

**SERVICE QUALITY DIMENSIONS AND CUSTOMER SATISFACTION
IN NEPALESE BANKING SECTOR**

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

by

Gyanendra Kunwar

Exam Roll No: 2402/17

T.U. Reg. No: 7-3-39-1752-2016

Shanker Dev Campus

Kathmandu

June, 2024

CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “**Service Quality Dimensions and Customer Satisfaction in Nepalese Banking Sector**”. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor has it been proposed and presented as part of requirements for any other academic purposes.

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

.....

Gyanendra Kunwar

Date:.....

REPORT OF RESEARCH COMMITTEE

Mr. Gyanendra Kunwar has defended research proposal entitled “**Service Quality Dimensions and Customer Satisfaction in Nepalese Banking Sector**” successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work and guidance of supervisor and submit the thesis for evaluation and viva voce examination.

.....

Dhruba Subedi

Dissertation Supervisor

Dissertation Proposal Defended Date:

.....

.....

Dhruba Subedi

Dissertation Supervisor

Dissertation Submitted Date:

.....

.....

Asso. Prof. Dr. Sajeeb Kumar Shrestha

Head of Research Department

Dissertation Viva-voce Date:

.....

APPROVAL SHEET

We have examined the dissertation entitled “**Service Quality Dimensions and Customer Satisfaction in Nepalese Banking Sector**” presented by **Gyanendra Kunwar** a candidate for the degree of Master of Business Studies (MBS). We hereby certify that the dissertation is acceptable for the award of degree.

.....

Dhruba Subedi
Dissertation Supervisor

.....

Internal Examiner

.....

Internal Expert

.....

External Expert

.....

Asso. Prof. Dr. Sajeeb Kumar Shrestha

Chairperson, Research Committee

.....

Asso. Prof. Dr. Krishna Prasad Acharya

Campus Chief

ACKNOWLEDGEMENTS

I would like to take this opportunity to express my heartfelt gratitude and appreciation to everyone who has played a significant role in the successful completion of my dissertation, which marks a crucial milestone in my academic journey towards obtaining a Master of Business Studies degree, in compliance with the norms and regulations set by Tribhuvan University.

I would like to extend my deepest gratitude to my supervisor, Dhruva Subedi, whose expertise, guidance, and valuable insights have been crucial throughout the entire research process. His continuous support and encouragement have been invaluable in shaping the direction and quality of my dissertation.

I would also like to express my profound appreciation to the Head of the Research Department, Asso. Prof. Dr. Sajeeb Kumar Shrestha, and the Campus Chief, Asso. Prof. Dr. Krishna Prasad Acharya, for their unwavering support and encouragement. Their commitment to academic excellence and their availability to address any queries or concerns have been of immense help.

Furthermore, I would like to extend my sincere thanks to the entire research team at Shanker Dev Campus for their assistance in facilitating the collection of critical data for this study. Their unwavering dedication and direction have been invaluable in ensuring the success of this research project.

Lastly, I would like to express my deepest gratitude to all the individuals who have been there for me throughout my academic journey, providing assistance and support in various capacities. Their unwavering belief in my abilities and their encouragement during challenging times have been pivotal in the successful completion of this research project. I am truly grateful for the opportunity to work on this dissertation and for the immense support I have received from all those involved. Their contributions have been invaluable, and I am deeply indebted to them for their guidance and encouragement.

Gyanendra Kunwar

June, 2024

TABLE OF CONTENTS

<i>Certification of Authorship</i>	<i>ii</i>
<i>Report of Research Committee</i>	<i>iii</i>
<i>Approval Sheet</i>	<i>iv</i>
<i>Acknowledgements</i>	<i>v</i>
<i>Table of Contents</i>	<i>vi</i>
<i>List of Tables</i>	<i>ix</i>
<i>List of Figures</i>	<i>x</i>
<i>Abbreviations</i>	<i>xi</i>
<i>Abstract</i>	<i>xii</i>
CHAPTER I	1
INTRODUCTION	1
1.1 Background of Study	1
1.2 Problem Statement	3
1.3 Objectives of the Study	5
1.4 Rationale of the Study	5
1.5 Limitation of the Study	6
CHAPTER II	7
LITERATURE REVIEW	7
2.1 Theoretical Review	7
2.1.1 Service Quality	7
2.1.2 Customer Satisfaction	8
2.1.3 Relationship Between Service Quality and Customer Satisfaction in Banking	10
2.1.4 SERVQUAL Model	12
2.1.4 Expectancy-Disconfirmation Theory	14
2.1.5 Zone of Tolerance	16
2.1.6 Attribution Theory	18
2.2 Empirical Review	20
2.2.1 International Context	20
2.2.2 National Context	29

2.3 Research Gap	36
CHAPTER III	36
RESEARCH METHODOLOGY.....	36
3.1 Research Design.....	37
3.2 Population and Sample and Sampling Design.....	37
3.3 Nature and Sources of Data	37
3.4 Data Collection Procedures.....	38
3.5 Research Framework and Definition of Variables.....	38
3.5.1 Customer Satisfaction	39
3.5.2 Tangibility.....	39
3.5.3 Reliability.....	40
3.5.4 Responsiveness	40
3.5.5 Assurance.....	40
3.5.6 Empathy	40
3.6 Method of Analysis.....	41
3.6.1 Descriptive Analysis	41
3.6.2 Correlation Analysis	41
3.6.3 Regression Analysis.....	42
CHAPTER IV	43
RESULTS AND DISCUSSION	43
4.1 Results.....	43
4.1.1 Demographic Profile of Respondents	43
4.1.2 Descriptive Analysis	45
4.1.2.1 Descriptive Analysis of Tangibility.....	45
4.1.2.2 Descriptive Analysis of Reliability.....	47
4.1.2.3 Descriptive Analysis of Responsiveness	49
4.1.2.4 Descriptive Analysis of Assurance	50
4.1.2.5 Descriptive Analysis of Empathy	52
4.1.2.6 Descriptive Analysis of Customer Satisfaction	53
4.1.2.7 Summary of Descriptive Statistics.....	55
4.1.3 Correlation Analysis	56
4.1.4 Regression Analysis.....	57
4.2 Discussions	61
CHAPTER V	64

SUMMARY AND CONCLUSION	64
5.1 Summary	64
5.2 Conclusion	66
5.3 Implications.....	67
REFERENCES	
APPENDICES	

LIST OF TABLES

Table 1 Demographic Profile of Respondents	44
Table 2 Descriptive Analysis of Tangibility	46
Table 3 Descriptive Analysis of Reliability	47
Table 4 Descriptive Analysis of Responsiveness	49
Table 5 Descriptive Analysis of Assurance	50
Table 6 Descriptive Analysis of Empathy	52
Table 7 Descriptive Analysis of Customer Satisfaction	54
Table 8 Summary of Descriptive Statistics.....	55
Table 9 Relationship Analysis	56
Table 10 Model Summary	58
Table 11 Analysis of Variance (ANOVA).....	58
Table 12 Regression Coefficients	59

LIST OF FIGURES

Figure 1 Research Framework	38
-----------------------------------	----

ABBREVIATIONS

ANOVA	: Analysis of Variance
ASS.	: Assurance
BS	: Bikram Sambat
CS.	: Customer Satisfaction
Co.	: Company
EMP.	: Empathy
i.e.	: That is
Ltd	: Limited
MBS	: Masters in Business Studies
MKT.	: Marketing
Pvt.	: Private
QC	: Quality Control
REL.	: Reliability
RES.	: Responsiveness
SERVQUAL	: Service Quality
SPSS	: Statistical Package for Social Science
TAN	: Tangible
TU	: Tribhuvan University

ABSTRACT

This study examines the impact of service quality dimensions on customer satisfaction within the Nepalese banking sector. Utilizing a descriptive and explanatory research design, the research analyzes data from 375 bank customers in Kathmandu, collected through structured questionnaires based on a five-point Likert scale. The study focuses on five key dimensions of service quality: tangibility, reliability, responsiveness, assurance, and empathy, and their relationship to overall customer satisfaction. Descriptive statistics reveal high performance in responsiveness and assurance, indicating strong satisfaction in these areas, while empathy shows more variability. Correlation analysis indicates significant positive relationships between customer satisfaction and each service quality dimension, with assurance exhibiting the strongest correlation. Regression analysis further confirms that assurance and responsiveness have the highest impacts on customer satisfaction. The model explains a significant portion of the variance in customer satisfaction. These findings underscore the critical role of service quality in enhancing customer satisfaction and highlight areas for improvement in the banking sector. The study's implications suggest that banks should prioritize enhancing assurance and responsiveness to maintain and improve customer satisfaction levels.

Keywords: *Customer satisfaction, service quality, tangibility, reliability, responsiveness, assurance, empathy, Nepalese banking sector*

CHAPTER I

INTRODUCTION

1.1 Background of Study

The longer a customer stays with an organization, the greater the utility they generate. In today's environment of intense competition, the complex nature of consumer behavior, and unpredictable market demands, organizations must prioritize nurturing their service quality. Long-term customers not only contribute financially but also provide invaluable authentic feedback, making customer retention a hallmark of organizational success. Banks, in particular, benefit significantly from maximizing customer retention as satisfied customers advocate for the organization, meeting individual needs and fostering a positive reputation (Zeithaml et al., 2002).

