBL	=	Nepal Grindlays Bank Ltd
NIBL	=	Nepal Indosuez Bank Ltd
NIBL	=	Nepal Investment Bank Limited
NIC	=	Nepal Industrial and Commercial Bank Limited
PCA	=	Promote Corrective Action
RBB	=	Rastriya Banijya Bank Limited
SCB	=	Standard Chartered Bank
TT	=	Telex Transfer
TVs	=	Televisions

CHAPTER- I

INTRODUCTION

1.2. Background of the study

Banking sector plays a fundamental role for the country's economic development. Bank is a very important financial resource mobilizing body which accepts deposit from various sources and invests such accumulated resources in the fields of agriculture trade, commerce, industry, tourism etc. in an economy.

The Banking sector is mainly responsible for the collecting household savings in terms of different types of deposit and regulating them in the society by lending in different sectors of economy. The banking sector has now reached to the remote areas of the country and has experienced a good deal in the growth of the economy. By lending their resources in small scale industries under intensive banking program has enable the banks to share in the economic growth of the economy.

There are various types of banking institutions which are performing different functions in the context of Nepal. It can be divided into three parts: The central bank, commercial banks and the other financial institutions. All of these financial intermediaries deal with various kinds of financial transactions.

The issue of development always rests upon the effective mobilization of resources. Bank's function of lending ensures required volume of financial capital as a major resources mobilization. Thus, the foundation of financial resources mobilization is pillared on the bank. The increase in investment impacts positively in every sector of economy such as employment, production, income, government revenue, international trade etc. What role a bank can play to assist the economic development is main issue that the banking sectors are facing in Nepal and world-wide today. The liberalization of economy has posed more responsibilities and high degree of competitive risks. The liberalization of financial sector in Nepal has opened a new horizon of expectancy in

banking industry. But the efficiency of liberalization is based on economic discipline and its good governance.

The poor structure of Nepalese economy, slow paced industrial sector, low rate of employment, majority of non-organized financial sector, lack of organized capital market etc, have always been demanding an efficient, competent, and liberalized banking industries. Nepalese banking, if worked efficient in pursuit of its ideology, would be the people works towards prosperity and economic dynamism. In addition, the very essence of people hopes toward the banking system in depended upon its efficiency to implement its lending and investments function.

The baking business has it genesis from its function of lending is the most fundamental function of a bank. The pace of time has changed the portfolio of banking business from its primary function to other functions such as merchant banking, credit card business, documentary credit, traveler cheques and business. Nevertheless, the importance of lending in banking business if undoubtedly unchanged and remained vital as it was in early days of this business. The classical economy functions of a bank and other financial intermediaries all over the world had remained virtually unchanged in modern times too. What have been changed are the institutional structures, the instrument and the techniques used in performing these functions.

Lending has its different forms. It can be divided into fund based and non-fund based lending. The fund based lending can be further divide into cash credit overdrafts demand and term loans, bills purchased and discounted and export packing credit, project finance, consortium finance, loan syndication, bridge loan etc. similarly, non-fund based credit can be classified onto documentary credit ,guarantee and bill co-acceptance facility. All type of products and services offered by typical commercial banks in current time is listed below:

J Short-term Deposit	J Business Loan
J Time Deposit	J Real Estate Loan
J Current A/C	J Telex transfer
J Locker	J Remittance
J Short term Loan	J traveler Cheques
J Long term loan (Term Loan)	J Bill Paying
J Project Finance	J SMS Banking
J Consortium Finance	J Internet Banking
J Teller Service	J L/C
J Home Loan	J Industry Loan
J Hire Purchase Loan	J Loan Against Gold
J Education Loan	J Merchant Banking

Earlier banks were different from modern commercial banks in many respects, the banks which operated in the past, combined central banking functions such as issue of currency, with commercial banking operations like accepting deposits and financing business. In course of time this practice was abandoned and central bank can be easily distinguished from a commercial bank due to their objectives and unique functions. In modern times , commercial banks, which are facilitated, regulated and supervised by the central bank, confined them and concentrated in their activities of fulfilling the financial needs of their customers.

Financial liberation took place in Nepal in the mid 1980's. The reform measures included deregulation in interest rate determination, portfolio management and market based tenders for government's securities sales, non-subsidized credits etc. The market would determine the cost of funds and rate for lending.

1.3. Status of Current Nepalese Banking Industry

The Nepalese financial sector is composed of banking sector and nonbanking sector. Banking sector comprises Nepal Rastra Bank (NRB) and commercial banks. The non-banking sector includes development banks, finance companies, micro-credit

development banks, co-operative financial institutions, non-government organizations (NGOs) performing limited banking activities and other financial institutions such as insurance companies, employee's provident fund, citizen investment trust, postal saving offices and Nepal stock exchange. However, this research contains information only on those financial institutions which are licensed by NRB up to mid-Jan 2008.2. During the last two and half decades the number of financial institutions has grown significantly. At the beginning of the 1980s there were only two commercial bank and two development banks in the country. After the induction of economic liberalization policy, particularly the financial sector liberalization, that impetus in the establishment of new bank and non-banks financial institutions. Consequently, by the end of mid-Jan 2008 altogether 235 banks and non-banks financial institutions licensed by NRB are in operation. Out of these, 23 are "A" class commercial banks, 58 "B" class development banks, 79 "C" class finance companies, 12 "D" class micro-credit development banks, 16 saving and credit cooperatives, and 47 NGOs.(Sources: Nepal Rastra Bank, Statistics Division, Banking and financial Statistics.(Refer in appendix-C)

Along with increase in the number of financial institutions and their activities the total assets/liabilities of the whole financial system witnessed continuous growth over the last six and half years. During the period of 2005 to 2011 the total assets/liabilities increased by on an average of 13.51 percent. Propelled by the strong growth of the major component of total assets/liabilities, the overall assets/liabilities of financial system increased by higher rate of 16.49 percent in the first six months of 2011/12 over 4.79 percent in the same period of last year. In mid-Jan 2012, the total assets/liabilities of financial system reached to Rs.678516.93 million from Rs.582477.30 million in mid July 2011. It was recorded Rs.273946.20 million at the end of mid July 2005. The ratio of total assets/liabilities of the financial system to GDP at nominal prices climbed by 2.55 percentage point to 82.66 percent at mid-Jan 2012 from 80.11 percent in mid-July 2012.

Of the component of liabilities the total deposit occupied 65.01 percent followed by other liabilities 26.86 percent, borrowing 5.62 percent and capital fund 2.44 percent in mid Jan 2012. Similarly, in the assets side loans and advances, other assets,

investment and liquid fund occupied 51.27 percent, 22.27 percent, 17.63 percent and 9.84 percent respectively.

Commercial banking sector held dominate share on the major balance sheet components of financial system. Of the total deposits Rs.441634.23 million in mid Jan 2012, it occupied 84.92 percent followed by finance companies 9.26 percent, development banks 4.89 percent, others 0.63 percent and micro credit development banks 0.30 percent. Similarly, on the loans and advances the share of commercial banks stood at 78.29 percent, finance companies 12.88 percent, development banks 6.05 percent and micro credit development banks 1.85 percent and others 0.93 percent in the same period. 9. In the first six months of current fiscal year the financial system has gained the remarkable achievement in the capital fund front. During this Period it is increased by 139.40 percent and reached to Rs.16522.71 million compared to last year. In mid July 2012, it was Rs.6901.70 million only. 10. The total deposit, a major source of fund for financial system accelerated by 12.91 percent and reached to Rs.441634.23 million in mid Jan 2012 compared to 9.19 percent growth in the same period of last year. The average annual growth rate was registered at 12.18 percent during the last six year. The loans and advances reported substantial growth of 19.31 percent in mid Jan 2012 compared to 14.42 percent in the same period of the last year. At end of mid Jan 2012 total loans and advances reached to Rs.347900.74 million from Rs.291605.76 in the mid July 2012. During the 2005 to 2011 the annual average growth rate of loans and advances was recorded at 15.45 percent. 12. The higher growth rate of loans and advances compared to deposit mobilization attributed to increase in credit deposit ratio of financial system to 78.78 percent in mid Jan 2012 from 74.55 percent in the end of mid July 2012.(Sources: Nepal Rastra Bank, Statistics Division, Banking and financial Statistics.(Refer in Appendix-D)

1.4. Focus of the Study

Banks have traditionally offered mass banking products. Most common deposit products are Savings Bank, Current Account, Term deposit Account and lending products are Cash Credit and Term Loans. Further, remittance products were limited

to issuance of Drafts, Telegraphic Transfers, Bankers Cheque and Internal Transfer of funds.

In view of several developments in the 1990s, the entire banking products structure has undergone a major change. As part of the economic reforms, banking industry has been deregulated and made competitive. New players have added to the competition. IT revolution has made it possible to provide ease and flexibility in operations to customers. Rapid strides in information technology have, in fact, redefined the role and structure of banking in Nepal. Further, due to exposure to global trends after Information explosion led by Internet, customers - both Individuals and Corporate - are now demanding better services with more products from their banks. Financial market has turned into a buyer's market. Banks are also changing with time and are trying to become one-stop financial supermarkets. Market focus is shifting from mass banking products to class banking with introduction of value added and customized products.

Most of the private sector banks have already introduced customized banking products like credit cards, Cash Management services, Investment products and Tax Advisory services. A few banks have gone in to market mutual fund schemes. Eventually, the Banks plan to market bonds and debentures, when allowed. Insurance peddling by Banks will be a reality soon. The recent Credit Policy of NRB announced has further facilitated the entry of foreign banks in this sector. Banks also offer advisory services termed as 'private banking' - to "high relationship - value" clients.

The bank of the future has to be essentially a marketing organization that also sells banking products. New distribution channels are being used; more & more banks are outsourcing services like disbursement and servicing of consumer loans, Credit card business. Direct Selling Agents (DSAs) of various Banks go out and sell their products. They make house calls to get the application form filled in properly and also take your passport-sized photo. Home banking has already become common, where you can order a draft or cash over phone/internet and have it delivered home. Products like debit cards, flexi deposits, ATM cards, personal loans including consumer loans, housing loans and vehicle loans have been introduced by a number of banks.

Corporate are also deriving benefit from the increased variety of products and competition among the banks. Certificates of deposit, Commercial papers, Non-convertible Debentures (NCDs) that can be traded in the secondary market are gaining popularity. Recently, market has also seen major developments in treasury advisory services. With the introduction of Rupee floating rates for deposits as well as advances, products like interest rate swaps and forward rate agreements for foreign exchange, risk management products like forward contract, option contract, and currency swap are offered by almost every authorized dealer bank in the market. The list is growing. Public Sector Banks like Rastriya Baijya Bank (RBB) and Nepal Bank Ltd (NBL) have also started focusing on this area.

Nepal is a country facing rapid urbanization and modernization. This is intensely aggravated by the political turmoil and difficult socio-economical conditions in the country. Reason being during recent years, the need and demand of the people from middle class to upper class is skyrocketed even though the financial conditions are not up to desired levels. And it is noticed that financial institution here are well aware and are able to some extent to tap the requirements by bringing different consumer friendly schemes. Because of that, dissimilarities in interest rates and other services among similar institutions resulting direct and indirect loss in both customers and institutions sides. On the other hand, customers are not able to distinguish the products and service level between different institutions.

Besides, city centered nature of most of the banks; the competition is growing intensely in the populated area. The rate of new banking coming is posing dangers each day to the existing banks. Hence to survive in this pressure environment, banks have to be very careful that their strategy should change from pull banking to push banking. Hence banks have to be more customers orientated and have to constantly monitor their position in their customer mind. So, reading their position in customer's mind in terms of preference in interest rate, new product, access and many other factors is highly important.

In the study, major seven bank as listed below including one public sector bank is selected for the comparative study on consumer perception on different aspect of

banks service. The medium of duly filled questionnaires survey is used to study the perception.

List of Bank Used for the Study

1. Standard Chartered Bank Limited (SCB)
2. Nabil Bank Limited (NABIL)
3. Himalayan Bank Limited (HBL)
4. Everest Bank Limited (EB)
5. Nepal Investment Bank Limited (NIBL)
6. Nepal Industrial and Commercial Bank Limited (NIC)
7. Rastriya Banijya Bank Limited (RBB)

1.5. Statement of the Problem

Banking sector's soundness is judged not only on the basis of capital adequacy, asset quality, management earning, liquidity and sensitivity to market risk but also on the basis of customer satisfactions. Some of the banks have very low capital adequacy ratio while some have piled of nonperforming assets. Similarly it appears that some banks have very high brand value and other might be not the first choice by customer despite of low interest rate. The profitability position of a firm is generally known through financial statements but a major question emerges whether there are adequate evidence to reflect customer satisfaction and the overall performance of financial institution. Based on this, the following specific problems are set in this study:

-) What is the customer perception toward different product services offered by commercial banks in Nepal and how customers rank them?
-) How different products and services like interest rate, processing fee etc of different banks are positioned in customer's mind?
-) Which are the best medium for advertisement and its efficiency for banking product?
-) What is the advertisement recall pattern?
-) What is the major concern of customers?

1.6. Objectives of the Study

Lending from financial institutions can be classified in different categories like, Business Loan, Personal Loan, Home Loan, Hire Purchase Loan, Education Loan etc. The scope of this study is focused on the consumer perception on financial lending market. This research has been conducted to understand the consumer insights and their loan fulfillment requirement that will help in finding the key aspects for targeting right segment with right product. The research aims to cover the following aspects of the financial lending market and make recommendations using statistical tools:

-) To analyze customer's perception towards various products and services offered by commercial banks and overall rating of the banks.
-) To check the positioning of different banks on key products and services offered by them.
-) To determine the best commercial medium for advertisement and recall pattern.
-) To find out the major concern of customers.

1.7. Significance of the Study

Research itself has own importance because it aims to gain knowledge and the new literature to the existing field. The significance of this study lies mainly in filling a research gap on the study of comparative study on customer perception of commercial banks as well as developing banking with respect to the sector. The study is important for commercial banks, researcher, scholars, investors, students, government and many other parties. So, this study will be helpful to those who want to study in further detail and widely in this field. At last it is expected that the study will add value to the field of comparatively study on customer perception of commercial banks in Nepal.

1.8. Limitation of the Study

This research study has been conducted with certain limitation and boundaries that researcher may not try to go across.

- a. This study is concerned only with the comparative study on customer perception of 7 banks.

- b. The study is based on primary as well as secondary data collected from banks and their websites.
- c. Customer survey was limited to Nepalgunj Municipality only.
- d. Only 100 numbers of customers are selected for sample size.

1.9. Organization of the Study

This study is organized into five chapters. Each chapter is devoted to the some aspect of the study. The rationale behind this kind of organizations is to follow a simple research methodology approaches. The contents of the study for chapters are briefly mentioned below:

First chapter deals with introduction, which includes general background, statements of the problem, objective of the study, significance of the study, limitation of the study and organization of the study.

Second chapter deals with the review of available literature. It includes conceptual review and research in related studies.

Third chapter explains the research methodology used on the study, which includes research design, population and sample, nature and source of data, data collection procedures, data processing & analysis tools and techniques as well as limitation of methodology.