In the globalized economy, achieving high levels of customer satisfaction remains a formidable challenge, especially in service sectors. Many organizations have recognized this challenge and embarked on initiatives to enhance service quality, viewing it as a critical component for maintaining competitive advantages and ensuring sustained profitability (Tam, 2004). Service quality, therefore, serves as a strategic lever that reinforces market position and drives customer loyalty, which in turn fuels business growth and stability (Bitner et al., 1990).

Service quality and customer satisfaction are intricately linked. Service quality refers to a customer's perception of how well a service meets their expectations. This perception is based on factors like reliability, responsiveness, assurance, empathy, and tangibles (Parasuraman et al., 1985). When a company consistently delivers a service that meets or exceeds these expectations, it leads to high customer satisfaction. Satisfied customers are more likely to be loyal, recommend the service to others, and be forgiving of occasional shortcomings. Sridhar et al. (2014) in the Nepalese cellular phone industry found that customers who perceived higher service quality were also more satisfied. This highlights the importance of focusing on service quality to cultivate a base of happy and loyal customers.

Understanding how customers perceive and evaluate services is fundamental for service providers seeking to deliver superior experiences. This understanding allows organizations to align their service offerings with customer expectations, thereby

enhancing satisfaction and loyalty (Siddiqi, 2011). Advances in technology, such as ATM networks, online banking platforms, mobile banking apps, and digital payment solutions, have further elevated customer expectations in the banking sector. Banks that innovate and excel in service delivery through these technological advancements gain a competitive edge and attract loyal clientele (Al-Azzam, 2015).

Empirical studies underscore the pivotal role of customer satisfaction as a mediator between service quality and customer loyalty (Mahamad & Ramayah, 2010). For instance, research in Iran revealed that while customer expectations are high, the perceived service quality in banking often falls short, underscoring the criticality of enhancing service standards to bridge this gap (Mahamad & Ramayah, 2010). Similarly, studies in Bangladesh have demonstrated a positive correlation between customer satisfaction and loyalty in the banking sector, emphasizing the strategic importance of meeting customer needs to foster long-term relationships (Siddiqi, 2011).

In Jordan and Hong Kong, dimensions of service quality have been shown to significantly influence customer satisfaction within the banking industry (Al-Azzam, 2015). These findings highlight the universal applicability of service quality as a determinant of customer satisfaction and loyalty across diverse cultural and economic contexts. Overall, the linkage between service quality, customer satisfaction, and loyalty remains a cornerstone of successful banking strategies globally, including in Nepal. To maintain competitiveness and profitability, banks must continue to prioritize service quality improvements that resonate with evolving customer expectations and technological advancements.

The study on service quality, customer satisfaction, and loyalty holds significant relevance for Nepal's banking sector amid its evolving economic landscape and increasing globalization. Nepal's banking industry faces similar challenges to its global counterparts, including intense competition, diverse consumer demands, and the imperative to enhance service standards to maintain market competitiveness. Ultimately, the need for this study lies in its potential to inform banking policies and practices in Nepal, guiding banks towards sustainable growth by strengthening their customer-centric service delivery models. By understanding and responding to customer needs effectively, Nepalese banks can not only enhance their competitive

edge but also contribute to the broader economic development goals of the country. Thus, the study's focus on service quality, customer satisfaction, and loyalty is timely and essential for shaping the future trajectory of Nepal's banking sector.

1.2 Problem Statement

Research on service quality, customer satisfaction and loyalty in service sector like banking has been drawing high attention in this era. In early 90s, service sector has transformed greatly because of change in marketing environment (Zafar et al., 2011). Additionally, maximum number of the research has been accompanied in developed countries. Hence, there is a need for more authentication of customer satisfaction, service quality, and customer loyalty in service sector like banking particularly for developing countries like Nepal.

Likewise, number of research that has been conducted in past have also identified that customer expectations are higher and customer perceived service quality is low. So in such situation, testing mediator role of customer satisfaction might be interesting one in the country like Nepal. This research is carried out in context of Nepalese banking sector in order to identify the factors that affect the customer satisfaction because the factors leading to satisfied customers differ from one geographical region to another. In some places, customers are satisfied with the service provided by government banks and in some places, customer are satisfied towards private banks.

The basic problems faced by Nepalese banking sector are lack of qualified and well-trained human resources leading to a low quality of bank services as well as traditional structure and outdated technology creating obstacles while delivering quality services to the customer. By considering these reasons, nowadays many banks are working hard to resolve these problems. In this research, study factors including service quality dimensions, customer satisfaction and loyalty are assumed from past literature.

To encapsulate, this research is attempting to find out whether there exists any relationship between service quality dimension, customer satisfaction and customer loyalty in case of Nepalese banking customers. Also, banking sector in developing countries like Nepal is facing the challenge of creating quality services, satisfying customer and customer loyalty because skilled human resources are lacking and

banking culture lack's structure. Consequently, banking sector in Nepal requires further research, innovation and development activities so as to satisfy customer and create loyalty.

Several studies underscore the critical impact of service quality dimensions on customer satisfaction across diverse contexts. Bharwana et al. (2020) identified tangible, reliability, responsiveness, and assurance as positively influencing satisfaction, cautioning against further research on empathy due to its negative correlation. Baker (2020) found significant variations in service quality among U.S. airlines, with low-cost carriers generally outperforming traditional airlines based on on-time arrivals, denied boardings, mishandled baggage, and complaints. Supriyanto (2021) demonstrated that service quality indirectly affects customer loyalty through satisfaction in Indonesian banks. Karim and Chowdhury (2021) highlighted the significant positive impact of all service quality dimensions (tangibility, reliability, responsiveness, empathy, assurance) on customer satisfaction in Bangladesh's private banks.

Meanwhile, Saglik et al. (2021) emphasized hygiene's greater influence on satisfaction in university refectories compared to service and atmosphere. Shah et al. (2021) revealed a crucial positive relationship between service quality and satisfaction in Lahore's banking sector. Al-Azzam (2022) confirmed that service quality dimensions enhance customer satisfaction among Arab bank customers. Selvakumar (2022) found assurance to be most impactful on satisfaction in Coimbatore's banks. Minh and Huu (2022) supported the mediating role of satisfaction in the relationship between service quality and loyalty in retail banking. Lastly, Ighomereho et al. (2022) proposed and validated e-service quality dimensions influencing overall e-service quality in Lagos, Nigeria. These findings collectively highlight the significance of understanding and improving service quality dimensions to enhance customer satisfaction and loyalty across various service sectors and regions.

There are major expectations and criteria of customers on the basis of which they judge whether the banking services provided to them are satisfactory or not. Also, because of high competition, improvement in technology and globalization, their expectations are increasing continuously. So, it is challenge for the banking sector to

provide them with the quality services by identifying their needs, taking continuous feedback. Hence, the major concerns of our study regarding customer satisfaction are:

- i. What is the existing scenario in terms of service quality and customer satisfaction in Nepalese commercial banks?
- ii. Is there any relationship exists between tangibility, reliability, responsiveness, assurance, empathy and customer satisfaction in Nepalese commercial banks?
- iii. What is the impact of tangibility, reliability, responsiveness, assurance, empathy on customer satisfaction in Nepalese banking sector?

1.3 Objectives of the Study

The general objective of this proposed research is to study the customer satisfaction, quality services and customer loyalty in banking sector in Nepal. Moreover, the specific objectives are:

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

1.4 Rationale of the Study

Nepal's banking industry, comprising a mix of conventional and specialized banks, faces challenges typical of emerging economies, including fluctuating customer expectations, technological adaptation, and competitive pressures. Understanding how service quality dimensions such as tangibility, reliability, responsiveness, empathy, and assurance impact customer satisfaction is crucial for banks aiming to enhance customer loyalty and profitability. By identifying these relationships, banks can tailor their service delivery strategies to better meet customer needs, improve operational efficiency, and differentiate themselves in a competitive market. Moreover, insights gained from such studies can inform policymakers and regulators about areas needing attention to foster a robust financial services sector that supports economic growth and financial inclusion initiatives in Nepal. Thus, exploring these dynamics within Nepal's banking context not only enhances theoretical understanding but also offers

practical implications for improving service quality and customer satisfaction across the industry.

1.5 Limitation of the Study

This research has some limitations which are addressed as follows.

- i. Limited to the commercial banking sector, potentially limiting generalizability to other financial sectors or service industries like tourism, retail, hotels, and transportation.
- ii. Reliance solely on quantitative methods may overlook nuanced insights into customer satisfaction and loyalty that qualitative approaches could provide.
- iii. Questionnaires were predominantly in English, potentially excluding non-English proficient respondents; future studies could benefit from bilingual or multilingual approaches.
- iv. Focus on SERVQUAL dimensions alone may overlook other potentially influential factors on customer perceptions and behaviors.
- v. Lack of exploration into situational and control variables could limit understanding of contextual factors influencing service quality and satisfaction.

CHAPTER II

LITERATURE REVIEW

Service quality and customer satisfaction are critical determinants of business success in the banking industry. In an increasingly competitive environment, banks strive to differentiate themselves by providing superior service quality to enhance customer satisfaction and loyalty. This literature review explores the relationship between service quality and customer satisfaction in the banking sector, examining key dimensions, measurement methods. This chapter is divided into three sections which covers theoretical review, empirical review and research gap.

2.1 Theoretical Review

Emphasizing service quality as a critical determinant of customer satisfaction and competitive advantage, the review highlights dimensions such as tangibility, reliability, assurance, empathy, and responsiveness as key factors shaping customer perceptions and loyalty. Drawing on established frameworks like SERVQUAL and other relevant literature, the review elucidates how each dimension contributes differently to overall service quality and customer satisfaction within the context of Nepalese commercial banks. By synthesizing theoretical insights, the review sets the foundation for understanding the intricate relationship between service quality dimensions and customer satisfaction, thereby guiding future research and strategic initiatives aimed at enhancing banking service delivery.

2.1.1 Service Quality

Various scholars proved that overall service quality creates customer satisfaction and customer satisfaction leads to customer loyalty. And this overall service quality is the combination of relational and core qualities. What actually delivered is a core quality and how it is delivered is a relational quality (McDougall & Levesque, 1992). From the view point of service provider, gaining customer satisfaction is very important because it is very important drive to achieve customer loyalty, increasing goodwill

and creating positive word of mouth (Bearden & Teel, 1983). All in all, customer satisfaction has a positive impact on service sector.

The SERVQUAL model is the most commonly used instrument to measure service quality in the banking sector. However, it has faced criticism for its applicability across different service industries and cultures. Alternative models like SERVPERF (Cronin & Taylor, 1992) argue that performance alone (SERVPERF) is a better predictor of service quality than the gap between expectations and perceptions (SERVQUAL).

In the context of banking, researchers have adapted these models to better fit the industry's specific needs. Bahia and Nantel (2000) proposed the BANKSERV model, which includes dimensions such as effectiveness and assurance, access, price, tangibles, and services portfolio. Similarly, Ladhari (2009) emphasized the importance of adapting service quality measurement tools to the cultural and economic context of the banking customers.

Despite the significant advances in understanding service quality and customer satisfaction, several challenges remain. One major challenge is the subjective nature of these constructs. Customers' perceptions of service quality and satisfaction can be influenced by individual differences, cultural factors, and situational variables. Moreover, the dynamic nature of the banking industry, with rapid technological advancements and changing customer expectations, makes it difficult to maintain consistent service quality standards.

2.1.2 Customer Satisfaction

A customer is a stakeholder of an organization who provides payment in exchange for offer provided by the organization with the aim of fulfilling their needs and to maximize satisfaction. Therefore, customers want greatest value for their money. So, they are working hard to select greatest products and services. Satisfaction can also be a person's feelings of pleasure or disappointment that results from comparing a product's perceived performance or outcome with their expectations (Kotler & Keller, 2011).

Customer satisfaction is defined as the individual's perception of the performance of the products or services in relation to his or her expectations (Schiffman & Kanuk,

2004). Customer Satisfaction helps in measuring whether the products and services supplied by company meet or further exceed the expectations of customers. Customer satisfaction is an indicator which shows whether the customers will make repurchase decision or not along with their loyalty (Boonlertvanich, 2011). It also describes that the feeling of happiness which is gained by achieving his or her goals can be considered as satisfaction.

Customer satisfaction is a key factor in organization that defines long term involvement of customer. Similarly, Mittal & Kamakura (2001) revealed that customer satisfaction is crucial element of customer wishes for upcoming purchases. Therefore, those customers who are satisfied are ready to share their positive thoughts with others (Mittal & Kamakura, 2001).

Nowadays, banking sector is also considering customer satisfaction as one of the factors for the smooth functioning of the organization. Therefore, banks are implementing new and advanced tool and technique to satisfy their customer such as e-banking, ATM machine. Hence, competitiveness and convenience are the two major features which have impact on levels of customer satisfaction in any banking sector (Parasuraman et al., 1988). Therefore, measuring satisfaction will help to identify the status of the organization regarding customer satisfaction (Badara et al., 2013). In this competitive world, customer needs have to be addressed properly by different service sectors. In such case many service providers are shifting their focus from product to customer. Patterson & Spreng (1997) stated that satisfaction plays vital role in attracting customer. Customer satisfaction has a great importance in the service sectors especially in banking field because customer satisfaction is directly linked with loyalty and goodwill of the organization (Ravichandran et al., 2010). Also, research performed by Mahamad & Ramayah (2010) and Caruana (2002) revealed that customer satisfaction can be considered as mediator between service quality and loyalty.

In this era of globalization, service sector is growing in a fast pace. Therefore, competition is high, many service firms are focusing their strategy on creating customer loyalty. Hence all banking sectors are now focusing their strategy to create customer loyalty by improving service quality. Parasuraman et al., (1988) in his paper, mentioned that five service quality dimensions are major factors to create

customer satisfaction in banking sector which are tangibility, reliability, responsiveness, assurance and empathy while some scholar had pointed out that empathy, reliability and tangibility are important to determine customer satisfaction. But Ahmed et al. (2010) pointed out that empathy has negative relationship with customer satisfaction. So, several scholars have identified various factors that determine customer satisfaction in banking sectors. In Nigeria, when bank staff provide fast and responsive services, then customer will be satisfied Badara et al. (2013). In Iran customer satisfaction plays vital role in determining customer loyalty (Mahamad & Ramayah, 2010) This was further supported by Caruana (2002).

2.1.3 Relationship Between Service Quality and Customer Satisfaction in Banking

A stakeholder is a consumer who gives money in return for the organization's products with the intention of satisfying the customer's demands and achieving the highest possible level of satisfaction. The customers are looking for the finest goods and services available to them in order to get the most out of their purchases. Kotler and Keller (2011) assert that consumers achieve satisfaction when they compare the perceived performance of a product to their expectations. Schiffman and Kanuk (2004) define customer satisfaction as the customer's perception of a product or service's performance compared to their expectations. According to Boonlertvanich (2011), it is a measurement that determines whether or not goods and services meet or surpass the expectations of customers, which in turn influences repurchase choices and loyalty. The sense of delight that comes from accomplishing one's objectives is known as satisfaction.

According to Mittal and Kamakura (2001), customer satisfaction is an important factor in determining future purchases and is essential for maintaining long-term consumer participation (Oly Ndubisi, 2004). Mittal and Kamakura (2001) found that satisfied consumers often talk about their pleasant experiences. Using cutting-edge instruments like automated teller machines and online banking, the banking industry today places a high priority on ensuring the pleasure of its customers. Parasuraman et al. (1988) found that both competitiveness and convenience significantly influence consumer satisfaction in banking. The measurement of satisfaction can identify the organization's current standing in terms of customer satisfaction (Badara et al., 2013).

Customer requirements are the primary focus of service industries, which are transitioning away from product-centric methods to customer-centric ones. In the banking industry, satisfaction is essential because of its connection to loyalty and goodwill (Ravichandran et al., 2010).

In this age of globalization, the service industry is expanding at a fast rate, which heightens the level of competition and compels businesses to concentrate on fostering client loyalty by improving the quality of their services. Tangibility, dependability, responsiveness, assurance, and empathy are the five service quality qualities that Parasuraman et al. (1988) identified as being essential to customer satisfaction in the banking industry of the United States. Nevertheless, Ahmed et al. (2010) discovered that empathy had a negative link with the level of satisfaction experienced by customers. In the banking industry, scholars have discovered a variety of factors that determine customer happiness. Some examples of these factors include responsiveness in Nigeria (Badara et al., 2013) and the importance of satisfaction in customer loyalty in Iran (Mahamad & Ramayah, 2010; Caruana, 2002).

According to Salas and Fogli (2006), an assessment of service quality is a comprehensive evaluation of a service's overall impression and cognitive judgment. Gronroos (1984) presented a two-dimensional model for evaluating service quality. This model had two components: technical quality, which refers to the evaluation of service performance results, and functional quality, which reflects the interactions that customers have with service providers (Gronroos, 1990). According to Parasuraman et al. (1985), service quality is defined as the difference that exists between customers' expectations and their views of service delivery. Satisfying the requirements and anticipations of the client is what constitutes excellent service (Smith, 1998). Wilson et al. (2012) asserts that the SERVQUAL model, initially introduced by Parasuraman et al. (1985), evaluates perceived value through five distinct dimensions: tangibility, dependability, responsiveness, assurance, and empathy.

It is essential to use SERVQUAL dimensions when evaluating the quality of service provided by banks. In order to achieve tangibility, it is necessary to have sufficient people, cutting-edge equipment, and an intuitive layout, all of which contribute to total client pleasure. The fulfillment of service commitments, as well as the enhancement of reputation and security, are at the heart of reliability. To be

responsive means to provide customers with individualized services, which in turn increases their level of satisfaction. In order to ensure that customers are satisfied, assurance requires providing detailed explanations of goods and services. According to Lau et al. (2013), empathy necessitates treating each client as a person and acknowledging each consumer's individuality. Because service quality is a critical competitive component in the banking industry, organizations should work to improve the quality of their services, swiftly fix any issues that arise through research and feedback, and accurately evaluate the level of customer satisfaction.