Fourth chapter deals with the presentation and analysis of data, which includes the presentation & analysis of data and major finding of the study with the help of various financial & statistical tools and techniques.

Finally, fifth chapter discusses the summary of main finding, conclusions and recommendations of the study, which are the important aspect to solve the problems associated to the present analysis, and offers recommendation for the further improvement in future.

CHAPTER- II

REVIEW OF LITERATURE

In this chapter an attempt has been made to conceptual review the aspects of comparative study on customer perception of commercial Banks. Therefore, the chapter is divided into two sections, section 1st is the conceptual review and section 2nd is review of past research carried out on the study area.

2.1 Conceptual Review

This section presents the concept of commercial Banks and Concept of comparatively study on customer perception. Here it is utmost necessary to mention the conceptual thoughts behind it.

2.1.1 Concept of Commercial Banks

Bank undertaking business with the objective of earning profits is commercial banks. Commercial banks pool scattered fund and channel it to a productive use. Commercial banks can be of various forms such as Deposit Banks, Saving Banks and Mixed Banks etc. Commercial banks render a variety of services. In the absence of commercial banks it will be impossible to meet the financial need of the country.

The activities of the commercial Banks are divided two functions. Primary function and subsidiary function, in primary function it collect deposits in various types of accounts. It provides credit in the form of various loans. Overdraft and co- financing to industry, commerce, agriculture, export and service and it also play remit funds in subsidiary function , it invest in government securities treasury bills etc. It deals in foreign exchange. To provide agency such as collection of cheques, bills, promissory notes etc. Commercial banks execute standing instruction such as payment of rent, insurance premium, income tax etc. It was also involve in collection of dividends and interest on shares and debentures. It also acts as customer's correspondents or representative in dealing with other banks, to purchase or sale of security, supply trade information and statistical data. Commercial Banks underwrite shares floated by

government bodies and public bodies. It referees with regard to the financial status of customers.

Initially, Nepalese financial sector were dominated by two commercial banks viz. Nepal Bank Ltd and Rastriya Banijya Banks Ltd till 1984. Commercial banking Act 1974 was amended in 1984 to increase competition between commercial banks. So provision was made to allow private sector including foreign investment to open commercial Banks.

Though the commercial banks were established with the concept of supplying short-term credit working capital of the industries, they have been providing long – term loans for up to 15 years. After the enforcement to lend to priority and deprived sector, this bank initiated to provide credit to small and cottage industries, agriculture and services. Presently commercial banks must lend 5 percent of their total lending on priority and deprived sector and among these 3 percent being compulsory to the deprived sector. NRB has a provision of refinance facility also for such loan provided to priority and deprived sector including export credit.

2.1.2 Sources of Bank Capital

Banks collect capital from different sources i.e. capital is collected by issuing shares or by taking loans from the fundamentals of main sources of bank capital. In the other word, the capital can be classified into equity capital of bank and the borrowed capital of bank. The capital collected by issuing the banks shares is called share capital. The bank need not return the amount collected from the shareholder in any form until the bank is dissolved.

A) Equity Capital of Bank:

Total equity capital equals the sum of common stock, surplus, undivided profits and capital reserves and net unrealized holding gains (losses) on available-for-sale securities, cumulative foreign currency translation adjustments and perpetual preferred stock (Koch and Macdonald, 2004: 472-473). Owned or equity capital of a bank comprises of the amounts raised from the following sources (Bhandari, 2003:213-217):

Ordinary share: A bank accepts to take share capital as its strongest and the most believable source. A bank is a public limited company. The persons of the institutions, who want to form a bank, by taking some shares, by signing, necessary documents after getting the permission from the NRB, go to the office of the company register to have it registered. The persons or the institutions are called the promoters. Then the company may again call out the public people to buy the rest portion of the shares. By accomplishing certain legal process, the bank collects the cash by selling the shares to the public. In this way, the bank gets the largest part of the bank capital from the promoter shareholders and the ordinary shareholders.

Preference share:

Preference share means the share, which gets preference over the ordinary share, while distributing the dividend and in dissolving the bank. But in Nepal the banks can't issue preference share if the NRB gives the permission.

Bonus share:

Bonus share means, the share issued by capitalizing the saving fund or reserve fund from the profitability of company and issuing as additional share to the shareholders and that word also denotes growth in the paid-up price of share by capitalizing the reserve or saving fund. Giving the certificate of bonus shares to its shareholders, a bank keeps the cash fund in it.

Retained Earnings:

The bank gets income by investing in different sector because the objective of the bank is to gain profit. The banks invest its capital in the productive, profitable industry and business. The bank gains more or less income from it in a fiscal year, amount earned (retained) in such a way is too considered as sources of bank capital.

Reserve funds:

In the course of banking transactions, the bank keeps some parts of its capital in the reserve fund. The ratio of this amount is based on the legal rules and regulations. The bank must keep some part of its income in the reserve fund. The bank invests the amount kept in such fund, in liquid sector and gains some income.

Undistributed Dividend:

A bank earns profit. Such profit may be a lot or little. After it gains the profit, the bank performs the task of distributing the dividend. But the bank, to keep its financial condition strong, does not distribute the entire dividend share. It distributes some of part of the dividend to the shareholders and keeps rest of the dividend in the bank and again invest it, for which the bank should complete necessary legal process.

B) Borrowed Capital of Bank:

In addition to above-mentioned sources the bank collects capital from other source too, the capital collected in such way called borrowed or loan capital. Following types of sources can be described under the loan capital;

Sale of Debenture:

The debenture means debentures bond issued by the company against pledge or guarantee of its assets. The commercial banks are considered the public limited companies because they are registered under the company Act 2053 (1996), Commercial Bank Act 2031 (1974) and the Nepal Rastra Bank Act 2058 (2002). If it feels the necessity of capital, it can collect capital by issuing debenture.

All types of Deposits:

A bank accepts all sorts of deposits from the person organization and institutions who opens account with it. The amount collected in current, saving and fixed account is called borrowed capital. The amount is deposited in the above given three accounts as deposits. The bank provides certain interest to the depositors of saving and fixed accounts. The amount deposited in bank as deposits is called bank capital. It is a reliable and strong sources of bank capital.

Loan from the Central Bank:

The NRB is the central bank is our country. This bank is the most powerful and supreme bank. To obey the policy and instruction given by it is the legal duty of others banks. So, the central bank provides the loan to the commercial banks in need.

Loan from the Financial Institutions:

In the time of need, a bank can take debt from a financial institution. The financial institutions also provide loan. Thus, the loan amount taken by the bank from the financial institutions is loan too.

Loan from the Commercial Bank:

The commercial bank can obtain the debt with or without internal contract. Thus, during the economic crisis, the commercial banks solve the problem by taking the loan borrowed as internally.

Loan from the Central Office and Branch Office:

If the central office of a bank needs the cash amount it can take loan from its branch offices. Similarly if the branch offices are in need of loan they can take loan (cash amount) from the central offices. Branch offices of a bank can take loan from another, known as temporary sources of loan capital.

2.1.3 Uses of Functions of Bank Capital

Any task is not performing without any cause. Similarly in a bank, capital is collected for specific purpose, many reasons behind it. Naturally the banks are established with the concept of gaining profit. The function of bank capital is thus to reduce the risk. It does so in three basic ways, it provides a cushion to absorb unexpected operating losses, to provide ready access to financial markets and to be a source of fund and it constrains growth and limits risk taking (Koch and Macdonald, 2004:48). The bank should gain profit for its administrative expenditure as well as for its shareholders. It is not possible without the collection of capital. Therefore, the following reasons for collecting bank capital or the functions of the bank capital are as follows. (Bhandari, 2003:217):-

- 1. Payment of All types of Deposits:** The most important function of bank capital is to make cash payment to its customers. At any times, the customers, may ask the payment of the amount deposited in current, saving & fixed accounts in the bank. Thus, the bank should be able to give the amount, which is asked, if the bank can't give the payment, the trust of public upon the bank

may decrease, and there will be bad effect upon banking transaction. The bank needs to keep necessary quantity of capital to pay the amount of deposits with its interests to its customers.

2. **Administrative Expenses:** A bank has to make more or less transactions. It needs the capital to bear such expenses. The administrative function of the bank can't be run without capital, which is incurred for salary, allowance, advertising expenses, stationary, rent, insurance, donation, commission expenses, income tax and other charges.
3. **Maintenance of Cash Reserve Ratio:** The capital is necessary to maintain cash reserve ratio. A bank has to deposit certain amount in the NRB by opening an account. To fulfill this obligation capital is a must. Commercial banks have to deposit nearly 7% amount stock in the NRB as a cash reserve. The commercial banks should obey such provision. Even though, commercial banks can't gain benefit immediately, when there is economic crisis, it gives a great help. The ratio of deposit deposited in the NRB by the commercial bank, which is a compulsory legal provision.
4. **Purchase of Fixed Assets:** To establish a bank, a house and land is needed. It needs a great amount of capital to buy furniture, vehicles including computers and raw materials concerned with the bank. These materials are compulsory for operation of a bank. The bank has to open branches and sub branches and it needs the fixed assets, without capital such things are impossible to do.
5. **For investment in Joint Venture:** A bank should move its investment in a rapid speed to manage itself more effectively. Sometimes it wants to invest in the profitable sectors. It can make such investment by joining with many persons and institutions. The bank should require capital for such investment too.
6. **Providing Loan:** Capital is required to a great extent to provide loan. Amount the function of bank capital, providing loans is the most important function. Specially, a bank provides the following loan in the following sectors; today, of

the various types of the loan the bank provides, the loan provided in business sector keeps a special importance. In fact, still there is a tradition to provide loan by a bank though taking gold, silver, diamond, and similar important things and ornaments as securities. Bank capital fund is used to provide loan in the priority sector.

7. **For Transfer of Fund:** the transfer of fund may be both national and foreign. Some part of the bank capital is used for transfer of fund. The major means for the work of transfer of fund the bank, postal transfer, telegraphic transfer etc
8. **For Investment In First Class Securities:** Such first securities are government bonds, development bonds, treasury bills etc. the bank goes on increasing liquidity by investing into such securities. Because, it can solve unprecedented problem by selling it in the market at the time of needs.
9. **For Miscellaneous Expenses:** In addition to above mentions, other us of bank's owners, consisting mainly of stocks, reserves and those earnings that are retained in the bank (Rose, 2002: 475). According to the accounting definition, capital equals the cumulative value of assets minus cumulative value of liabilities and represents ownership interest in a firm. In banking, the regulatory concept of bank capital differs substantially from accounting capital. Specially, regulators include certain forms of debts and loss reserves when measuring capital adequacy (Koch and Macdonald, 2004: 471). Capital is a source of financial support to protect an institution against unexpected losses, and therefore, it is a key contributor to the safety and soundness of the bank. Banks must meet minimum capital requirements before they can be chartered, and they must hold at least the minimum require level of capital throughout their corporate life. The Federal Deposit Insurance Corporation Improvement Act (FDICIA) of 1991, which is created a link is commonly known as Prompt Corrective Action (PCA) and aims to resolve banking problems early and at the least cost to the bank insurance fund. PCA has classified as (Koch and Macdonald, 2004: 474-475):-
 1. Tier 1 (Core) Capital, must equal or exceed 4% of total risk-weighted assets.
 2. Tier 2 (Supplementary) Capital, total of Tier 2 limited to 100% of tier 1.

3. Total capital (tier 1 + tier 2), must equal or exceed 8% of total risk-weighted assets.

Adequacy and inadequacy of bank capital directly affects the banking transaction. The adequacy of bank capital must important aspect of bank. If there is inadequacy of capital, the bank should take step for the adequacy of capital as per legal requirement. The bank should remove the inadequacy of bank capital through the medium of collecting of ownership and borrowed capital. To have the ownership over capital is most for the bank. It creates many opportunities. The bank should reduce the amount of the borrowed capital as far as possible. It is not good for a bank to collect borrowed capital. Also, it is not good for it to have crisis of capital. If the bank can't maintain the adequate capital, it may give birth to many defects. The defects caused by the bank capital, doesn't lead the bank forwards. Therefore, special attention should be given to the adequacy system of the bank capital, if there is scarcity of capital in a bank, Bank's economic aspect can't be regarded capable and healthy. The adequacy of the bank capital is necessary for the following functions (Bhandari, 2003: 223):-

For the payment of All Types of Deposits: Adequacy of bank capital is necessary for a bank, to give the payment of the amount of all types of deposits to its customers. Hence the adequacy of bank capital is needed to gain trust from its customers.

To meet the demand of all types of Cash Reserve Funds: A bank should deposit the amount in different types of funds, in the NRB and in its own bank. The commercial bank should deposit cash in such funds. This is a legal obligation, which is created in to ways. One obligation occurs by the provision of law and another obligation takes place due to circulars, policy and directives issued by the NRB.

Investments for Banking Transaction and Business: With the lack of an adequate bank capital, the bank can't meet daily administrative expenditure and the investment in different sectors to gain profit. A bank can't be operated, unless it performs both of these functions. Directly, the above-mentioned functions affects to the adequacy of bank capital.

Advantages of adequacy of bank capital and disadvantages of inadequacy of bank capital are mentioned as follows:

If the bank has an adequate capital, people trust upon such bank. Such bank becomes successful to gain the trust of all sectors. It can invest into any sector at any time from which the bank get success to gain a lot of profit. It can invest in priority sectors, in any big project, it can move ahead with its investments. The bank does not need to take loan, and does not have to pay interest. The bank doesn't face problem to collect the capital. There will be not possibility of liquidation of bank.

If there is inadequacy of bank capital, the bank can't get the trust from any other area. It's respect and reputation remains in endanger (put in danger). The bank should take loan from other different areas and it needs to pay interest. The bank can't invest its will whatever it likes. It is not possible to gain profit without investment. The bank can't give the payment to amount deposited with it. The bank can't solve any crisis of financial rise and fall that occurs upon it.

2.1.4 Concept of Customer Perception

To launch a product successfully, it is important to analyze which parameters influence demand for products (Bryhni et al., 2002). Quality is an important factor in a highly competitive market (Du and Sun, 2005).

Consumers subjectively evaluate quality, and, it has become increasingly important to optimally align quality of product with consumer demands, expectations, and desires (Bryhni et al., 2002). The link between quality perceptions of consumers and physical product and process attributes requires knowledge of the quality evaluation of the consumers.

Our perception is an approximation of reality. Our brain attempts to make sense out of the stimuli to which we are exposed. This works well when we are about to perceive familiar facts. However, our perception is sometimes “off” when we are not clear about concepts. Perception is a process by which an individual select, organize & Interpret stimuli in a meaningful picture of the world Also, we can describe as “how we see the world around us” Perception is the process of selecting, organizing, & Interpreting or attaching meaning to events happening in environment

2.1.5 The Concept of Perception

Perception is one of the objects studied by the science of consumer behavior. Analyzing the works of scientists studying consumer behavior, it is possible to make a conclusion that perception is presented as one of personal factors, determining consumer behavior. Personal factors mean the closest environment of a human, including everything what is inside the person, his head and soul, characterizing him as a personality. Using his sensory receptors and being influenced by external factors, the person receives information, accepts and adapts it, forms his personal attitude, opinion, and motive, which can be defined as factors that will influence his further activity and behavior. Perception within this context is considered as one of the principal personal factors, conditioning the nature and direction of remaining variables. The works of F. G. Crane and T. K Klarke (1994), G. D. Harrell, G. L. Frazier (1998), M. R. Solomon 1999), B. Dubois (2000) present perception as a more complicated process, during which sensory receptors of a consumer capture a message sent by external signals and the information received is interpreted, organized and saved, providing a meaning for it and using it in a decision making process.