2.1.4 SERVQUAL Model

Parasuraman, Zeithaml, and Berry established the SERVQUAL model in 1988, a well-recognized instrument for evaluating service quality. This model identifies the five most important aspects of service quality: tangibles, dependability, responsiveness, assurance, and empathy. A variety of service sectors, including banking, have widely used it to better understand and improve customer satisfaction. The foundational study "SERVQUAL: A Multiple-Item Scale for Measuring Consumer Perceptions of Service Quality" first presented the model. The model establishes service quality as the discrepancy between customers' expectations and their perceptions of the actual service they have received. The SERVQUAL instrument initially comprised 22 items, categorized according to the five categories, to measure these gaps.

The banking industry has conducted significant research using the SERVQUAL model to investigate service quality and customer satisfaction. Several empirical investigations have shown that it is successful and have offered insights into ways in which financial institutions might enhance the quality of their services. Bahia and Nantel (2000), led to the creation of the BANKSERV model. This model was an adaptation of SERVQUAL for the banking industry. Their findings demonstrated that the SERVQUAL dimensions are reliable and valid when it comes to evaluating the quality of service provided by banks. They identified the following factors as essential: efficacy and assurance, access, pricing, tangibles, and a service portfolio. In a similar vein, Jamal and Naser (2002) conducted an analysis of customer satisfaction in retail banking. They found that dependability, responsiveness, and assurance were

major determinants of consumer satisfaction. The study concluded that the quality of service has a direct bearing on the satisfaction and loyalty of customers.

Recent years have seen a continuation of empirical investigations that have provided more evidence that SERVQUAL is still relevant in the banking business. In their study on Greek Cypriot banks, Arasli, Mehtap-Smadi, and Katircioglu (2005) confirmed that SERVQUAL dimensions are applicable to the banking industry and emphasized the significance of responsiveness and dependability in the process of increasing customer satisfaction. In Malaysian banks, Kumar, Kee, and Charles (2010) performed research that showed that all SERVQUAL dimensions had a substantial influence on customer satisfaction. When it comes to establishing customer trust, the authors place a special emphasis on empathizing with customers and providing them with confidence.

Researchers in the modern banking industry continue to use the SERVQUAL model as an important instrument for evaluating service quality. Researchers often modify the SERVQUAL dimensions to better accommodate the specific characteristics of the banking business. For instance, online banking places significant emphasis on factors like user-friendliness, safety, and responsiveness (Lee & Lin, 2005). Financial institutions are able to collect customer input about different elements of service through SERVQUAL, which assists in identifying areas that need improvement and formulating initiatives to improve overall service quality. Furthermore, banks utilize SERVQUAL ratings to evaluate their service quality against that of their rivals. This helps with the identification of best practices and the establishment of service quality standards.

When it comes to evaluating the quality of service provided by the banking industry, the SERVQUAL model continues to be a reliable and extensively used framework. Parasuraman, Zeithaml, and Berry developed the model, which comprises five dimensions: tangibles, dependability, responsiveness, assurance, and empathy. These dimensions provide a thorough measurement of the service quality. Empirical research, both from the past and more recent developments, has repeatedly validated the relevance and usefulness of the model in the banking business. Banks have the ability to improve service quality and, as a result, customer satisfaction by integrating input from customers and modifying the service aspects to suit unique circumstances.

As technological advancements continue, it is imperative that future research concentrate on incorporating digital service quality characteristics into the SERVQUAL framework. This ensure that the framework continues to be applicable in the contemporary banking environment.

2.1.4 Expectancy-Disconfirmation Theory

The majority of stakeholders broadly recognize the expectancy-disconfirmation theory (EDT) in the realm of consumer behavior and satisfaction research. According to the idea, Richard L. Oliver first proposed the idea in 1980, stating that the difference between a customer's pre-purchase expectations and their post-purchase perceptions about the actual performance of a product or service determines the level of customer satisfaction. Researcher construct their expectations based on a variety of factors, including their prior experiences, word-of-mouth messages, advertisements, and their own personal requirements. They evaluate the product or service based on their experiences with it, and then compare those experiences to their original expectations of how well it performed. One of three possible outcomes can emerge from this comparison: confirmation, positive disconfirmation, or negative disconfirmation.

When a product or service performs as expected, the consumer confirms their purchase. This outcome often leads to consumer satisfaction, as the service meets the expected criteria. The opposite of negative confirmation is positive confirmation, which happens when the performance is better than expected. When the product or service surpasses expectations, it leads to heightened levels of consumer satisfaction or even joy. On the other hand, negative disconfirmation occurs when the performance does not live up to the consumer's expectations, resulting in the customer becoming dissatisfied. When it comes to measuring the total degree of satisfaction, the gap between expectations and perceptions is an essential factor.

Oliver's (1980) foundational work on EDT has significantly influenced numerous empirical studies across various industries such as retail, hospitality, healthcare, and financial services. The theory's versatility in understanding the dynamics of consumer satisfaction is evident in its application across various settings. Szymanski and Henard (2001) carried out a meta-analysis that provided support for the applicability of EDT. They highlighted the fact that disconfirmation of expectations is a key predictor of

consumer happiness. Liu and Jang's (2009) research in the hospitality business revealed a substantial correlation between the degree of positive confirmation and customers' satisfaction with hotel services.

EDT has proven to be very helpful in the banking industry for gaining knowledge of how the quality of service affects the level of happiness experienced by customers. Identifying gaps between client expectations and perceptions is one of the ways that banks utilize this idea to analyze and enhance the quality of the services they provide to their customers. In their study on the application of EDT to retail banking, Jamal and Naser (2002) discovered that positive disconfirmation in service quality characteristics such as dependability, responsiveness, and assurance greatly increased customer satisfaction. Their research findings highlighted the importance of banks catering to and exceeding their customers' expectations in the aforementioned areas in order to cultivate client loyalty and retention.

EDT provides a framework to understand the process of generating customer expectations and their evolution over time. Not only do expectations alter over time, but they also shift in response to new knowledge, experiences, and trends in the market. While consumers become more accustomed to modern technology and more customized services, their expectations for financial services are also increasing. Because of the fluid nature of consumer expectations, financial institutions and other service providers must continually evaluate and modify their service standards in order to keep up with their customers' ever-evolving requirements.

In addition, EDT emphasizes the importance of effectively managing client expectations by communicating with them and making marketing promises that are more realistic. Overpromising may result in higher expectations that are harder to fulfill, which can lead to negative disconfirmation and discontentment. On the other hand, it is more likely to result in positive confirmation and greater levels of pleasure if one sets expectations that are reasonable and can be routinely fulfilled or surpassed. As a result, financial institutions are required to meticulously craft their marketing messages and interactions with consumers in order to guarantee that they appropriately represent the level of service quality that customers may anticipate receiving.

The expectancy-disconfirmation theory provides a thorough framework for comprehending the level of happiness experienced by customers. Emphasizing the contrast between expectations and perceptions, the expectancy-disconfirmation theory (EDT) provides crucial insights into the production process of contentment and its control mechanisms. A variety of sectors, including banking, have demonstrated the adaptability and usefulness of the theory in today's dynamic market environment. Considering the fact that client expectations are always shifting, service providers are required to make use of EDT in order to match their offers with customer requirements, thereby increasing customer happiness and loyalty. In the future, research should continue to investigate the complexities of EDT, especially in the context of developing technology and changing consumer behaviors, in order to give more in-depth insights into the dynamics of customer pleasure.

2.1.5 Zone of Tolerance

The concept of the zone of tolerance (ZOT) is a pivotal element in understanding customer satisfaction and service quality. Initially introduced by Zeithaml, Berry, and Parasuraman in the late 1980s, the ZOT refers to the range within which customers perceive service performance as acceptable. This zone spans between two levels of expectations: desired service, which represents what customers hope to receive, and adequate service, which denotes the minimum level of service they are willing to accept (Zeithaml et al., 1993). The ZOT varies across different service attributes and customers, reflecting the flexibility and individual variability in how service quality is perceived.

The width of the ZOT can significantly influence customer satisfaction. When the service performance falls within the zone, customers tend to be satisfied since their adequate expectations are met, even if the service does not fully achieve their desired expectations. However, when service performance exceeds the upper boundary of the ZOT, it leads to high levels of customer satisfaction and delight. Conversely, if the service falls below the lower threshold, it results in dissatisfaction (Zeithaml et al., 1993). These dynamic underscores the importance of understanding and managing customer expectations to maintain service performance within the acceptable range.

Research has shown that the ZOT can differ significantly across service industries and demographic groups. For instance, in the banking sector, studies have demonstrated

that customers' ZOTs for various service dimensions, such as reliability and responsiveness, are influenced by factors like age, income, and banking experience (Johnston, 1995). Older customers or those with higher incomes might have narrower ZOTs due to higher expectations, whereas younger customers or those with less banking experience might exhibit wider ZOTs, indicating a greater tolerance for variability in service performance.

In recent years, the concept of ZOT has been applied to understand customer satisfaction in digital services. With the advent of online and mobile banking, customers' ZOTs for digital services have been found to be influenced by the ease of use, security, and speed of transactions. A study by Kyei and Bayoh (2021) found that customers have narrower ZOTs for digital banking services compared to traditional banking services, reflecting higher expectations for seamless and efficient digital experiences. This shift underscores the need for banks to continuously innovate and enhance their digital service offerings to meet the evolving expectations of their customers.