2.1.6 Customer Perception

Customer perception is an important component of bank relationship with its customers. Customer satisfaction is a mental state which results from the customer's comparison of expectations prior to a purchase with performance perceptions after a purchase. A customer may make such comparisons for each part of an offer called "domain-specific satisfaction" or for the offer in total called "global satisfaction". Moreover, this mental state, which we view as a cognitive judgment, is conceived of as falling somewhere on a bipolar continuum bounded at the lower end by a low level of satisfaction where expectations exceed performance perceptions and at the higher end by a high level of satisfaction where performance perceptions exceed expectations.

2.1.7 Customer Perception on Service

These characteristics of service also make service unique and different from goods as described below.

1. Intangibility:

Unlike manufactured goods that are tangible, a service is intangible. The products from service are purely a performance. The consumer cannot see, taste, Smell, hear, feel or touch the product before it purchased.

2. Heterogeneity

A service is difficult to produce consistently and exactly over time. Service performance varies from producer to producer, from customer to customer, Solomon (1999), B. Dubois (2000) define perception as a separate variable of consumer and from time to time. This characteristic of service makes it difficult to standardize the quality of the service.

3. Inseparability

In service industries, usually the producer performs the service at the time the consumption of the service takes place. Therefore, it is difficult for the producer to hide mistakes or quality shortfalls of the service. In comparison the goods producers, have a buffer between production and customers' consumption.

4. Perish ability

Unlike manufactured goods, services cannot be stored for later consumption. This makes it impossible to have a quality check before the producers send it to the customers. The service providers then only have one path, to provide service right the first time and every time.

5. Non-returnable

A service is not returnable, unlike products. On the other hand, in many services, customers may be fully refunded if the service is not satisfactory.

6. Needs-match uncertainty

Service attributes are more uncertain than the product. This yield to higher variance of making a match between perceived needs and service is greater than perceived need and product match.

7. Interpersonal

Service tends to be more interpersonal than products. For example, compare buying a vacuum cleaner to contracting for the cleaning of a carpet. While customers will judge the quality of the vacuum cleaner by how clean the carpet is, customers will tend to judge the quality of the carpet cleaning service on both the appearance of the carpet and the attitude of the technician.

8. Personal

Customers often view services to be more personal than products. For example, a customer may perceive the service of her car (balancing the tires) as more personal than purchasing new tires. If the same customer has problems later with the tires, the defect in the tires would be less personal than if the tires were never balanced.

9. Psychic

Even though the food at a restaurant might not be as delicious as other famous restaurants, the customers will recognize the restaurant and tend to be satisfactions if the service of the restaurant is excellent. Another example is when a flight is delayed, and people tend to be upset with this poor service. However, if the gate agent is very helpful and friendly, people tend to still be pleased with the service (Growth, & Dye, 1999). Like other industries, banking and financial services companies have reached the conclusion that the relationship with the customer should not (metaphorically and literally) end at the bank door. Customer access after the transaction adds value to the transaction.

2.1.8 Measuring Customer Perception in the Banking Industry

Banking operations are becoming increasingly customer dictated. The demand for 'banking super malls' offering one-stop integrated financial services is well on the rise. The ability of banks to offer clients access to several markets for different classes of financial instruments has become a valuable competitive edge. Convergence in the

industry to cater to the changing demographic expectations is now more than evident. Bank assurance and other forms of cross selling and strategic alliances will soon alter the business dynamics of banks and fuel the process of consolidation for increased scope of business and revenue. The thrust on farm sector, health sector and services offers several investment linkages. In short, the domestic economy is an increasing pie which offers extensive economies of scale that only large banks will be in a position to tap. With the phenomenal increase in the country's population and the increased demand for banking services; speed, service quality and customer satisfaction are going to be key differentiators for each bank's future success. Thus it is imperative for banks to get useful feedback on their actual response time and customer service quality aspects of retail banking, which in turn will help them take positive steps to maintain a competitive edge. The working of the customer's mind is a mystery which is difficult to solve and understanding the nuances of what perception the customer has to attain satisfaction is, a challenging task. This exercise in the context of the banking industry will give us an insight into the parameters of customer satisfaction and their measurement. This vital information will help us to build satisfaction amongst the customers and customer loyalty in the long run which is an integral part of any business. The customer's requirements must be translated and quantified into measurable targets. This provides an easy way to monitor improvements, and deciding upon the attributes that need to be concentrated on in order to improve customer satisfaction. We can recognize where we need to make changes to create improvements and determine if these changes, after implemented, have led to increased customer satisfaction.

2.1.9 The Need to Measure Customer Perception

Satisfied customers are central to optimal performance and financial returns. In many places in the world, business organizations have been elevating the role of the customer to that of a key stakeholder over the past twenty years. Customers are viewed as a group whose satisfaction with the enterprise must be incorporated in strategic planning efforts. Forward-looking companies are finding value in directly measuring and tracking customer satisfaction as an important strategic success

indicator. Evidence is mounting that placing a high priority on customer satisfaction is critical to improved organizational performance in a global marketplace. With better understanding of customers' perceptions, companies can determine the actions required to meet the customers' needs. They can identify their own strengths and weaknesses, where they stand in comparison to their competitors, chart out path future progress and improvement. Customer satisfaction measurement helps to promote an increased focus on customer outcomes and stimulate improvements in the work practices and processes used within the company. When buyers are powerful, the health and strength of the company's relationship with its customers – its most critical economic asset – is its best predictor of the future.

Assets on the balance sheet – basically assets of production – are good predictors only when buyers are weak. So it is no wonder that the relationship between those assets and future income is becoming more and more tenuous. As buyers become empowered, sellers have no choice but to adapt. Focusing on competition has its place, but with buyer power on the rise, it is more important to pay attention to the customer. Customer satisfaction is quite a complex issue and there is a lot of debate and confusion about what exactly is required and how to go about it. This article is an attempt to review the necessary requirements, and discuss the steps that need to be taken in order to measure and track customer satisfaction.

One of the most important developments in banking sector has been the growth of the financial industry over the past two decades. The benefits of financial industry can be seen in the form of large scale industrial development, increased employment opportunities, higher turnover as well as revenue generation to the government and also increase in export of goods and services. Banking industry in India has undergone a process of evolution with the passage of time. To count or to depend on a bank merely by the function it is supposed to perform would be insufficient in the world that we live today. Investments play a vital role on the part of the customers. A real investor does not simply throw his or her money random investment; he or she performs through analysis and commits capital only when there is a reasonable expectation of profit. Hence they both are interdependent i.e., it all depends upon the customer. “Customer knows what to expect”. Today banks have a relationship

management approach with their clients. Banks are offering more customized solutions to their clients. The need of the hour is not only to introduce more value added products for which the customers are willing to pay here but also to innovate & enter new segments like small business & periodical finance. Everything revolves around the customer and banks via with their innovative and quality products to suit their clients. Today the bottom line for any customer is convenience understanding and evaluating the customers perception on the service & products of a bank has without doubt become a need, which propels the body to structure itself for better performance and service.

Thus delivering high quality service to clients is just as important as delivering performance that meets or exceeds their expectations. It is in this context that a study is necessary to know about awareness levels on the services provided by the public and private sector banks: Public Sector Banks:- Nepal Bank Limited, Rastriya Banijya Bank and Private Sector Banks:- Standard Chartered, Nabil, Everest, Himalayan, Nepal Investment, NIC, BoK and Others.

2.2 Research Review

In these days, information highway or the internet has become to the most powerful accessible medium to gain information in any subject matter. In the study period different books, journals and articles have been consulted. The study has been also used PERI database, which is available in Western Regional Library of Prithivi Narayan Campus. The research studies and work papers carried out by different scholars within various geographical region including dissertations conducted by Nepalese scholars are also reviewed in this section, which are related with the bank capital management of commercial bank and Customer perception or the area of the study. The review of relevant articles publish in different journals are available on-line on International Network for the Availability of Scientific Publication (INASF) where database has been reviewed and presented.

2.2.1 Review of the Related Articles

Calem and Rob (1996) carried out a study on "The Impact of Capital-Based Regulation on Bank Risk-Taking: A Dynamic Model". In this paper, they attempt a

dynamic modeling of the moral hazard problem and how, it might be affected by various regulatory instruments. The model considers banks that operate in a multi period setting with the objective maximizing the discounted value of their profits. A bank assumed to operate in a multi-period setting; the bank's capital may fluctuate over time depending on the realized returns on loans, as well the bank's portfolio choices. This, they consider the dynamic of bank portfolio choice and the behavior of well capitalized as well as undercapitalized banks. A severely undercapitalized bank typically takes on maximal risk in an effort to improve its capital position, even if the risky asset provides a lower expected return than the safe asset. This result suggests that moral hazard is serious problem among banks near to insolvency; thus it provides a formal rationale for the prompt corrective action (PCA) provisions of FDCIA.

Pradhan (2003) has conducted the study on "Role of Saving Investment and Capital Formation in Economic Development: A case of Nepal". The purpose of this paper has been to investigate the role and impact of saving, Investment and capital formation on economic development. The macro economic variables are introduced vide and extension of the econometric model various regression models. This paper has been based on secondary data only. The necessary data on saving, investment, capital formation and gross domestic product has been collected for the period of 1974/75 to 2000/01 at current price and in real terms with the entire study period divided into different sub periods. The result presented in this paper suggest that all cases, GDP is significantly associated with saving, investment and capital formation both at current prices and in real terms. The results of the empirical analysis led to three important conclusions; saving, investment and capital formation have positive impact on economic development but the current values have the largest impact, there is a strong role played by saving and capital formation on economic development while weak role played by investment.

Gho (2005) has carried out a study on "Intellectual capital performance of commercial banks in Malaysia". This paper measured the intellectual capital performance of commercial banks in Malaysia for the period 2001 to 2003, using efficiency coefficient called VAICTM developed by Ante public 1997 (VAICTM is a trademark of public & International Education Center Inc.). The model of data required to

calculate human capital, structural capital and capital employed efficiencies were obtained from annual reports. As a whole, all banks have relatively higher human capital efficiency than structural and capital efficiencies. Domestic banks were generally less efficient compared to foreign banks. Hong Long Bank, Public Bank and Southern Bank was the top three efficient domestic banks did not show improvements in efficiency following the consolidation exercise requires an urgent attention and remedial actions. This study failed to study all foreign banks operating in Malaysia. The findings allowed banks benchmark themselves based on the level of efficiency rankings, to establish priorities and develop strategic plans, which will in turn enhance their future performance. The findings also could help stakeholders and investors assess the value creating potential of banks; and policy makers to formulate and implement policies for establishment of a resilient banking sector. This study also demonstrated that foreign banks were the more value added than foreign banks. Only Hong Long Bank, Nay bank, Public Bank and EON Bank showed improvement in efficiency, while the other six banks are still struggling with redundant resources. Being the first study to review bank performance based on intellectual capital, this paper will be a good source of reference for future study on Malaysian banking sector.

Abeyssekera (2007) has examined the "Intellectual Capital Reporting between a Developing and Developed Nation". This paper aims to examine the patterns of intellectual capital reporting (ICR) of large listed firms in a developing nation, Sri Lanka. The aim of this study is to highlight the difference in ICR practice between developing and developed nations. The paper begins by examining each of the top 30 firm by market capitalization listed on the Colombo stock exchange in 1998/1999 and 1999/2000. Using the content analysis method, it reviews the annual report of these firms to determine the types of intellectual capital (IC) items reported in Sri Lanka. It then compares these findings with a similar study undertaken in Australia during the same period. The findings in this paper highlight the need for a uniform ICR definition and a reporting framework that provides comparative and consistent reporting under the auspices of a regulatory body. ICR differences were identified between Sri Lankan and Australian firms, and it is argued that these differences can be attributed to economic, social and political factors. This paper highlights important policy issues for Australia, Sri Lanka and other nations. These issues are even more

pertinent in the light of the gradual international adoption of the International Financial Reporting Standards (IFRSs), formulated by the International Accounting Standards Board (IASB). Most papers on intellectual capital reporting have focused on firms in developed countries. This paper offers insight into comparative reporting practices between a developed and a developing country.

2.2.2 Review of Master's Dissertations

Unfortunately, there are not much of the previous studies or thesis on the similar topic of consumer perception and comparison of bank on the basis of same about the financial market. But there are significant number studies related to comparison of commercial banks on the basis of financial performance. Hence some difficulties are faced to mention the summary and review of previous studies related to the research. On the course of preparation of this research paper, review of some of the previous research paper studied even though they are not directly related to the topic are mentioned below. These studies have been conducted on the comparative study on the basis of financial performance of commercial banks in Nepal. Most of them are concentrated with the domestic commercial banks.

Gurung's (1995) has conducted a research on " A comparative study of Nepal Grindlays Bank Limited and Nepal Indosuez Bank Limited in 1995" The objective of this study was to identify the comparative financial analysis of this bank. The study concluded that, profitability records of both the banks have registered in increasing trend during the first half of the study period and have decreased there after the liquidity, profitability and dividend payout ratio of both the banks seen to be favorable and both the banks have able to manage satisfactory level of capital adequacy ratio on the subsequent years. This is well above the required adequacy norm.

He recommended that the banks are required to maintain improved capital structure by increasing equity base i.e issuing more capital, expanding general reserve and retaining more earning and wide range of fluctuation in the cash/ bank deposit ration of both the bank should be stabilized after proper diagnosis of the root cause. He had suggested for that both banks should strive to earn operational profit by increasing

their operational efficiencies mobilizing resource more efficiently or by minimizing operating expenses as for as possible.

Joshi's (1989) has conducted a research on "financial performance of commercial banks with special reference to Nepal Bank Limited and Rastrya Banija Bank Limited" for the period of 5 years in 1989; The objective of his study was to examine the financial strength and weakness of the selective two banks. He has applied historical research and cross- sectional research design. The study concluded that liquidity positions of commercial banks are sound. Their debt to equity ratio is high, which doubt on solvency. Conservative credit policy is followed by commercial banks for assets utilization that is why more investments were done in loans and advances, assets utilization for earning purpose was two third of the total assets. The main sources of income for these banks were interest from loan and advances. Joshi has recommended that dividend payout ratio of commercial Banks should be determined keeping in mind the shareholder expectations and the growth requirements of the banks.