Moreover, the ZOT is not static; it evolves with customers' experiences and changing market conditions. Customers' previous experiences with a service provider can raise their expectations, thereby narrowing their ZOT. Consistent high-quality service delivery can elevate customers' adequate service levels, tightening the ZOT and making them less tolerant of service failures (Kelley & Davis, 1994). This highlights the importance for service providers to not only meet but exceed customer expectations consistently to maintain a competitive edge.

In addition to individual customer factors, external factors such as market competition and technological advancements also play a crucial role in shaping the ZOT. High competition in the banking industry, for example, can lead to elevated customer expectations, thereby narrowing the ZOT (Bateson & Hoffman, 2011). Similarly, rapid technological advancements can shift customer expectations, making them less tolerant of outdated or inefficient service delivery methods. Banks must therefore stay abreast of industry trends and technological developments to ensure their service performance remains within the acceptable range of their customers' ZOT.

The zone of tolerance is a critical framework for understanding customer satisfaction and managing service quality. By recognizing the variability and dynamics of the ZOT, service providers, particularly in the banking sector, can better align their service delivery with customer expectations. This alignment is crucial for maintaining customer satisfaction, fostering loyalty, and staying competitive in an ever-evolving market landscape.

2.1.6 Attribution Theory

Attribution Theory, initially developed by Fritz Heider in the 1950s and later expanded by Harold Kelley and Bernard Weiner, is a psychological framework that explores how individuals interpret events and how this relates to their thinking and behavior. The theory posits that people seek to understand the causes of events, particularly those that are unexpected or negative, by attributing them to internal or external factors. Internal attributions ascribe the cause to personal factors such as effort or ability, while external attributions assign the cause to situational factors beyond one's control (Heider, 1958).

In consumer behavior research, attribution theory provides valuable insights into how customers perceive and react to service failures and successes. When a service failure occurs, customers tend to assess the cause and assign blame accordingly. If the failure is attributed to factors within the control of the service provider (internal attribution), such as poor management or lack of effort, customers are more likely to experience dissatisfaction and may seek redress or switch providers (Folkes, 1984). Conversely, if the failure is attributed to external factors, such as unforeseen circumstances or accidents, customers may be more understanding and lenient in their judgment.

Bitner (1990) examined customers' reactions to service failures in the airline industry. The research found that when passengers attributed flight delays to controllable factors like airline inefficiency, their dissatisfaction was significantly higher compared to delays caused by uncontrollable factors such as weather conditions. This distinction in attribution influenced their overall satisfaction and likelihood of future patronage, highlighting the importance of managing customer perceptions in service recovery.

Further extending the theory, Weiner (1985) introduced a model of attribution that links causal attributions to emotional and behavioral responses. According to Weiner, attributions of controllability are critical in shaping emotions like anger or sympathy, which in turn drive behaviors such as complaining or forgiving. For example, when customers attribute a negative service experience to controllable causes, they are likely to feel anger and engage in negative behaviors like leaving negative reviews or lodging complaints. On the other hand, uncontrollable attributions can evoke sympathy, leading to more forgiving attitudes and continued loyalty (Weiner, 1985).

In the banking sector, attribution theory helps in understanding customer reactions to service encounters and developing effective strategies for service recovery. Mattila and Patterson (2004) explored how customers' attributions influenced their satisfaction and loyalty following a service failure in banking. The study found that customers who attributed the failure to external, uncontrollable factors were more likely to remain loyal to the bank, provided the bank demonstrated genuine concern and effort in addressing the issue. This underscores the importance of not only resolving service failures but also effectively communicating the causes and steps taken to rectify the situation.

With the rise of online banking, customers encounter unique service issues related to technology and cybersecurity. Holloway and Beatty (2003) examined attributions related to online service failures and found that customers who attributed the failure to technical glitches (external attribution) rather than incompetence (internal attribution) were more forgiving and willing to continue using the service. This finding emphasizes the need for banks to clearly communicate the nature of digital issues and reassure customers about their commitment to resolving them.

Attribution theory provides a comprehensive framework for understanding how customers interpret service encounters and the resulting impact on their satisfaction and loyalty. By distinguishing between internal and external attributions, service providers can better manage customer perceptions and design more effective service recovery strategies. The theory's application across various contexts, including traditional and digital banking, underscores its relevance in guiding service management practices. Future research should continue to explore the nuances of

attribution in evolving service landscapes to enhance customer experience and retention.

2.2 Empirical Review

2.2.1 International Context

Munusamy et al. (2015) focused on the measurement of customer satisfaction through delivery of service quality in the banking sector in Malaysia. Quantitative research was used to study the relationship between service quality dimensions and customer satisfaction. Assurance has positive relationship but it has no significant effect on customer satisfaction. Reliability has negative relationship but it has no significant effect on customer satisfaction. Tangibles have positive relationship and have significant impact on customer satisfaction. Empathy has positive relationship but it has no significant effect on customer satisfaction. Responsiveness has positive relationship but no significant impact on customer satisfaction. The study highlights implications for marketers in banking industry for improvement in delivery of service quality.

Munhurrun et al. (2017) investigated to obtain a better understanding of the extent to which service quality is delivered within the Mauritian public service by drawing on front-line employees (FLE) and customer perceptions of service quality. The paper investigates how closely customer expectations of service and FLE perceptions of customer expectations match. SERVQUAL is used to measure service quality amongst FLE and customers in a major public-sector department in Mauritius. The survey captures customers' expectations of an excellent public service and compares these with their perceptions of the service delivered by a particular public service department in Mauritius. The paper also reports on a parallel SERVQUAL survey of FLE to examine how well they understand their customers' expectations and how well its internal processes support the delivery of top-quality public services. The findings reveal that while there is a significant shortfall in meeting customer expectations, the FLE appears to have a good understanding of what these expectations actually are. The FLE should focus on those dimensions which receive lowest ratings and attributes with high gap scores. This research adds to the body of knowledge relating to public service quality management. It will also be of interest to strategic and operational public service managers and to academics investigating the reliability and

value of service quality assessment tools. It addresses key relationships between service dimensions and service quality within the Mauritian public service.

Mohammad and Alhamadani (2017) conducted this research to examine the level of service quality as perceived by customers of commercial bank working in Jordan and its effect customer satisfaction, Service quality measure is based on modified version of SERVQUAL which involve five dimensions of Service quality, namely Reliability, Responsiveness, Empathy, Assurance, and Tangibles. 260 questionnaires were distributed randomly to customers of commercial banks branches located (thirteen commercial banks in Jordan) in IRBID (A city of Jordan). Multiple regression analysis was employed to test the impact of service quality on customer satisfaction. The results of this study indicated that service quality is an important antecedent of customer satisfaction. It is apparent from the present study that managers and decision makers in Jordanian commercial banks to seek and improve the elements of service quality that make the most significant contributions on customer satisfaction.

Awan et al. (2018) investigated the service quality and its relationship to customer satisfaction among the customers of conventional banks and Islamic banks. A modified SERVQUAL scale was utilized to ascertain the functional dimensions of service quality specific to the industry and service context under study. In addition, the study examined the differences in service quality satisfaction and its impact on the behavioral intentions of customers. A field survey was carried out with the help of a questionnaire constructed by using a modified SERVQUAL scale. Data were collected from 200 walk- in customers conveniently drawn from three major conventional banks and three Islamic banks located in urban areas of Pakistan. Data were analyzed using the analytical hierarchy process to identify service quality and customer satisfaction-related factors for Islamic and conventional banks. By using factor analysis, 52 measurement items with a factor loading greater than (0.5) were identified to form five service quality dimensions namely empathy, service architecture, convenience service encounter, employee service criteria, customer focus and five customer satisfaction dimensions: responsiveness, competency, safe transaction, competitive services, knowledge for the overall banking industry. It explained 56 percent of the variance. Results from regression analysis of the relationship between multidimensional service quality dimensions and unidimensional

customer satisfaction factors also validated the importance of service quality aspects for behavioral intentions (satisfaction, feelings) for customers from conventional banks and Islamic banks.

Akhtar et al. (2018) highlighted the level of customer awareness about Islamic banks and determines the relationship between service quality and customer satisfaction with respect to Islamic banks. The survey-based approach is used to collect the necessary data. 167 questionnaires were processed for the study. SPSS was used to analyze the data and the model was tested through AMOS. The study finds that there is a positive and significant relationship between customer satisfaction and constructs of service quality like compliance, assurance, empathy and representativeness. This study further concluded that compliance and representativeness influence more on customer satisfaction in Pakistani Islamic banks.

Johnson and Karlay (2018) aimed to analyze how service quality affects customer satisfaction. To fulfil the aim of this study, an inductive qualitative research method was employed. Responsiveness, empathy and assurance are influential to customer satisfaction. Price of service is the most influential variable on customer satisfaction. . The digitalization of taxation services fosters the likelihood of taxpayers paying their taxes on time and consistently. It was recommended future research on the impact of tax payment on revenue generation in Liberia Revenue Authority. We suggest a similar kind of research be conducted in other governmental organizations in developing countries. Finally, we suggest future research on the impact of culture on service quality in government organizations.

Muyeed (2019) evaluated the service quality in retail banking in the developing countries in general, and Bangladesh in particular. This is an analytical study based mainly on the primary data collected through scientifically developed questionnaire. The questionnaire has been personally administered on a sample size of 250, chosen from four banks in Bangladesh located in the northern district of Kushtia. The result indicated that customers' perception has reached on highest in the Prompt and accuracy in transactions of the bank and lowest in the service of modern equipment and décor. Due to the increasing competition in retail banking, customer service is an important part and bank must give their due attention to the customers' perception about service quality.

Ragavan and Mageh (2019) examined the influence of service quality dimensions on customer overall satisfaction. This study developed an instrument of service quality and examined the relationship between perceived service quality dimensions and customer overall satisfaction. The results showed that the most important service quality practice on customer satisfaction is responsiveness as it is perceived as a dominant service quality. The results revealed that the service quality dimensions of tangibles, responsiveness, reliability and assurance are positively and significantly influencing the customers overall satisfaction, while the empathy is negatively and significantly influencing the customers overall satisfaction. Thus, this present research concluded that service quality is the basic and also most important factor that influences the overall customer satisfaction. This finding reinforces the need for banks managers to place an emphasis on the underlying dimensions of service quality especially on responsiveness and should start with improving service quality in order to raise overall customer satisfaction.

Bharwana et al. (2020) concentrated on quality of services offered by colleges so that those colleges can compete their rivals and seek satisfaction from students. Dimensions of quality of service include tangible, empathy, reliability, responsiveness and assurance. Youngsters were randomly selected for the purpose of studies that are from Inter level to Master level of education. Results of study showed that service quality is found to be very important factor for satisfaction of customers. All of perspectives of service quality are found to be positively correlated while one of those factors that are empathy shows negative relationship with service quality and with satisfaction of customers and it is advice for future researcher not to research on this variable. Main participation of this research was that it identified the main factors of service quality which ultimately affect the satisfaction of customers. This paper will help top management of organizations and institutes to make strategies better for enhancing quality of service rendered to customers so that satisfaction customers' level can be increased. It is also observed if management of organization is conscious about quality of service then the customers' satisfaction can be increased which leads to customers' loyalty and at the end customers will be committed with those organizations.

Baker (2020) examined the service quality and customer satisfaction of the top 14 U.S. airlines between 2015 to 2019 using data from the Department of Transportation Air Travel Reports. The objectives of this study were to compare customer satisfaction and service quality with respect to airlines quality dimensions and subsequently to determine the relationships between the dimensions of service quality and passengers' satisfaction on airlines services. A critical review of the literature revealed that the airline industry has been struggling with many challenges: cutting costs, managing fluctuating demand, keeping up with tight quality requirements while trying to maintain superior services and satisfy the needs of various customer groups. Data were collected from the Department of Transportation's Air Travel Consumer Report on the following measures: percentage of on-time arrival, passengers denied boarding, mishandled baggage and customer complaints. Using a quantitative research method, Microsoft Excel version 2010 was used to analyze the data using percentages, mean and standard deviation. Results indicate that while the traditional carriers are converging toward a higher level of service quality, using the four measures, there continue to be significant variation. In this study, over a five-year period 2016 to 2020, the service quality of low cost airlines was generally found to be higher than that of traditional legacy airlines. Implications related to operating costs, market share, infrastructure and customer service were evident.

Supriyanto (2021) revealed that service quality and customer satisfaction are parts of factors that influence customer loyalty to bank services. Both are necessary to be fulfilled in order to gain customer loyalty, which in turn maintaining organization survival in the long term. This study aims to (1) examine how service quality influenced customer loyalty; (2) how customers' satisfaction influenced their loyalty to the bank; and (3) examine simultaneous effects of service quality and customer satisfaction on customer loyalty. This study used a survey research design, and respondents were selected purposively from a population of Bank organization in Indonesia. Data were analyzed employing path analysis and One-Way Analysis of Variance. Results indicate that service quality did not have significant effects on customer loyalty, but it provided significant effects on customer satisfaction followed by influencing customer loyalty. Service quality had indirect effects on customer loyalty through customer satisfaction. Further studies are expected to examine the model of relationships with other variables.

Karim and Chowdhury (2021) analyzed the impact of service quality on customer satisfaction in private sector banks in Bangladesh. Five dimensions in service quality such as tangibility, reliability, responsiveness, empathy, and assurance were considered as the base for this study. A structured questionnaire with 5-point Likert scale were used to collect the data by conducting survey. The sample size was 110 and was chosen on a convenient basis. Data were analyzed by using SPSS software (version: 17). Result of the study showed that tangibility, reliability, responsiveness, assurance and empathy significantly and positively influenced customer attitudes in terms of satisfaction that is service quality dimensions are crucial for customer satisfaction in private commercial banking sector in Bangladesh.

Saglik et al. (2021) explained the perception of service quality and its impact on satisfaction were examined through research where students using the refectory within the university campus were selected as the sample. In the study, a survey questionnaire was used as the data collection technique. In the methodology, factor analysis, ANOVA, t-test, and multiple regression analysis were performed on 689 valid cases of survey data. Multiple regression analysis was applied to three dimensions of refectory service quality (service, hygiene and atmosphere) that were determined as a result of factor analysis and it was found that these dimensions affect satisfaction positively in general and at the level of 44%. Among the service quality dimensions, it was determined that atmosphere did not have a significant effect on satisfaction. It was concluded that hygiene dimension had a higher impact on satisfaction than the service dimension.

Shah et al. (2021) studied to find out the impact of service quality on customer satisfaction in banking sector employees of Lahore region. This study was a cross-sectional study and questionnaire used was adopted from empirical studies. Finding showed that there exists a significant positive relationship between service quality and customer satisfaction. Study revealed that the respondents have responded in disagreement to the quality of services provided to the customers, which in turn, definitely affected the customer satisfaction. Poor quality of service is being provided to customers who show a poor customer satisfaction. Data was analyzed using reliability statistics, correlation and regression analysis.

Al-Azzam (2022) used the model of service quality with five dimensions to evaluate its effect on the customer satisfaction among Arab bank customers in the city of Irbid. The results indicate that the higher the service quality, the more the customer's satisfaction. The Dimensions of service quality plays an important role in this equation. These dimensions are tangibility, responsiveness, reliability, empathy, and security. Finally, the findings indicate that these five factors have positively affected the customer satisfaction. This research also showed that the service quality is an appropriate tool to measure the quality of service in the banking sector in the Arab bank. Therefore, the banking sector practitioners regard this instrument a very important tool to evaluate, support, and improve the quality of their services.

Selvakumar (2022) examined the effect of service quality determinants on the degree of customer satisfaction in public and private banks in India. This study examined the perception of service quality of banking services provided to customers in Coimbatore and the relative differences attached with the various determinants of service quality using the SERVQUAL model. It was found out that Assurance has the most significant impact on customer satisfaction towards banking services provided in Coimbatore and Responsiveness has the least significant impact on customer satisfaction towards banks in Coimbatore. From the findings, it is clear that the customer expectation exceeds well in assurance provided by the banks in Coimbatore in terms of giving importance to customers' suggestions and views, secured transactions, sufficient knowledge base management, accurate record maintenance, meeting customers regularly etc.

Minh and Huu (2022) developed and empirically tested the interrelationships between service quality, customer satisfaction, and customer loyalty in a retail banking context. In this study, a research model about the interrelationships between service quality, customer satisfaction, and customer loyalty was developed. Then a survey was conducted with retail banking customers about these constructs, which results in 261 valid respondents. The hypotheses were then proposed and tested using confirmatory factor analysis (CFA) and the structural equation modeling technique (SME). The analysis revealed that service quality and customer satisfaction are important antecedents of customer loyalty and customer satisfaction mediates the effects of service quality on customer loyalty. These findings suggested that there are

non-linear relationships between three constructs and emphasize the need to treat customer loyalty management as a process which includes plenty of factors interacting with each other.

Ighomereho et al. (2022) revealed that with the global increase in online services, there is a paradigm shift from service quality to e-service quality. In order to sustain this strategic change, there is need to measure and evaluate the quality of e-services. Consequently, the paper seeks to determine the relevant e-service quality dimensions for e-channels. The aim is to generate a concise set of dimensions that managers can use to measure e-service quality. The paper proposed an eservice quality model comprising seven e-service quality dimensions (website appearance, ease of use, reliability, security, personalisation, fulfilment and responsiveness) and overall e-service quality. The study employed a cross-sectional research design and quantitative research approach. The data were collected via a questionnaire from 400 e-channel users in Lagos State, Nigeria. However, 318 copies of the questionnaire were found useful. The data were analysed using mean, frequency, percentages, correlation and multiple regression analysis. The results revealed that the relevant e-service quality dimensions influencing overall e-service quality are reliability, security, fulfilment, ease of use and responsiveness. These e-service quality dimensions are expected to provide information for managers to evaluate and improve their e-channel service delivery.