Khadka (2004) carried out study entitled "Analysis of risk and return in selected Nepalese commercial banks listed in NEPSE". The main objectives of the study are to measure systematic and unsystematic risk of commercial banks. The study is to measure systematic risk of commercial banks. The study has covered 6 years period and used expected return, coefficient of Variation, standard deviation,

B.K (2006) has conducted a study on "A comparative analysis of financial performance of Standard Chartered Bank Ltd in Nepal and Nepal SBI Bank Ltd". The objectives of the study are to identify the liquidity position, Profitability position, capital adequacy ratio, and change in financial ratio and analyze the trend of financial ratios. He has collected secondary and primary data to fulfill his study. In aggregate term, the liquidity ratio and the performance of SCB is better than Nepal SBI bank. It indicates that this bank's deposit amount has been fridges in last three years of the study period. He had concluded that SCB is more orientated toward those discharging responsibilities towards its shareholders than Nepal SBI Bank. More than this, SCB is found paying more attention towards the attainments and national objectives. SCB's participation in the task of economic development with liberal attitude towards the

government is more responsive to the national priorities like branch expansion, more employment, more resource mobilization etc. B.K has recommended that to increase their ROE and ROA ratio through full utilization of fund to maximize shareholder's wealth.

KC (2008) has conducted a study on performance evolutions and customer satisfaction of Nabil bank, He was identifying different types of services provided by the bank, Lalitpur Branch. He was explained different sub units under operation as well as credit Department of the bank. Majority of the customers are satisfied with the present level of service and number of products Nabil bank is offering. More than 50% of respondents have account in some other banks or financial institute provides a wide range of services, a majority of the customers have chosen Nabil Bank as the bank better than any other bank, He was also finding out the performance of Nabil bank as whole. The thesis basically focuses on the customer services provided by different departments of Nabil Bank Limited, Lalitpur Branch and tries to provide a glimpse of the level of customer satisfaction of the branch.

CHAPTER- III

RESEARCH METHODOLOGY

The study is mainly based on the primary data collected from own survey questionnaires. These data are used to analyze the customer perception regarding different product and services of commercial banks in the country. Also from these analyses the most crucial factors that to be taken into consideration during banking operation to keep the customer satisfaction level at best are figured out as a part of the basic objective this study. The chapter basically describes the methodology employed for the whole research process.

3.1 Research Design

"A research design is the arrangement of condition for collection and analysis of data aims to combine relevance the research with economy in produce" To achieve the objective of this study descriptive and analytical design has been used. Before conducting of research design makes to indentify the problem to report writing with the help of collection, tabulation, analysis and interpretation data.

3.2 Population and Sample

The study basically focuses on the generic customer perception about products and services provided by Nepalese commercial banks and rate them on the basis of various attributes. Censes of the population is neither feasible nor desirable for the study of this nature, a sample from the population has been selected for the purpose of study. For the selection of the sample from the population judgmental sampling and stratified sampling method has been followed. To fulfill the requirement of these thesis objectives, among the client whose are take loan from the bank, only 100 persons are selected for primary data collection and from the secondary data only sampling method of past data were gathered as required. For the study of comparative analysis of the customer perceptions, one public Sector bank namely Rastriya Banijya Bank and other renowned private commercial banks were selected as follows.

1. Standard Chartered Bank Ltd (SCB)
2. Nabil Bank Ltd (NABIL)
3. Himalayan Bank Ltd (HBL)
4. Everest Bank Ltd (EB)
5. Nepal Investment Bank Ltd. (NIBL)
6. Nepal Industrial and Commercial Bank (NIC)
7. Rastriya Banijya Bank (RBB)

3.3 Nature and Source of Data

During the preparation of different methods have been used for data collection, which includes collection of both primary and secondary data. Primary data includes questionnaire, personal interview with the respondents and consultation with concerned staffs and customers which are made for the reliability and practicality of the data by making different types of question. All the secondary data obtained from various sources are compiled processed and tabulated in the time series as per the need and objectives. Besides above mentioned sources of data has been also used in the study.

-NRB Report/Annual reports of Banks

-Various publication dealing in the subject matter of the study

- Data collection during personal site visits and discussion with banks.
- Survey from customers

3.4 Data Collection Procedures

This research is based in the primary sources of data through survey so, the structured questionnaires are only the major device for this study. The short and simple question alive is designed under the consultation of thesis supervisor and key information. So that the answer for the problem statement can be get effectively and efficiently. Before conducting the opinion survey, the pilot study is carried out to check the structure, the appropriateness and the coverage of the interview questionnaire Initial questionnaire was pre-tested in 10% of the sample size. From pre-testing, various interesting aspects were identified that helped in redesigning and even eliminating few of the questions.

Sample size of 100 individuals from Nepalgunj was taken for this study. Keeping in view the time and cost constraints, this sample size is assumed sufficient to represent the segments of target market.

3.5 Data Processing and Analysis

The collected data, which are obtained from different sources, may not be in appropriate form to analyze. Therefore all the data collected are separated and categorized as per their relevancy and compiled in appropriate forms. The data will be described by presenting the light of theoretical basis using different tools and techniques of financing of commercial banks comparatively on customer perception of commercial banks. Similarly the collected data was presented and arranged in tabulated forms, percentage ratio graphs and tables wherever required.

3.6 Data Analysis Tools and Techniques

Since the data used for the analysis are from the response collected from survey questionnaires, very simple techniques of data analysis are used. Some of the methods used are discussed one by one in the following paragraphs.

3.6.1 Simple Percentage Calculation

To extract some information like what is the trend of personal borrowing against institutional borrowing, simple percentage of respondents who prefer their way of borrowing is calculated. For example out of total X nos. of responses, if Y nos. say they prefer personal borrowing, then the general trend of personal borrowing intention of the population is calculated as;

$$\text{Borrower preferring Personal borrowing} = Y/X * 100 \%$$

3.6.2 Ratios, Tables and Graphs

Wherever applicable, data are presented in terms of different ratios, tabulated to easily understand and plotted in graphs to make it very easy to interpret and understand.

3.6.3 Multidimensional Scaling

Multidimensional Scaling means, rating a product/brand or services in two dimensions at the same time. While drawing perceptual mapping tools, the techniques of multidimensional scaling is used to figure out the relative position of each brand against others in the two attributes at the same time. For the simplicity classical simple multidimensional scaling is used so that equal weighted is given to each attributes.

3.6.4 Gap Analysis

From techniques of Multidimensional scaling and perceptual mapping, managerial gap analysis techniques used to find out the gap among different brand in each attributes.

3.6.5 Perceptual Mapping

Perceptual Mapping is a tool researchers use to assess a company's perceived strengths and weaknesses against those of its primary competitors, in easy-to-understand, graphical format. Perceptual mapping addresses such important business questions as:

-) How is my brand/product/service performing compared to competitive brands?
-) How does the market perceive my brand's/products/services key strengths and weaknesses?
-) How does the market perceive my competitors' key strengths and weaknesses?
-) Are there differences in brand/product/services perceptions among various target groups (men/women, small companies/large companies, young adults/seniors, etc.)?

Using data we collect, maps are produced which graphically show multi-dimensional relationships between brands and competitive attributes. Attributes are shown as arrows (vectors) and brands as dots. The longer the arrow, the more strongly that attribute differentiates different brands. Arrows that appear close together are perceived similarly, whereas attributes that are farther apart are perceived as different.

Samples Perceptual Map

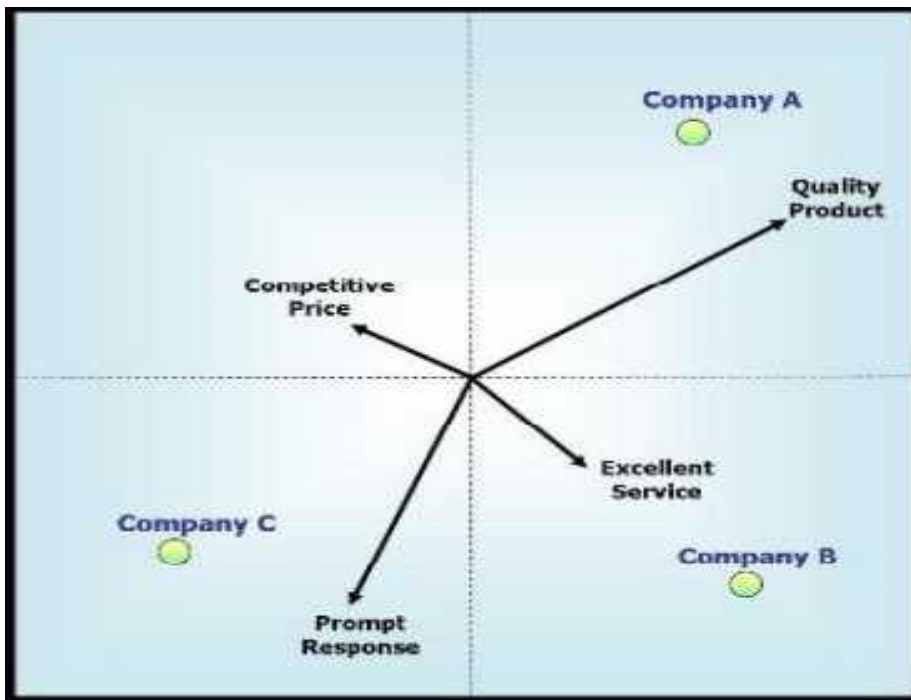


Figure 3.1

In the analysis also, the technique of representing data in the perceptual maps and finding the relative position of each bank among other competitors in various factors like Interest rate, brand image, fees etc are used.

CHAPTER IV

PRESENTATION AND DATA ANALYSIS

This chapter deals with the presentation and analysis of data collected from different sources, mainly from the primary survey conducted for this case. As stated in the basic objective of this research study has been already highlighted in the first chapter. Accordingly suitable analytical techniques research methodology as mentioned in the previous chapters has been implemented and an effort has been made to analyze the comparative study on customer perception of major commercial banks in Nepal.

Before directly jumping to the analysis as per the objectives, few findings on general banking demographics are mentioned here as it was collected from the survey questionnaires. From the survey it is learned that, mostly people are aware about different loan schemes like *Home Loan, Auto Loan, Education Loan and Business Loan referring to the question no 11*. But now and innovative product like credit cards, e-banking, LC, Telex Transfer are not widely known by most of the respondent. This may be due to the poor communication from the financial institutions' side about their different innovative products and services.

Similarly, even though the loan requirement of different people are found to be little bit random, 33.5% are looking for Home Loan, 25% are looking for Hire/Purchase (Auto) Loan, 30% are looking for Business Loan and 20% are looking for Education Loan (referring to the question no 11). It is also seen that few persons are looking for more than one kind of loan. No fixed relationship could be established on the basis of occupation, qualification or income level. Even if the respondent has his own home it can be seen the requirement of Home Loan for the same respondent and it is the case of Auto Loan for car holder as well. But students are mostly attracted toward Auto Loan. The reason may be due to necessity of motorbike.

Though the age limit for loan is 16 years to 65 years, it is seen that people below 16 years are also interested in bank lending but they are mostly attracted towards Education Loan and to Auto Loan to some extent (refer the question 8). This signifies

that there is tremendous opportunity in Education Loan sector especially along with the trend of going abroad for higher studies. Person having age 25-35 years is mostly interested toward Home Loan while people of age bracket 35-45 years are interested toward Business Loan. Average loan size for Business Loan is more than 50 lakhs, while people seeking for Auto Loan want 11 to 20 lakhs. Similarly requirement of average Education Loan size preferred is about 5-20 lakhs but in case of Home Loan the average loan size preferred is varied from 5 lakhs to more than 50 lakhs.

Also, regarding the sources of fulfilling loan requirements, out of 96 responses used for analysis, around 3.1% do not prefer bank financing. Around 13.5% wants to finance through finance company and 14% preferred both bank and finance company equally. It is seen in Figure 4.1 below, that around 90% of the respondents preferred to finance their loan requirement through banks. Next to bank is finance company, which is nowhere near to banks. It shows that people have trust and confidence in banks than any other mode of financing (refer question no 12).

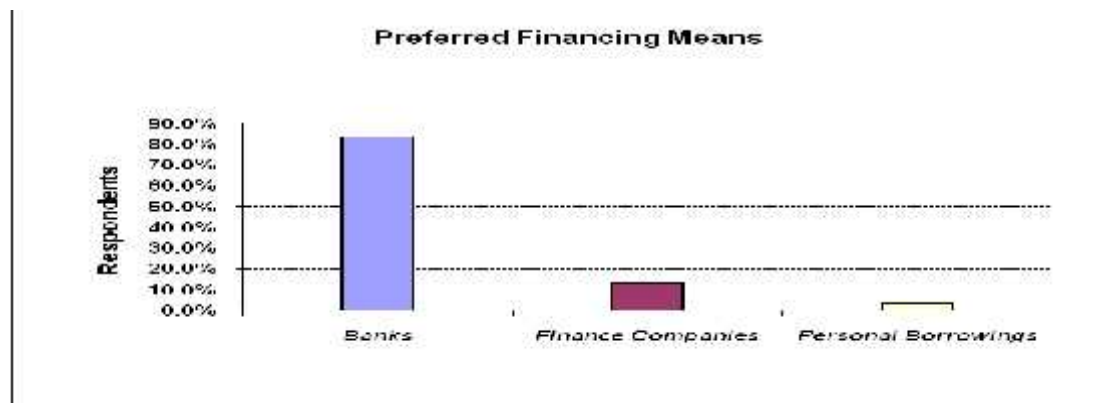
Table 4.1

Analysis of Response on preferred means of financing

Medium of Financing	No. of Respondents	Percentage
Banks	80	83.3%
Finance Companies	13	13.5%
Personal Borrowings	3	3.1%
Total	96	100%

The graph on these data is presented in Figure 4.1. From the figure it is very apparent that commercial banks have the dominant role in customers mind as a source of fulfilling their loan requirements.

Figure 4.1



With these general demographic understanding of customer perception and categories, one by one data analysis as per the objectives of this study are done in following paragraphs

4.1 Analysis of Customer Perception towards Different Banks

Customer perception is an important component of bank relationship with its customers. It is imperative for banks to get useful feedback on their actual response time and customer service quality aspects of retail banking which in turn will help them take positive steps to maintain a competitive edge. The consumer perception regarding Brand Name, Loan Processing Easiness, Helpful and Effective Advertisement, Location of the Bank, Loan Tenor, New Products Introduction, Usefulness of Previous Experiences with the Bank, Interest Rates, Time Taken to Entertain the Clients and Attitude of Staffs are carried out through a questionnaire survey mention as below table:

Banks	Brand Name	Advertisement	Location	Suitable loan period	Word of mouth reference	Previous experience with Bank
SCB	1	2	1	2	1	3
HBL	2	2	3	1	2	2
NABIL	2	3	1	2	2	2
NIC	5	3	5	5	5	5
RBB	4	5	4	4	4	1
NIB	3	1	3	3	3	3
EB	3	4	2	3	3	4

Index: 1= Most preferable, 2 = Preferable, 3 = Good
 4 = Like 5 = Non-preferable

These factors are separated in two different questions because rating scores for long list of items under once question or in one page will be monotonous customers will be tired and the input received will not be correct. Also from these data, multidimensional perceptual mapping are plotted in certain cases to identify the relative position of different banks. And at the end the average score is calculated from all components for each bank and overall ranking of the banks on the basis of consumer rating on items mentioned above. Consumer perception on different items is as shown in following **figures 4.2 & 4.3**. It is to note that 1 being the best desirable and higher number of rating (5 or 7) being the worse, is used for rating the particular component in the survey questionnaires. The sample calculation on the scores against in each items for Standard Chartered Bank and Himalayan Bank are shown.