Teeroovengadum (2022) linked between service quality and customer satisfaction has been well established; however, there are strong reasons to believe that gender moderates the effects of service quality dimensions on customer satisfaction. This study aims to uncover gender-based heterogeneity pertaining to the link between service quality dimensions and customer satisfaction in the context of banking services. This study adopted a survey design. Data is collected from 282 customers of banks in Mauritius. Because of the prediction-oriented aim of the present study, the partial least squares-structural equation modeling technique is used to test a set of relevant hypotheses. The results provide mixed findings and the moderating effect of gender is found to be statistically significant for one service quality dimension but not for the other two. The permutation and partial least squares-multi-group analysis tests both support the hypothesis that gender moderates the relationship between

environment quality and customer satisfaction. The primary contribution of this study focuses on exploring the moderating effect of gender on the relationships between service quality dimensions and customer satisfaction among bank customers.

Anjalika and Priyanath (2023) attempted to explore the effect of service quality of commercial banks on customer satisfaction. Data were collected from 141 customers who maintain both public and private bank accounts in the Gampaha district. Convenient sampling method was used to select the sample. Data were collected through a structural questionnaire conducting face to face interviews and the collected data were analyzed through Partial Least Square Structural Equation Model. The study tested five hypothetical relationships between five dimensions of service quality of commercial banks and customer satisfaction. Results revealed a significant positive relationship between tangible and customer satisfaction as well as responsiveness and customer satisfaction of both public and private banks. It was also found that, assurance has a low positive relationship with customer satisfaction regarding private banks, while there was no relationship between assurance and customer satisfaction regarding public banks. Also, empathy and reliability indicated a low positive relationship between customer satisfaction regarding public banks while these two dimensions did not indicate any significant relationship with customer satisfaction regarding private banks. Therefore, this study found that customer satisfaction regarding the service quality of public banks is higher than that of private banks.

Noor et al. (2023) assessed customer satisfaction through the dimensions of service quality. The study utilized a sample of 306 respondents from a population of 1,500 consumers and employed web raosof.com for sampling with a 5% error rate. Questionnaires were distributed to collect data, and multiple linear regression was used for analysis. The findings revealed that tangible proof, dependability, responsiveness, assurance, and empathy collectively influenced consumer satisfaction by 79.4%, with physical evidence being the most dominant variable at 67.3%. However, reliability showed no significant effect. The study contributes to marketing management literature by expanding understanding of service quality dimensions and their impact on customer satisfaction within organizational contexts. The implications suggest a need for CV Agung Diponegoro to focus on enhancing tangible proof and

other dimensions of service quality to effectively improve overall consumer satisfaction.

Kamal et al. (2024) conducted a study to investigate the impact of Total Quality Management (TQM) using the SERVQUAL model on customer satisfaction in the telecommunications sector in Iran, with a specific focus on MTN and Vodafone. The researchers collected data through surveys from 800 customers and employees, using self-completed questionnaires to assess perceptions of service quality and satisfaction. The study employed various methodologies, including tests for reliability, validity, and multicollinearity, to ensure the robustness of the data and model. The major findings of the study indicate that TQM significantly enhances both product quality and customer satisfaction, highlighting the importance of high-quality services to customers. The study concludes that implementing TQM can substantially boost customer satisfaction in the telecommunications sector by improving service quality. Therefore, it suggests that telecom companies should adopt comprehensive quality management practices to meet and exceed customer expectations

2.2.2 Review of Literature in Nepalese Context

Pathak (2016) analyzes the level of job satisfaction among employees of commercial banks along with the consideration of gender, age and experience differences. Four commercial banks were selected using purposive sampling method for the study. Further, a total of 260 respondents were selected randomly from the four banks' head offices and branch offices located in Kathmandu Metropolis. The modified Minnesota Satisfaction Questionnaire (MSQ) was used to gather data about the job satisfaction of respondents. The results indicate that almost 66% of employees are satisfied or highly satisfied with their jobs. 'Job security' is the most significant factor of job satisfaction to the employees of commercial banks in Nepal. Level of job satisfaction does not differ significantly between male and female employees. However, there are significant differences in level of job satisfaction among various age groups of employees.

Upadhyay (2017) assessed the level of employee satisfaction within commercial banks. Employee satisfaction refers to the happiness, contentment, and fulfillment of employees in meeting their desires and needs at work. Two methods were employed to measure employee satisfaction: indirect observation of employee turnover trends

and direct inquiry through surveys, interviews, and focus groups. The study utilized descriptive and empirical research designs, collecting primary data through questionnaires using judgmental sampling from commercial banks in Nepal. The questionnaires were developed using five scales, and statistical tools such as mean, standard deviation, and coefficient of variation were employed. The reliability of the data was assessed using Cronbach's alpha test. The findings revealed that all the commercial banks included in the study were able to satisfy their employees.

Neupane (2017) aimed to examine the impacts of service quality dimensions on patient satisfaction as a study of private hospitals in Nepal. The research was conducted through influence of positivism philosophy and deductive approach. The two hypotheses were generated with the help of existing knowledge and literature related to service quality and customer/patient satisfaction. The formulated hypotheses were tested through primary data collection from the customers/patients of private hospitals in Nepal. The questionnaires survey was used to collect data in this study. Different five factors of SERVQUAL dimension and four factors of patient satisfaction: price, image, perceived quality and convenience were used to analyse service quality and patient satisfaction respectively. Samples of 490 patients from different 10 private hospitals which all are based on Kathmandu were considered in the study.

The results indicated that each dimension of service quality is positively correlated with patient satisfaction, and overall service quality and patient satisfaction has correlation coefficient of 0.719 which is significant at the 0.01 level. This implies that service quality and patient satisfaction are positively correlated with each other. The results demonstrated that service quality has strong positive impacts on patient satisfaction as regression analysis demonstrates that service quality has significant impacts on patient satisfaction as $\beta = 0.719$ and $P = 0.000$ which is less than 0.05. Similarly, the results also indicated that private hospitals in Nepal are providing high level of service quality in the view of patients/customers; and there is high level of patient satisfaction at the private hospitals in Nepal.

Neupane (2019) revealed that job satisfaction means the positive feeling or attitude that employees have towards their job, which acts as a motivation to work. It is a combination of emotion, belief, feeling, sentiment, and other allied behavioral

tendencies. This study is focused on analyzing the job satisfaction of banking employees on the basis of the working environment, cooperation among employees, training and promotion and salaries. Employees of Nepalese commercial banks were selected using a convenience sampling method for the study. A total of 112 respondents were selected to sample the employees of banks located in Kathmandu, Lalitpur, and Bhaktapur. The descriptive, as well as analytical research designs were used to analyze and draw a conclusion about the job satisfaction of bank employees. The self-structured questionnaire has been used. The major influencing factors for job satisfaction were salary, followed by training and promotion, working environment, and cooperation among them.

Adhikari (2019) depicted that job satisfaction defined as employees' feelings and thoughts about organization, work and co-workers whereas employee performance is defined as whether a person execute their job duties and responsibilities well. Performance is a critical factor in organizational success. This study has used descriptive statistics, correlation and regression analysis to measure the determinants of job satisfaction and its impact on employee performance in Nepalese commercial banks. The respondents represent 250 employees of commercial banks in Kathmandu Valley. The results show that employee empowerment, job loyalty and workplace environment are positively correlated with job satisfaction and employee performance whereas turnover intention is negatively correlated with job satisfaction and employee performance.

Adhikari (2020) aimed to find out the impact of employee empowerment, team work, bank facilities, training, performance appraisal and quality performance upon job satisfaction of employees that how would these factors affect employees' job satisfaction in banking sector of Nepal. Data was collected through questionnaire and the questionnaire was distributed among 200 employees of twenty-eight commercial banks. Random sampling technique was applied in this procedure. Correlation coefficient and regression were used to analyze and interpret the data. Regression analysis showed that employee empowerment, team work, and bank facilities affect positively whereas training, performance appraisal and quality performance affect adversely on the job satisfaction level of employees. There exists a positive relation

overall and boost job satisfaction, which would in turn enhance the productivity of the organization.

Neupane and Risal (2020) aims at analyzing the determinants of job satisfaction in bank employees of Kathmandu valley, Nepal. The research has adopted analytical research design. The Exploratory Factor Analysis has been conducted to analyze the factor influencing job satisfaction of junior level bank employees in Kathmandu valley. The 31 usable sample sizes have been taken for the study purpose. The study found most significant factor as job security, years of experience, social status and financial status. The study concludes that the job security, experience and salary ad allowance are the building block of job satisfaction for junior level bank employees in Kathmandu valley.

Pantha and Bhusal (2020) analyzed employee job satisfaction in the banking sector in Nepal. The banking profession is highly admired and attracts many young Nepalese individuals. The study evaluated the banking career and measured the satisfaction level of employees. The research focused on the significant relationship between employees and leaders in the demanding banking career. Factors such as employees' working life, work environment, promotion and reward, recognition, training and development, and job security were studied as major influences on employee satisfaction. The study specifically examined employees in two major banks, Nepal Bank Limited (NBL) and Nepal State Bank of India (SBI). The research highlighted the importance of understanding employee job satisfaction in order for organizations to meet their targets and retain employees. The majority of employees expressed satisfaction with the banking career, but variations were observed in the factors affecting their satisfaction level. The findings of this research can provide valuable insights for organizations to improve their services and better satisfy their employees in the future.