Then similarly average scores on rated items of attractive interest rate, Document processing time, introduction of new products, staff cooperation and processing fees as per question 20 of survey questionnaires for each bank are tabulated below in **Table 4.2**. For the analysis, equal weight is given to each items and simple average score of all items for each bank is also calculated and presented in the table below.

Table 4.2

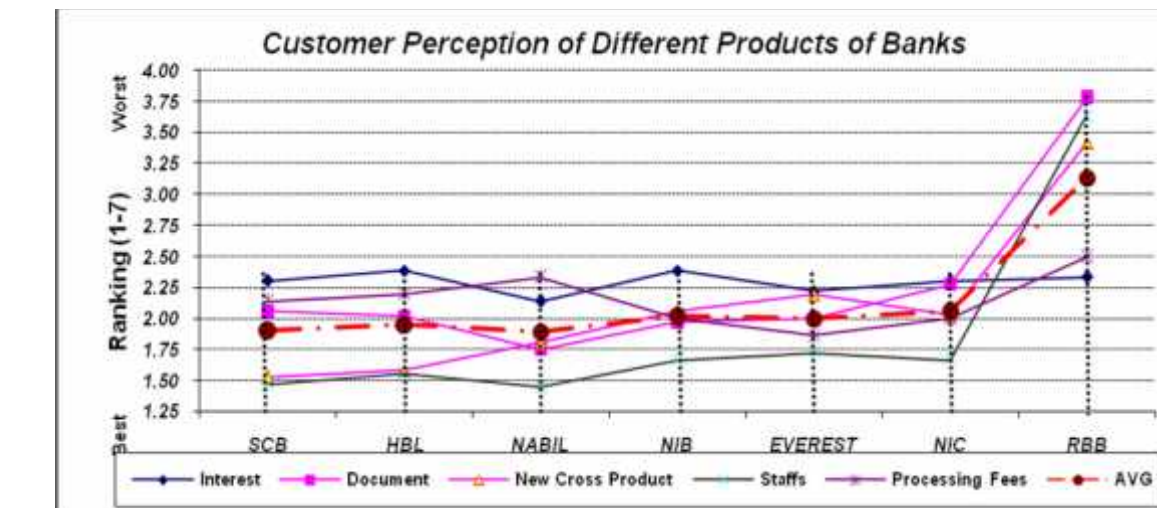
Summary of respondents' rating against each factors of all banks as per Question No 20

Banks	Interest	Document	New Cross Product	Staffs	Processing Fees	AVG
SCB	2.31	2.06	1.53	1.47	2.14	1.90
HBL	2.39	2.02	1.58	1.56	2.20	1.95
NABIL	2.14	1.75	1.81	1.44	2.33	1.89
NIB	2.39	1.97	2.06	1.67	2.00	2.02
EVEREST	2.22	2.00	2.19	1.72	1.86	2.00
NIC	2.31	2.28	2.03	1.67	2.00	2.06
RBB	2.33	3.78	3.42	3.64	2.50	3.13
Industry Average	2.30	2.26	2.09	1.88	2.15	

These scores are also plotted in the graph as shown in figure 4.2. From this data, it can be inferred that, even-though Nabil Bank is the leader, the differences with

Standard Chartered and Himalayan Bank is not much. Meaning, this are the well perceived top notch bank in the country and they are the most customer focused & competitive among all.

Figure 4.2



RBB is standing out here with higher rating in all items except the Interest Rate. General attitude of public towards the RBB is not motivating due to the time taking and hassles for sanctioning any loan. But at the same time being and state entity, vast network in the country and huge deposit base, it is offering the competitive interest rate to the customers. During informal disc

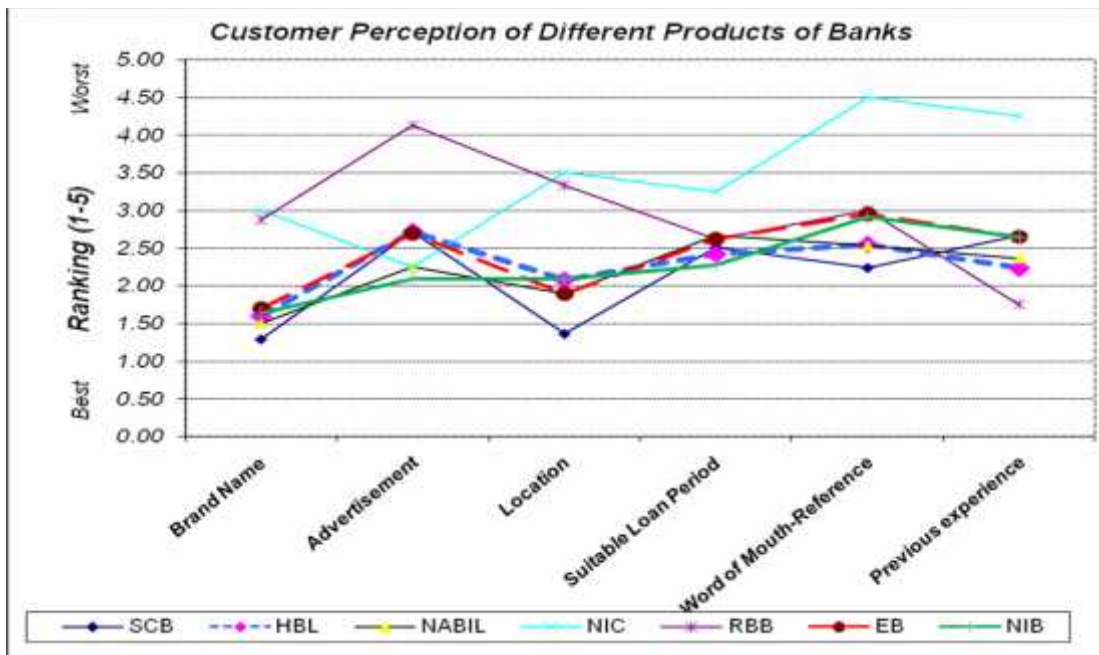
At the same time, Customers are asked to rate different items like brand name of the bank, useful Ad of different banks, Location of bank, suitable loan period (tenor), word of mouth of reference and previous experience with the bank that comes into play to make the decision for choosing a particular bank for a loan or any services. This time is asked to rank in a different scale of 1 to 5 than the previous ranking in question 20. It is to note that the rank of 1 is being the best desirable and rank of 5 being the worst. The detail customer score cards for each bank on these items are shown in **Appendix B** second part. Average scoring of customer rating for each item for each bank is calculated and the average values are presented in Table 4.3.

Table 4.3**Summary of respondents' rating against each factor of all banks as per Question
No 15**

Items	SCB	HBL	NABIL	NIC	RBB	NIB	EB	Industry Average
Brand Name	1.29	1.60	1.50	3.00	2.88	1.64	1.70	1.94
Advertisement	2.71	2.71	2.25	2.25	4.13	2.09	2.69	2.69
Location	1.36	2.08	1.89	3.50	3.33	2.09	1.90	2.31
Suitable Loan Period	2.50	2.42	2.67	3.25	2.63	2.27	2.62	2.62
Word of Mouth- Reference	2.23	2.55	2.53	4.50	3.00	2.91	2.95	2.95
Previous experience	2.67	2.23	2.36	4.25	1.75	2.64	2.65	2.65
Average Score	2.13	2.26	2.20	3.46	2.95	2.27	2.42	

As earlier, these data are also plotted in the graph and presented in the **Figure 4.3** to have the better understanding through pictorial view. As it can be seen from this presentation that, Standard Chartered Bank is leading here with the minimum average score of 2.13 and Rastriya Banijya Bank is again standing out with higher scores in almost all items. But suitable loan periods, word of mouth reference and previous experience factors with bank for making decision are better in the Rastriya Banijya Bank are better and NIC bank is worst on the other hand. Because of vast network and exposure of remote people to the RBB or other state owned banks only is important point to notice.

Figure 4.3



After the analysis and presenting the data of these critical factors of banks by two different questionnaires, finally average of both ranking from **Table 4.2 and Table 4.3** is calculated to find out the leader in the Nepalese banking sectors on the basis of the customer perception rating survey of 11 major already mentioned.

Table 4.4

Average rating calculated from table 4.2 and Table 4.3

Banks	SCB	NABIL	HBL	NIB	EVEREST	NIC	RBB
Score (Average)	2.01	2.05	2.11	2.15	2.21	2.76	3.04
Ranking	1 st	2 nd	3 rd				

From the ranking on Table 4.4, it is apparent that Standard Chartered Bank is the leader with best score of 2.01 followed by Nabil Bank in second position with score of 2.05. From this survey Rastriya Banijya Bank is the least favorable Bank. It is also apparent that, the difference between SCB, Nabil and HBL is very minimal and these are the top three banks. Here, it can be seen as three distinct groups of Banks. Standard Chartered, Himalayan and NABIL are top-notch bank with similar rank followed by Nepal Investment, Everest and Nepal Industrial and Commercial Bank. Rastriya Banijya Bank is standing alone as the worst in customer's perception with highest score. There is strong competition among six banks except RBB. RBB is

rated poorly in all categories except interest rates where it is in better than industry average. During informal discussion while filling the questionnaires, respondents have frequently commented about poor document processing and unacceptable staffs' attitude of the RBB but due to low interest rates and penalty charges still people prefer RBB. Some have even mentioned the previous experience with the bank is also important factor for selecting RBB for loan and other financial services since it is one of the oldest banks in the country.

4.2 Checking the Relative Position of Banks on Key Products/ Services on Perceptual Maps

Perceptual maps are drawn to study the relative position of different banks with respect to each other on the selected product/services. The values are used from **Table 4.2 and Table 4.3**, the average score of respondent on the category. While drawing the maps, the crossing points of X- axis and Y-axis are determined on the basis of industry average. Industry average is calculated in each categories and it is assumed as the origin (crossing point of both axes). Here the perceptual maps on all 11 products/services are not drawn but major product/services like Interest Rate, Document Processing Time/Fees, New Product Introduction and Brand Name are only used to know a specific relative position of different Banks.

4.2.1 Interest Rate versus Document Processing Time

On the basis of average rating score calculated and presented in **Table 4.5** a perceptual map between *Documents Processing* versus *Interest Rate* is drawn (refer to **Figure 4.4**).

Table 4.5

Average Rating Score on Interest Rate and Document Processing

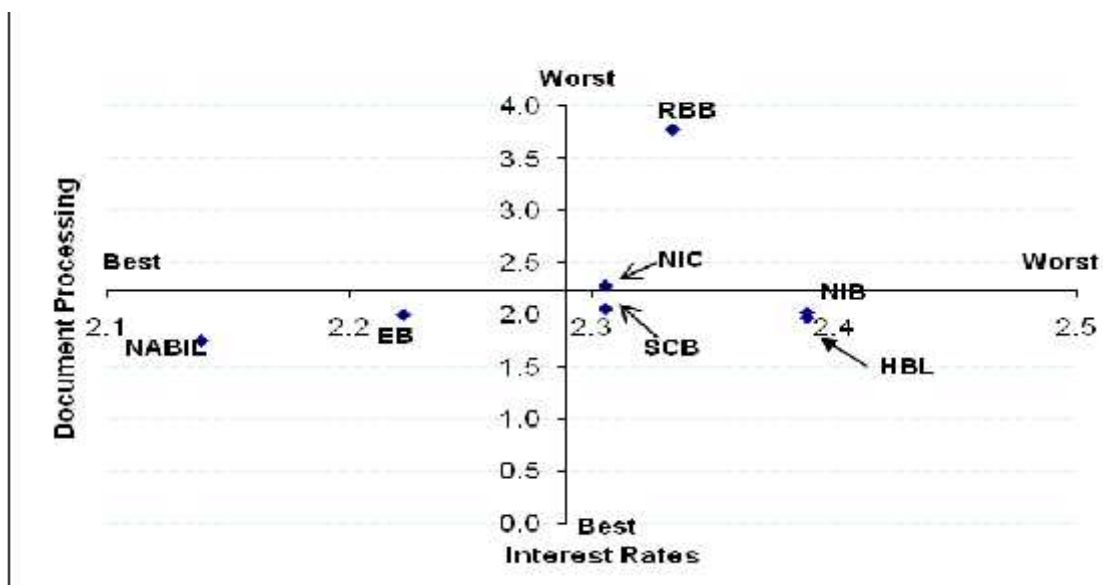
Banks	Interest Rate	Document Processing Time
SCB	2.31	2.06
HBL	2.39	2.02
NABIL	2.14	1.75
NIB	2.39	1.97
EVEREST	2.22	2.00
NIC	2.31	2.28
RBB	2.33	3.78

Source: Refer Table 4.2 for the values

In this map it can be seen that NABIL bank is perceived as the best bank with minimum interest rate charged and fastest document processing among them. Everest Bank is also perceived better than other giant players like HBL and SCB. RBB is again standing alone in case of document processing as the worst but in case of Interest rates it is better than NIB and HBL. NABIL and HBL are almost equal in case of document processing but HBL is perceived as the high interest-charging bank.

Figure 4.4

Perceptual Map of Interest Vs Document Processing



4.2.2 New Cross Product Vs Document Processing Fees

Similarly second perceptual map is drawn between Processing Fees versus New Cross Products (refer to **Figure 4.5**) on the basis of data presented in **Table 4.6**.

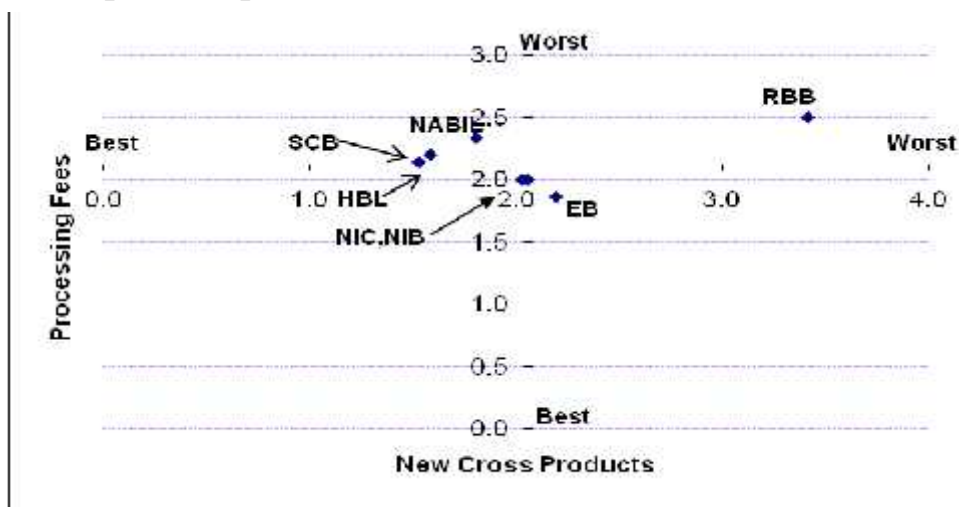
Table 4.6
Average Rating Score on New Cross Product and Processing Fees

Banks	New Cross Product Introduction	Processing Fees
SCB	1.53	2.14
HBL	1.58	2.20
NABIL	1.81	2.33
NIB	2.06	2.00
EVEREST	2.19	1.86
NIC	2.03	2.00
RBB	3.42	2.50

Source: Refer Table 4.2 for the values.

From the **Figure 4.5** SCB and HBL are perceived as the very effective banks regarding consumer friendly services and timely new schemes and new products with reasonable processing fees. Everest Banks is perceived as the bank, which charges the lowest processing fees. Again we can see that Rastriya Banijya Bank is far away from the clusters of other private banks in this perceptual map as well.

Figure 4.5
Perceptual Maps of New Cross Product Vs Document Processing Fees



4.2.3 Brand Name versus Advertisement

The third perceptual map (refer to **Figure 4.5**) is drawn between Brand Name of the Bank and Advertisement on the basis of data compiled in Table 4.7.

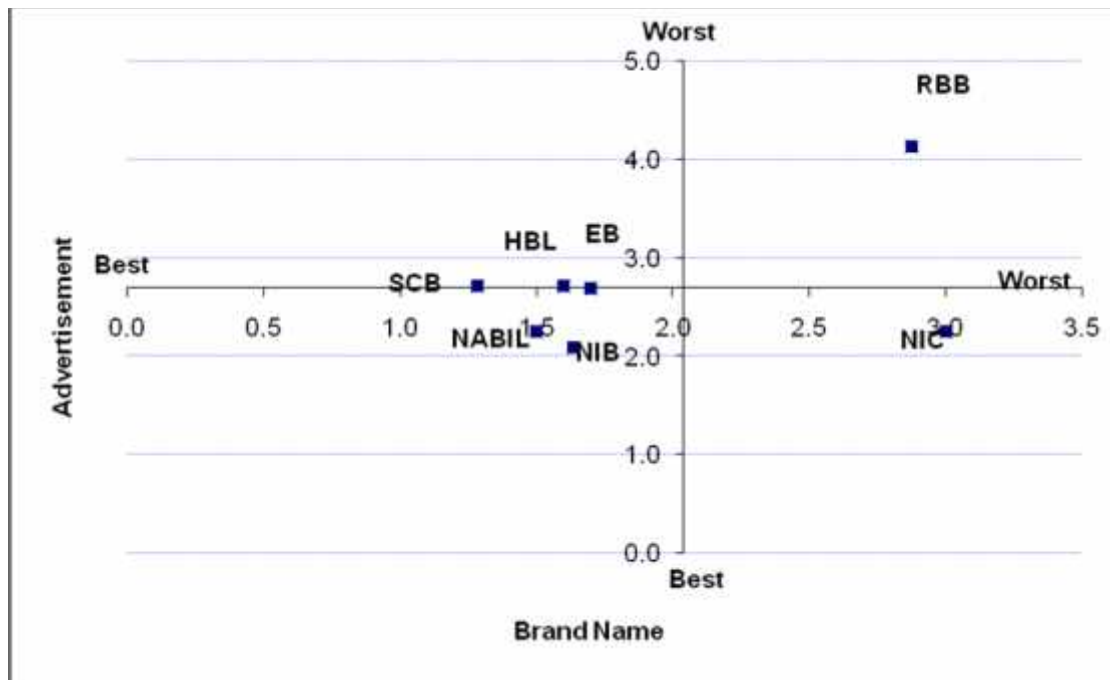
Table 4.7
Average Rating Score on Advertisement and Brand Name

Banks	SCB	HBL	NABIL	NIC	RBB	NIB	EB
Brand Name	1.29	1.60	1.50	3.00	2.88	1.64	1.70
Advertisement	2.71	2.71	2.25	2.25	4.13	2.09	2.69

Source: Refer Table 4.3 for the values.

It is seen that SCB is the leading bank in the context of Brand Name followed by NABIL and then HBL. But NIB, NABIL & NIC are leading the focus in media advertisement. Again RBB the state owned bank is now where near the cluster of other private banks.

Figure 4.6
Perceptual Map of Advertisement vs. Brand Name



Hence, by these perceptual mapping good analysis of not only the relative position of these banks in certain products but also the gap analysis is done at the same type. In overall scenarios, top notch private banks like SCB, Nabil, and HBL are in close cluster and remaining private banks EB, NIB and NIC are performing another band but closer to the cluster of SCB, Nabil and HBL.

4.3 Analysis of Best Commercial Medium for Advertisement

4.3.1 Approach through Media

Use of Media from banking sectors is also widely used worldwide. Separate dedicated newspapers, TV channels and Radio are present in developed country. Bloomberg, financial times etc are the few examples. In Nepal also, there are few newspapers that mainly focuses financial information. Media is the very important source disseminating any time of information that is important to customers. Presently very frequent publication of various advertisement of loan schemes, information of unaudited financial statements etc in Nepalese newspaper for banks also. Hence media is another important source of communication banks to educating customers about their products and services also. In the following paragraphs, the important sources of medium that are effective in Nepal is tried to find out. Again the customer survey and their rating is used for the analysis. After the analysis, it would be understood that if any bank is thinking of advertising its product, which is the best commercial medium to use so that information is communicated to the target customer effectively.

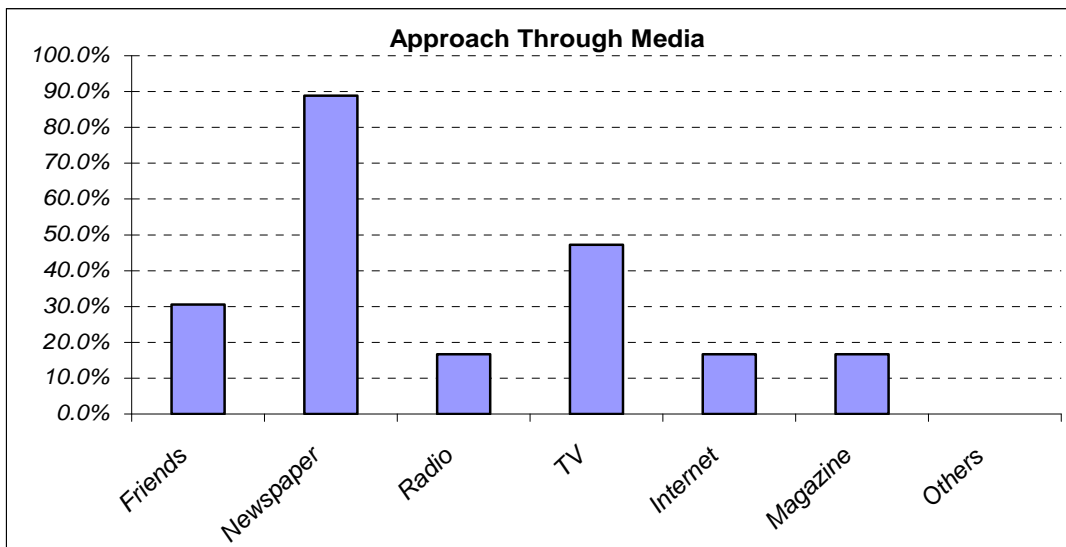
When respondents are asked to tick the appropriate source/media reachable to them, referring to the question no 16 (Appendix A) the most effective and approachable sources of communication are Friends, Newspapers, FMs/Radio, TVs, Internet, Magazine etc. Among those sources Newspaper and TVs are the most commonly used sources by the customer. It is seen from Table 4.11 and Figure 4.10 that Newspaper is the solo- preferred media followed by TV for the communication regarding different products or services of banks to consumer. Around 90% of responded have given their preference to Newspaper for the appropriate medium that will help them to explore the information about financial markets.

Table 4.8
Response from Customer on Medium and Media

Medium	Percentage of Respondents	Newspaper	Percentage of Respondents	TVs	Percentage of Respondents
Friends	30.6%	Gorkhapatra	18.8%	NTV	82.4%
Newspaper	88.9%	Kantipur	93.8%	Kantipur	94.1%
Radio	16.7%	Himalayan Times	40.6%	Image Channel	17.6%
TV	47.2%	Kathmandu Post	12.5%	Channel Nepal	11.8%
Internet	16.7%	Annapurna Post	9.4%	Nepal 1	17.6%
Magazine	16.7%	Nepal Samachar Patra	3.1%	NTV Metro	0.0%
Others	0.0%	Others	0.0%	Others	0.0%

Hence when a bank is thinking of advertising its new product, best medium to choose would be the newspaper. Also at the same time it would be good if the same advertisement is advertised through TV also. Since significant percentage of respondents have mentioned that word of mouth through friends is also important, communicating to all employees and other stakeholders of the bank is equally important. In the following paragraphs, the effective newspaper and TV channels will be explored from these data.

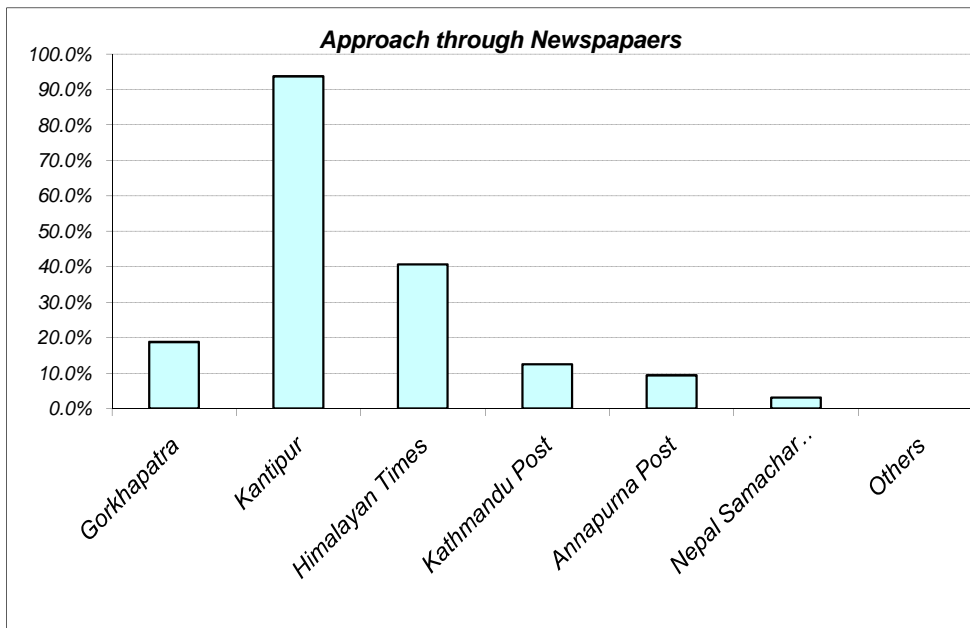
Figure 4.7



4.3.2 Approach through Newspapers

As it is very clear from the above section that newspapers are the most important preferred medium of communication by customer, the name of the effective approachable newspaper will be explored here. From the **Table 4.11**, it is very apparent that, among the newspapers, like Kantipur, Himalayan Times, Kathmandu Post, Gorkhapatra, Annapurna post, Nepal Samachar Patra etc., The Kantipur daily is only one of the best choices of the customer perception because of the reach to the desired target market. More than 90% of the respondents have mentioned The Kantipur daily as the most effective newspaper for the communication of bank's product (refer **Figure 4.11** also).

Figure 4.8

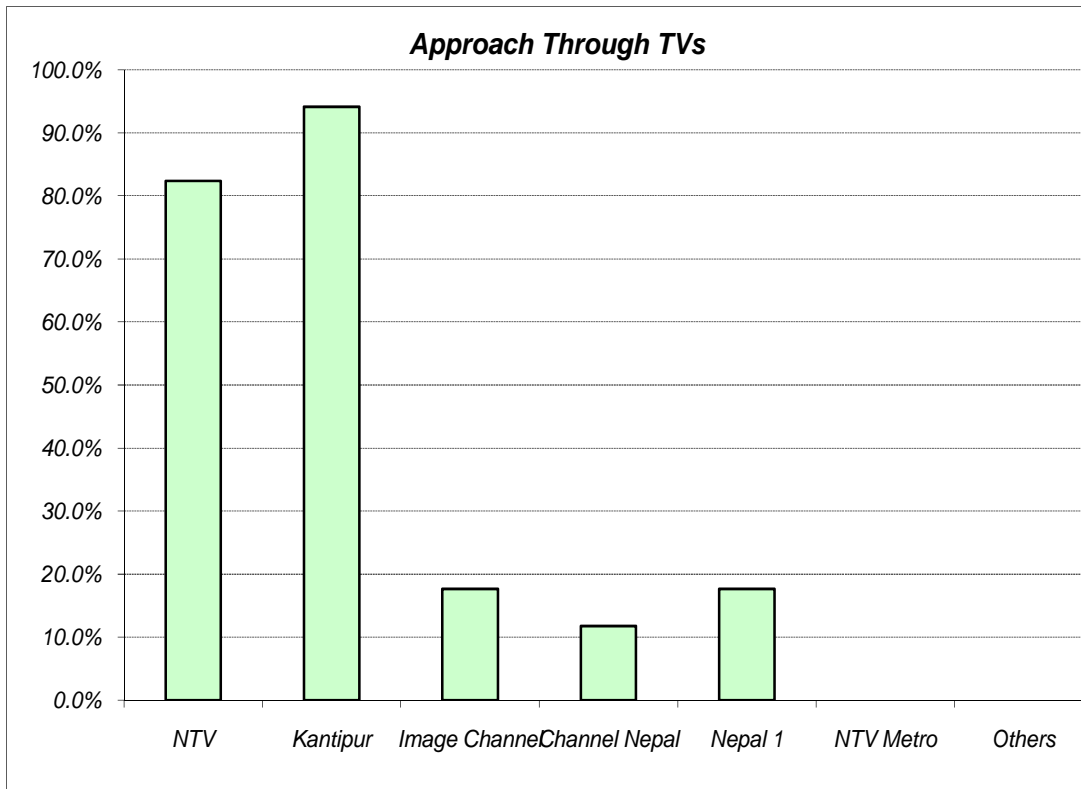


At the same time, 40% respondents have also selected The Himalayan Times as best medium for advertisements campaign for bank. It indicates that Kantipur is the only one to dominate rest of the Newspaper is to be selected; Kantipur Daily is the most effective means to reach to desire target market with highest view-ability by customers.

4.3.3 Approach through TVs

As it is very clear from the above section that TVs are also important preferred medium of communication after newspaper by customer, the name of the effective approachable TVs will explored here. From the **Table 4.11**, it is also very apparent that, among the TV channels, like NTV, Kantipur, Image Chanel, Channel Nepal, Nepal 1, NTV metro etc. The Kantipur TV and NTV are the best choices of the customer perception because of the reach to desire target market. More than 90% of the respondents have mentioned The Kantipur TV as the most effective electronic media for the communication of bank's product (refer **Figure 4.12** also).

Figure 4.9



When electronic media is looked alone, again Kantipur is the first choice, followed by NTV. It shows that it is better to go for both Kantipur and Nepal Television for any kind of advertisement campaign through electronic medium.

4.3.4 Advertisement Recall Patterns

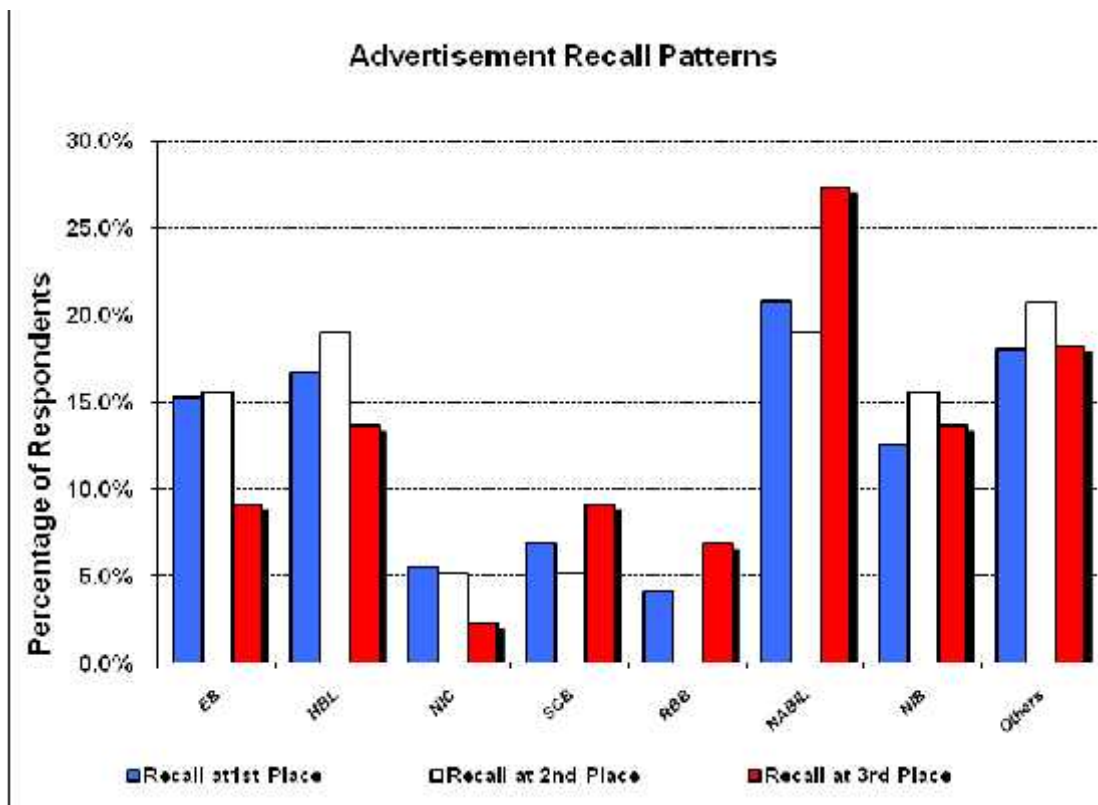
A number of advertisement regarding the different product and services can be noticed in newspaper and TV channels every day. Some have information about their financial performance, other have information about the new product introduced. In this section, top of mind awareness level of customer on advertisement by bank is tried to check. Referring the question no 17 (Appendix A), customer are asked to list the three advertisement of banks they can recall. **Table 4.12** lists the advertisement recall regarding loan(s) that's heard frequently through 1st, 2nd and 3rd mention media channel. We are clear that in following table:

Table 4.9
Respondent's Response on Ad recall for Different Bank

Banks	Recall at 1st Place	Recall at 2nd Place	Recall at 3rd Place
EB	15.3%	15.5%	9.1%
HBL	16.7%	19.0%	13.6%
NIC	5.6%	5.2%	2.3%
SCB	6.9%	5.2%	9.1%
RBB	4.2%	0.0%	6.8%
NABIL	20.8%	19.0%	27.3%
NIB	12.5%	15.5%	13.6%
Others	18.1%	20.7%	18.2%
Total	100.0%	100.0%	100.0%

In above table, Nabil bank have the highest recall patterns which is respondents mentioned in first place and then Himalayan Bank Limited is also high tough competition which recall at 1st place 16.7%. Everest Bank is also best respondent's advertisement recall patterns. Recall at 2nd place and 3rd place also Nabil Bank is 19% and 27.3%, HBL is 19.0% and 13.6% and EB is 15.5% and 9.1% are respectively. NIC, SCB and RBB are very low competition. Those bank which are very high competition they are understood of their product service, timing and attractive message. If these things are not understood of course, they wouldn't play high competition.

Figure 4.10



In **Figure 4.13**, one side to be percentage of respondents and other side to be differential commercial Banks. In Recall at 1st place, Nabil bank is very high and tough competition which respondent's percentage is 20.8%. We can understand in these bank is creating effective message, new product, services and to understand timing through effective medium. In 2nd recall patterns, Nabil bank is also high and tough which respondents is 19.0% and then HBL, EB and NIB are respectively. RBB is very poor and lower patterns. It's indicated consumers have most heard frequently through above mention media channels. In recall at 3rd place, Nabil bank is very highlight to heard frequently advertisement which respondent is 27.3% and then NIB and HBL is equal to heard frequently advertisement.

So that, if Banks wanted to reach the high and tough competition they are to be understand the most effective and approachable media are known. If Newspapers are selected, Kantipur daily and Himalayan times would to be selected. Such as if TVs are selected, Kantipur and NTV would to be selected.

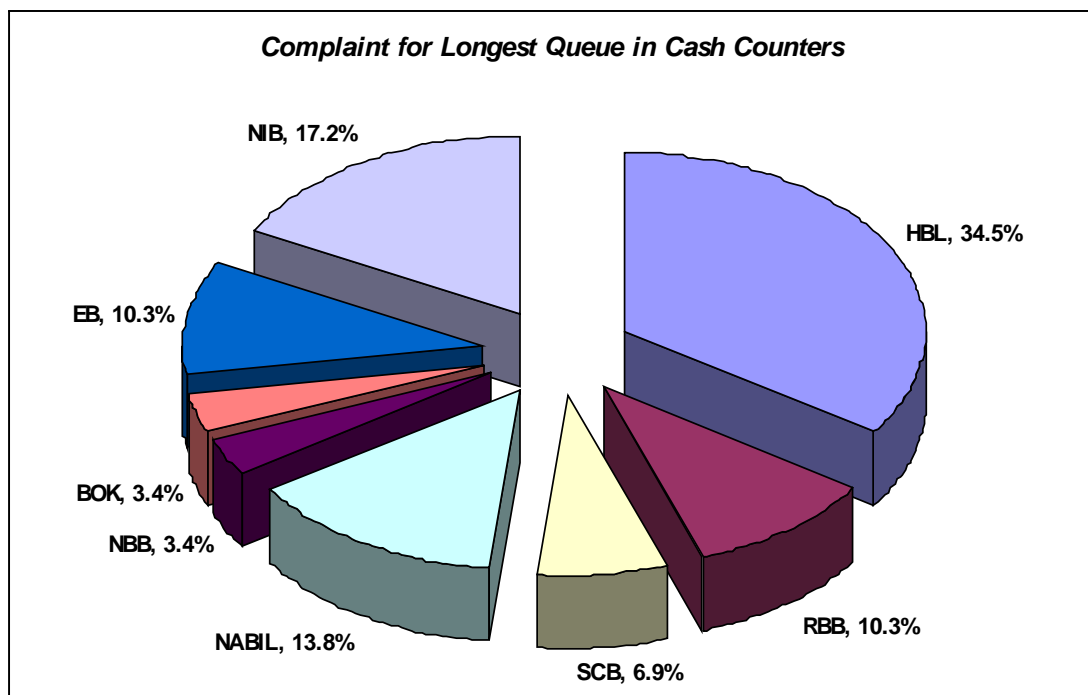
4.4 Major Concerns of Customers

Even though it is not under the scope of this study as mentioned in the objectives, the major concerned raised by most of customers during the filling and collection of customer survey questionnaires are thought worth mentioning here(refer in Q.21 toQ27). Long queue problem in cash counters of most of the banks and the banks' involvement in the community development as their Corporate Social Responsibility (CSR) are very widely used comments. Hence some analysis and presentations are made on these two issues in following paragraphs.

4.4.1 Long Queue Problems

Though long queue problem is the pain for all banks, Himalayan bank is perceived as the worst in this case. Around 35% (refer to **figure 4.16**) of the respondents highlighted that they have seen longest queue in Himalayan Bank. Since queue in the cash counters gives the first impression about the customer hospitality of the bank, HBL is going to be seriously impacted if the issue is not addressed on time.

Figure 4.11



Sources—refer in Appendix A

Some of the suggestions mentioned by the respondents for minimizing the long queue issue are listed below.

- ✓ Increase the number counters and separate the deposit counter from withdrawal counters
- ✓ Use Token system
- ✓ Promote use of Credit Card and start the Internet Banking system
- ✓ Promoting the use of ATM card and increasing the ATM service centers
- ✓ Provisions of a Television in waiting hall.
- ✓ Inculcate the customer friendly attitude in the staffs' mind.
- ✓ At least maintain one separate counter for the deposit of Voucher of different health and social organization like Nepal Medical Council etc.
- ✓ Maintain at least one redundancy counter.

4.4.2 Social Activities

People perceive that banks in Nepal are not reasonably involved in the activities for social welfare. In the poor country like Nepal, financial institutions have the responsibility and requirements to nurture the society in positive way. Some of the suggested social activities are listed below.

- ✓ Organize corporate and management training programs to management students.
- ✓ Organize blood donation camps, Health camps, HIV/AIDS awareness programs.
- ✓ Investment in Education and Environmental sectors.
- ✓ Easy and cost effective loan for agricultural sectors.
- ✓ To promote and invest in Disaster Recovery Plan.
- ✓ Establishing scholarship program for talent students, needy students and children from underprivileged society.
- ✓ Invest and provide the easy medium to invest in hydropower sectors
- ✓ Establish branches in rural areas.
- ✓ Organize half annually social awareness program, sanitation and local development plans.
- ✓ Promote sports activities by sponsoring and organizing them.
- ✓ Provide soft loan schemes.

- ✓ Bring the attractive schemes which is directly going to help in conflict resolution and alleviating the pain of displaced people.

4.5 Major Findings of the Study

The major Findings of the comparative study on customer perception on commercial banks in the country from this study are as follows:

- From the survey it is learned that, mostly people are aware about different loan schemes like *Home Loan, Auto Loan, Education Loan and Business Loan*. But now and innovative product like credit cards, e-banking, LC, Telex Transfer are not widely known by most of the respondent
- Even though the loan requirement of different people are found to be little bit random, 33.5% are looking for Home Loan, 25% are looking for Hire/Purchase (Auto) Loan, 30% are looking for Business Loan and 20% are looking for Education Loan
- Also, regarding the sources of fulfilling loan requirements, around 3.1% do not prefer bank financing. Around 13.5% wants to finance through finance company and 14% preferred both bank and finance company equally. And around 90% of the respondents preferred to finance their loan requirement through banks.
- Standard Chartered Bank is the leader with best average score in overall categories, as per the customer perception followed by Nabil Bank in second position and Himalayan Bank as the third ranked bank. But It is also apparent that, the difference between SCB, Nabil and HBL is very minimal and these are the top three banks.
- On the other hand, Rastriya Banijya Bank is the least favorable Bank. Rastriya Banijya Bank is standing alone as the worst in customer's perception with highest score. RBB is rated poorly in all categories except interest rates where it is in better than industry average.

- During informal discussion while filling the questionnaires, respondents have frequently commented about poor document processing and unacceptable staffs' attitude of the RBB but due to low interest rates and penalty charges still people prefer RBB.
- From the perceptual mapping, NABIL bank is perceived as the best bank with minimum interest rate charged and fastest document processing among them. Everest Bank is also perceived better than other giant players like HBL and SCB. RBB is again standing alone in case of document processing as the worst but in case of Interest rates it is better than NIB and HBL.
- SCB and HBL are perceived as the very effective banks regarding consumer friendly services and timely new schemes and new products with reasonable processing fees.
- SCB is the leading bank in the context of Brand Name followed by NABIL and then HBL. But NIB, NABIL & NIC are leading the focus in media advertisement.
- By perceptual mappings, it is seen that top notch private banks like SCB, Nabil, and HBL are in close cluster and remaining private banks EB, NIB and NIC are forming another band but closer to the cluster of SCB, Nabil and HBL.
- Among various sources for advertisement, Newspaper and TVs are the most commonly used sources by the customer. Newspaper is the solo- preferred media followed by TV for the communication regarding different products or services of banks to consumer. Around 90% of responded have given their preference to Newspaper.
- Among the newspapers, the Kantipur daily is only one of the best choices of the customer perception with more than 90% of the respondents have mentioned The Kantipur daily as the most effective newspaper.
- When electronic media is looked alone, again Kantipur is the first choice, followed by NTV.

- Nabil Bank has the best advertisement recall patterns in first second and third place followed by Everest Bank.
- Customer's major concerns for banks are the long queue problem in their cash counters and HBL is the worst in this case but all bank are not untouched of the problem. And their poor involvement in the social development activities as a part of their corporate social responsibility is also a major concern.

CHAPTER-V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter includes three aspects of the study summary, conclusion and recommendations. The first summarizing the whole study, the second draws the conclusion and the last one forwards the recommendations.

5.1 Summary

The study has been conducted with the objective to analyze comparatively study on customer perception of commercial Banks following a descriptive and analytical research design. The study is based on primary data as well as secondary data. Such as, survey from customers, complied annual report from NRB, and various publications in the study matter of the study. Data collection is done during personal site visits and discussion with banks. The main objectives of the study is to analyze customers perception towards different Banks, check different loan scheme, to determine the best commercial medium for advertisement, preferable interest rates in different scheme. Various materials are collected, survey in field, journals articles, dissertations, published books web sites to clear the research works. The conceptual review is done on concept of commercial Banks, sources of Bank capital, uses of functions of bank capital, concept of customer perception, measuring customer perception in the banking industry. Besides, review of related articles and review of unpublished master's dissertations are carried out under research review.

The study is completed based on the primary data as well as secondary data, the structured questionnaires are only the major device, before conduction the opinion survey, the pilot study is carried out to check the structure, the appropriateness and the coverage of the interview questionnaire initial questionnaire was pre-test in 10% of the sample size. The research, methodology is followed to achieve the objectives of the study which relates with research design nature and source of date, population & sample, data processing and method of analysis. Since the data used for the analysis from the response collected from survey questionnaires are used like simple

percentage, calculation, Ratio, Table and graphs, multidimensional scaling, Gap analysis, perpetual Mapping etc have been used according to requirement achieve the objectives.

The analysis has been made to compare different bank on customer perception. Standard Chartered Bank is the leader with best average score in overall categories, which score is 2.01. Nabil Bank is second position of score rating on the other hand Rastriya Banijya Bank is the least favorable. It means most of the private banks have better sources than the state owned bank like RBB. Everest Bank is also perceived better than other giant player like HBL and SCB. RBB is again standing alone in case of document processing the worst but in case of interest rate it is better than NIB and HBL.

SCB is the lending bank in the context of Brand Name followed by NABIL and then HBL, NIC, RBB, NIB & EB, which score is 1.29, 1.50, 1.60, 3.00, 2.88, 1.60 & 1.70 respectively. Among various sources for advertisement Newspaper & TVs are the most commonly used source by the customer. Around 90% respondent have given their preference to Newspaper. Among the Newspaper, Kantipur Daily is only one dominate media like Gorkhapatra, Himalayan Time, Kantipur Post, Nepal Samachhar Patra..

In electronic media, Kantipur TV is the first choice followed by NTV. Nabil Bank has the best advertisement recall patterns in first, second and third place followed by Everest Bank. In major concern of customers, Bank are the long queue problem in their cash counter. And there poor involvement in the social development activities as a part of their corporate social responsibility is also major concern.

5.2 Conclusions

The conclusions from the studies are as follows:

- Since, mostly people are aware about frequently used different loan schemes like Home Loan, Auto Loan, Education Loan and Business Loan only, innovative products like credit cards, e-banking, LC, Telex Transfer have to be effectively communicated and demands has to be created among customers by the bank to be known by most of the customers.
- Even though the loan requirement of different people are found to be little bit random, 33.5% are looking for Home Loan, 25% are looking for Hire/Purchase (Auto) Loan, 30% are looking for Business Loan and 20% are looking for Education Loan. Hence while bringing any new product by any bank within these schemes will be easy to sell since the demand for it will be higher.
- Also, regarding the sources of fulfilling loan requirements, around 3.1% do not prefer bank financing. Around 13.5% wants to finance through finance company and 14% preferred both bank and finance company equally. And around 90% of the respondents preferred to finance their loan requirement through banks. Hence predominantly banks have the tremendous potentials in the lending market.
- Standard Chartered Bank is the leader with best average score in overall categories, as per the customer perception followed by Nabil Bank in second position. But It is also apparent that, the difference between SCB, Nabil and HBL is very minimal and these are the top three banks. Here, it can be seen as three distinct groups of Banks. Standard Chartered, Himalayan and NABIL are top-notch bank with similar rank followed by Nepal Investment, Everest and Nepal Industrial and Commercial Bank.
- On the other hand, Rastriya Banijya Bank is the least favorable Bank. Rastriya Banijya Bank is standing alone as the worst in customer's perception with highest score. RBB is rated poorly in all categories except interest rates where

it is in better than industry average. It means most of the private banks have better service than the state owned bank like RBB and Napal Bank Limited.

- During informal discussion while filling the questionnaires, respondents have frequently commented about poor document processing and unacceptable staffs' attitude of the RBB but due to low interest rates and penalty charges still people prefer RBB. Some have even mentioned the previous experience with the bank is also important factor for selecting RBB for loan and other financial services since it is one of the oldest banks in the country. It gives challenge to RBB to improve on its services to compete for the better profitability in the competitive industry.
- From the perceptual mapping, NABIL bank is perceived as the best bank with minimum interest rate charged and fastest document processing among them. Everest Bank is also perceived better than other giant players like HBL and SCB. RBB is again standing alone in case of document processing as the worst but in case of Interest rates it is better than NIB and HBL. For any bank, interest rate offered and time taken for document processing has to at least match with like Nabil bank or better to get the good customer responses.
- SCB and HBL are perceived as the very effective banks regarding consumer friendly services and timely new schemes and new products with reasonable processing fees. Good staff attitude towards customers, new and matching product introduction and minimal processing fees are also the unique selling point of bank's products to the customer.
- SCB is the leading bank in the context of Brand Name followed by NABIL and then HBL. But NIB, NABIL & NIC are leading the focus in media advertisement. Media advertisement and Brand name has some linkage but only advertisement does not lead to good brand name.
- Gap analysis through perceptual mappings has shown that top notch private banks like SCB, Nabil, and HBL are in close cluster and remaining private

banks EB, NIB and NIC are forming another band but closer to the cluster of SCB, Nabil and HBL.

- Among various sources for advertisement, Newspaper and TVs are the most commonly used sources by the customer. Newspaper is the solo- preferred media followed by TV for the communication regarding different products or services of banks to consumer. Around 90% of responded have given their preference to Newspaper for the appropriate medium that will help them to explore the information about financial markets.
- Among the newspapers, the Kantipur daily is only one of the best choices of the customer perception because of the reach to desire target market. More than 90% of the respondents have mentioned The Kantipur daily as the most effective newspaper for the communication of bank's product.
- When electronic media is looked alone, again Kantipur TV is the first choice, followed by NTV. It shows that it is better to go for both Kantipur and Nepal Television for any kind of advertisement campaign through electronic medium.
- Nabil Bank has the best advertisement recall patterns in first second and third place followed by Everest Bank. Hence taking Nabil Banks advertisements as reference would be good for any other banks for getting customer attention on their Advertisement.
- Customer's major concerns for banks are the long queue problem in their cash counters and their poor involvement in the social development activities as a part of their corporate social responsibility. Addressing these two issues would be quite urgent and immediate measures for attracting more customers in their counters and enhance their image in the society.

3.2. Recommendations

The study was conducted to fulfill the objective outlined at the beginning and thereby helps decision makers about financial lending from their institutions. This was particularly important since we wanted to come up with sound recommendations

based on concrete results. The following recommendations are proposed based on the key findings.

-) Bank is the most preferred and trusted institution for the financial activities and all most all the people feel safe to indulge in financial activities with Banks. It shows the market potential of the banks in the future as well, which demand the flexible, suitable and reasonable financial lending services. All commercial banks have to understand this psychology and move aggressively to bring all money market into the formal sectors that are banking systems.
-) SCB is ranked first in overall categories except in Interest rate charged on loan. But to tap the emerging market from middle-income group and students, it is very important to keep competitive interest prevailing in the market. In other factors like document processing, new cross products and staff cooperation it has to maintain in the future as well to keep the reputation up to crush the emerging intense competition. Hence all banks have to take the point of value addition to the customers as well while devising the product features like interest rate, processing fee, document processing, innovation in the product etc.
-) There is tremendous area for improvement for state owned banks like RBB. In the present context of competitiveness, only reach and better interest rate cannot grab the enough attentions of customers. Hence it is strongly recommended these banks to learn from the private cultures to appreciate the customers and treat them from good staff attitudes, better processing time and innovative products.
-) Only advertisement does not lead to good brand name and good perception on customer top of mind awareness. Good staff cooperation and customer attractiveness are also equally important.
-) Newspapers are apparently better preferred medium for advertisement regarding financial information. And the growth of electronic media and reach of customers to these media is also increasing. Hence it is strongly recommended to all banks to advertise the message in newspapers like Kantipur Daily and other best selling newspapers and at the same time broadcasting through electronic media like Kantipur TV and NTV will be highly effective.

-) First impression of the bank comes from the activities in Cash Counters. So immediate action has to take to curb the issue of long queue problems. It is recommended to check other international banks and implement the successful efforts in those banks as well. It is strongly recommended to open a separate counter for the casual deposits from different institutions to save the valued customer. It is also recommended to put a TV on waiting hall to divert the restlessness of the customers whiling waiting in the queue. A token system may be short term solution.
-) Social activities are also good and effective means of publicity. And it is the responsibly of an organization to contribute to the society directly as well. Hence it is recommended to conduct half annually health camps to different remote villages.
-) It is strongly recommended to conduct corporate training for management students so that efficient manpower can be generated for this sector, which is ultimately going to benefit the financial institutions.

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Appendix A

Survey Questionnaire

Date: ----/----/ 2012

I am a MBS student from *Mahendra Multiple Campus (Tribhuvan University), Nepalgunj, Nepal*. I am conducting an independent survey regarding consumer perception about the products/services nepalese banks and their respective rates (Interest) in Nepal as a part of my Thesis. This survey is confidential and solely be used for my academic purpose. I would like to request you for the necessary help to conduct this survey. Your kind cooperation and time to fill up the questionnaires will be appreciated.

Note: Please tick (✓) the appropriate option.

1. You are a: Male Female

2. What is your **academic qualification**?
Below SLC SLC Intermediate Bachelor Master Doctorate Others

3. What is your **occupation**?
 Business Consultancy
 Salary holding staff Farming
 Doctor/Engineer/CA If others, please
 Student Specify _____
 Working abroad

4. Do you have followings **in your home**? (Please tick the appropriate box(es).
Mobile Phone TV Refrigerator Computer Washing Machine Microwave Car

5. You are **living in city(s)** since.....
 0-5 years 6-10 years
 11-15 years 16-20 years
 21-30 years Parents' time
 Grand parents' time If others, please specify.....

6. You **live in** Your--
 own house Rented apartment
 Parents' house If others, please specify.....

7. What is your **family size**?
Single Two Three Four More than four

8. Where do you fall in following **age** groups?
- | | | | | | |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 15- 25 years | 26 – 35 | 36 – 45 | 46 – 55 | 56 – 65 | More than 65 years |
| <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |

9. What is the **total monthly income** of your family?
- | | |
|---|--|
| <input type="checkbox"/> Less than Rs.10, 000 | <input type="checkbox"/> Rs. 10,000 – Rs. 25,000 |
| <input type="checkbox"/> Rs. 26,000 – Rs. 35000 | <input type="checkbox"/> Rs. 36,000 – Rs. 50,000 |
| <input type="checkbox"/> Rs. 51,000 – Rs. 100,000 | <input type="checkbox"/> More than Rs. 100,000 |

10. Do you have any **bank(s) account**?
- Yes
- No

11. Are you **planning to take loan(s)** from any bank?
- Yes
- No

If yes, please tick **appropriate loan schemes** you are looking for.

- | | |
|---|--|
| <input type="checkbox"/> Business Loan | <input type="checkbox"/> Letter of Credit |
| <input type="checkbox"/> Commercial Loan | <input type="checkbox"/> Telex Transfer |
| <input type="checkbox"/> Auto Loan | <input type="checkbox"/> Personal Loan |
| <input type="checkbox"/> Home Loan | <input type="checkbox"/> Computer Loan |
| <input type="checkbox"/> Educational Loan | <input type="checkbox"/> Equipment Loan |
| <input type="checkbox"/> Marriage Loan | <input type="checkbox"/> If others, please specify |

12. Through which **means** do you **prefer to fulfill** your **loan requirements**?
- | | |
|---|---|
| <input type="checkbox"/> Bank financing | <input type="checkbox"/> Finance company |
| <input type="checkbox"/> Personal borrowing | <input type="checkbox"/> If others please |
| <input type="checkbox"/> No financing | specify..... |

13. What is the **amount of loan** you **prefer to take** from the bank?
- | | |
|--|---|
| <input type="checkbox"/> Below 5 lakhs | <input type="checkbox"/> 5- 10 lakhs |
| <input type="checkbox"/> 11-15 lakhs | <input type="checkbox"/> 16 – 20 lakhs |
| <input type="checkbox"/> 21-25 lakhs | <input type="checkbox"/> 26-30 lakhs |
| <input type="checkbox"/> 31-50 lakhs | <input type="checkbox"/> More than 50 lakhs |

14. From **which bank** do **you prefer to take** any **loan**?

- | | |
|--|--|
| <input type="checkbox"/> Himalayan Bank Ltd. | <input type="checkbox"/> NABIL Bank |
| <input type="checkbox"/> Standard Chartered Bank | <input type="checkbox"/> NIC Bank |
| <input type="checkbox"/> Nepal Investment Bank | <input type="checkbox"/> Nepal Bank Ltd. |
| <input type="checkbox"/> Rastriya Banijya Bank | <input type="checkbox"/> Kumari Bank |
| <input type="checkbox"/> Everest Bank | <input type="checkbox"/> Agriculture Dev. Bank |
| <input type="checkbox"/> Laxmi Bank Ltd. | <input type="checkbox"/> Bank of Kathmandu |

15. What made you to **choose the bank(s)** for loan? (Note: **Please rank** each category of corresponding bank(s) in a scale of *1 to 5*, **1 being the best** lending service and **5 being the worst** among them. You can give same ranking for two or more factors.)

Factors	Ranking							
	Standard Chartered	Himalayan	NABIL	NIC	Rastriya Banijya	Everest	Nepal Investment	Others
Brand Name of the Bank								
Easy Loan Processing								
Advertisement								
Location of the Bank								
Suitable Loan Period								
Reference or Word of Mouth								
Previous Experience with the Bank								

16. Which is **the most effective and approachable Media** for you to know about loans?

- | | | | | | | |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Friends | Newspapers | FMs/Radio | TVs | Internet | Magazine | Others |
| <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |

If Newspapers

- Gorkhapatra
- Kantipur Daily
- Himalayan Times
- The Kathmandu post
- Annapurna Post
- Nepal Samchar Patra
- Others,.....

If FMs

- Kantipur FM
- Radio City
- HBC FM
- Times FM
- Image FM
- Nepal FM
- Others,...

If TVs

- NTV
- Kantipur
- Image Channel
- Channel Nepal
- Nepal 1
- NTV Metro
- Others,.....

If Magazine

- Boss
- The Business Age
- Samaya
- Wave
- Mulyankan
- Yuba Manch
- Others,.....

17. List the **three banks** whose **advertisement** regarding loan(s) you have **heard frequently** through above mentioned media channels.

-
-
-

18. Have you **taken loan** from any banks?

- Yes No

If yes, please tick the **appropriate loan** that you have taken.

- Commercial loan Letter of Credit
- Home loan Educational
- Auto loan Personal loan
- Telex Transfer Computer loan
- Marriage loan If others, Please specify.....

19. What is the **amount of loan** you **have taken/planning to take** from the bank?

- Below 5 lakhs 5- 10 lakhs
- 11-15 lakhs 16 – 20 lakhs
- 21-25 lakhs 26-30 lakhs
- 31-50 lakhs More than 50 lakhs

20. How do you **rank** the following **banks in terms of lending**? As given in the table below, Please rank all the banks in each categories.

(Note: Please rank each banks in a scale of 1 to 7, **1 being the best** lending service and **7 being the worst** among them. You can give same ranking for two or more banks)

Particulars Banks	Interest Rate/Charges	Document processing	New cross products	Consumer friendly Staffs	Processing Fees
Standard Chartered Bank					
Himalayan Bank					
Nabil Bank					
Nepal Investment Bank					
Everest Bank					
NIC Bank					

Rastriya Banijya Bank					
-----------------------	--	--	--	--	--

21. Did you face **any difficulties** while **applying for loan**?

- Yes No

If yes, in which categories did you face difficulties? Please tick appropriate box(es).

- | | |
|--|--|
| <input type="checkbox"/> Business Loan | <input type="checkbox"/> In Credit Card |
| <input type="checkbox"/> In Home Loan | <input type="checkbox"/> Telex Transfer |
| <input type="checkbox"/> In Auto Loan | <input type="checkbox"/> In Hire/Purchase Loan |
| <input type="checkbox"/> Commercial Loan | <input type="checkbox"/> Letter of Credit |

22. **Have you seen long queue in Cash Counter(s) of any bank?** **If others, please specify...**

- Yes
 No

If yes, in which bank did you see the longest queue so far?

-

23. Kindly mention **your suggestion(s)** (if any) to solve the problem regarding long queue in cash counter(s).

.....
.....
.....

24. Will you be happy **if bank personnel approach you** for different products/services?

- Yes because.....
 No because.....

25. Do you **seek** any **specific loan/services for you/your family or society**?

- Yes, I wish to see loan for financing.....
 No

26. Do you think **banks** are reasonably involved in **activities for social welfare**?

- Yes
 No

27. Please list three major social activities that banks must be involved?

-
-
-