Devkota and Dahal (2022) analyzed this study is to find out the major factors that have impact in customer satisfaction and customer loyalty in case of commercial banks of Nepal. In order to collect data for analysis, 375 completely filled questionnaires were collected within one month. The participants were asked to fill up the questionnaire form with face-to-face interaction. All these forms were collected from various commercial banks in Kathmandu, Nepal. In order to analyze the data,

Statistical Packages for Social Sciences (SPSS) was used and analytical techniques like factor analysis, multiple regression analysis, descriptive analysis were used along with Sobel test for mediation analysis. After testing the hypotheses using various techniques, it was found that service quality dimensions such as tangibility, reliability, responsiveness, empathy and assurance had significant positive impact on customer satisfaction and customer loyalty. Similarly, one of the situational factors stated as years of relationship had significant positive relationship with customer satisfaction while another situational factor stated as frequency of visiting bank had a significant negative relationship with customer satisfaction. In the same way, in case of mediating factor, tangibility and frequency of visiting bank do not have significant relationship while reliability, responsiveness, years of relationship and empathy and assurance have significant positive relationship. However, it should be noted that some of the independent and mediating variable are overlapped. In case of control variable, only respondent age had positive significant impact on customer loyalty while other variable like education level, income and gender are not significantly related with customer loyalty.

Jitendra (2022) examined the level of customer satisfaction in the commercial banks. Descriptive and analytical research designs were used for the study. Primary data were collected through the questionnaires using judgmental sampling from the commercial banks of Nepal. Questionnaires were developed in five scales and mean; standard deviation and coefficient of variation have been used as tools. Cronbach's alpha test was done to test the reliability of the data. It was found that the overall performances of all the banks in terms of customer satisfaction have been satisfactory. Compared to government owned commercial banks performance of private banks have been satisfactory. Among different government banks the performance of RBB has been better than NBL and ADB.

Koirala and Shrestha (2022) attempted to measure service quality and customer satisfaction with respect to the service quality dimensions in the Nepalese commercial banking sector. The study used descriptive statistics, correlation, and regression analysis to measure relationship among service quality dimensions, service quality and customer satisfaction variables. It used 364 sample customers who have been dealing currently with the commercial banks in Kathmandu valley. It was found that

Nepal Investment Bank is most popular bank in commercial banks in Nepal. All the service quality dimensions (i.e., tangibles, reliability, responsiveness, assurance and empathy) are important for forming service quality and customer satisfaction of commercial banks in Nepal. Customer satisfaction is highly affected by service quality.

Thapa (2022) conducted a study to reveal the existing level of service quality of some Nepalese commercial banks. The customer perception to measure bank services quality within five dimensions; tangibles, reliability, responsiveness, assurance and empathy are considered as to service quality model introduced by Parashuram et. al. in 1988. The study was descriptive in nature and used primary data collected through personally administered questionnaire survey with customers of some selected commercial banks including public and private banks. The questionnaire included 22 questions in total for five dimensions. The sample size of the study was 82 respondents of the banks selected on convenience basis. The analysis consists descriptive statistics and t-test in order to meet the study objectives. The study examined the perceived service quality the customers of the banks using the SERVQUAL model. The customer perceived satisfaction for five SERVQUAL dimensions were analyzed to assess aggregate service quality status of the banks. The descriptive and inferential analysis have indicated to the average level of customer satisfaction on all five service quality dimensions considered namely; tangibles, reliability, responsiveness, assurance and empathy. Among these five dimensions, empathy and assurance were more satisfied dimensions in bank service quality. Similarly, tangibles as well as reliability were moderately and responsiveness was least satisfied dimension as perceived by bank customers.

Shrestha (2022) examined the impact of service quality dimension of commercial Banks on Customer in Nepal. The objective of this study was to identify service quality dimension that influence on customer satisfaction of commercial banks in Nepal. A structured questionnaire with 5-point Likert scale was used to collect the data by conducting field survey. The sample size was 144 and chosen on a convenient basis. Data has been analyzed by using statistical tools like mean and Correlation Coefficient. The result revealed that service quality dimensions like such as tangibility, reliability, assurance, empathy, and responsiveness have significantly and

positively correlated on customer satisfaction of commercial bank in Nepal. This study explained that there is a positive significant relationship between service quality dimension and customer satisfaction in commercial banks of Nepal. Among the service quality dimension, reliability is highly correlated with customer satisfaction in commercial bank in Nepal. Therefore, the bank should be able to satisfy the customers through superior services and facilities. The bank must try to maintain long term relationship with customers. The customers must believe that their respective banks deliver what they promise in their advertisement. Thus, the bank should regularly take the feedback of the customers. Service quality dimension play significant role to satisfy their customers in commercial banks.

Joshi (2023) conducted a study to examine the relationship between banking service quality dimensions and customer satisfaction in Nepalese banking industry. Three commercial banks operating in Kailali district (Rastriya Banijya Bank, Nabil Bank and Global IME bank) were taken as sample and 327 depositor customers of these banks were surveyed using structured five-point Likert scale questionnaire. Data was collected via online and field survey by visiting the customers at related banks, business organizations and government and non-government offices of Kailali. SPSS version 20, Pearson's correlation and multiple regression analysis have been used to analyze the data. The findings of this study revealed that there is positive relationship between service quality and customer satisfaction. All the service quality dimensions have statistically significant positive impact on customer satisfaction except tangibility. It means higher service quality helps increase customer satisfaction. The results of this study will help bank managers to focus on their customer's satisfaction in order to compete favorably in banking Industry.

Sthapit (2023) revealed customer satisfaction in relation to service quality in Nepalese commercial banks, emphasizing the impact of various service quality dimensions on customer satisfaction. The research utilized descriptive and causal comparative research designs, gathering primary data through a sample survey of 400 respondents using a Five-point Likert scale technique. The primary objective was to understand how different aspects of service quality namely tangibility, reliability, assurance, empathy, and responsiveness affect customer satisfaction. Through correlation and regression analyses, the study found that the dimensions of tangibility (the physical

appearance of facilities and equipment), reliability (the ability to perform the promised service dependably and accurately), assurance (the knowledge and courtesy of employees and their ability to convey trust and confidence), and empathy (the provision of caring, individualized attention to customers) had a significant positive relationship with customer satisfaction in the Nepalese banking sector. Conversely, responsiveness (the willingness to help customers and provide prompt service) did not show a significant effect on customer satisfaction. The study concludes that improving these key service quality dimensions is crucial for enhancing customer satisfaction and gaining a competitive advantage. The implication for Nepalese commercial banks is to focus on these critical dimensions to achieve higher customer satisfaction and thus improve overall bank performance.

2.3 Research Gap

The research identifies several gaps in the study of customer satisfaction and loyalty within the Nepalese commercial banking sector. Despite acknowledging the positive relationships between service quality dimensions (tangibility, reliability, responsiveness, assurance, and empathy), with customer satisfaction, the study suggests a need for further exploration. Specifically, there is a gap in understanding how these dimensions interact dynamically over time and across different customer segments. Moreover, while innovation and corporate social responsibility (CSR) are highlighted as potential strategies to enhance satisfaction and loyalty, their effective implementation and impact on diverse customer groups, including those in rural areas and with lower literacy levels, remain underexplored. Additionally, the ethical implications of targeting CSR activities based on customer concentration versus genuine community needs pose another avenue for future research in aligning CSR practices with ethical considerations and customer satisfaction goals in Nepalese banking.

CHAPTER III RESEARCH METHODOLOGY

This section discusses about research methodology and includes detail discussion about research procedure, design and data collection methods which we selected for this research.

3.1 Research Design

The study investigates the impact of service quality dimensions on customer satisfaction in banking sector in Nepal, using a descriptive and explanatory research design. This approach comprehensively explores how dimensions like tangibility, reliability, responsiveness, assurance, and empathy influence customer satisfaction. Descriptive analysis provides an overview of current service quality and satisfaction levels, while explanatory analysis delves deeper into understanding the underlying factors and mechanisms shaping customer perceptions. By integrating both methods, the study aims to elucidate the dynamics between service quality and customer satisfaction in Nepalese banking sector.

3.2 Population and Sample and Sampling Design

For this thesis focusing on customer satisfaction in Kathmandu's commercial banks, a population of 375 bank customers was identified as the target group. The sampling frame consisted of a list of commercial banks operating in Nepal. Non-probability sampling, specifically convenience sampling, was employed for data collection, selecting participants based on their willingness to participate and accessibility. This method allowed for the use of primary data without alteration, emphasizing convenience and practicality in gathering initial insights on customer perceptions of service quality. Structured questionnaires were developed to collect data efficiently during the exploratory phase of the research. The sample size of 375 was determined based on practical considerations such as resource availability and research scope.

3.3 Nature and Sources of Data

The data for this thesis on customer satisfaction in Kathmandu's commercial banks were structured using a five-point Likert scale to assess various dimensions of service quality. These dimensions include tangibles (physical facilities, equipment), reliability (dependability in service provision), responsiveness (promptness in addressing customer needs), assurance (knowledge and courtesy of staff), and empathy (caring and individualized attention). The structured questions aimed to measure customer perceptions across these dimensions, providing quantitative insights into satisfaction

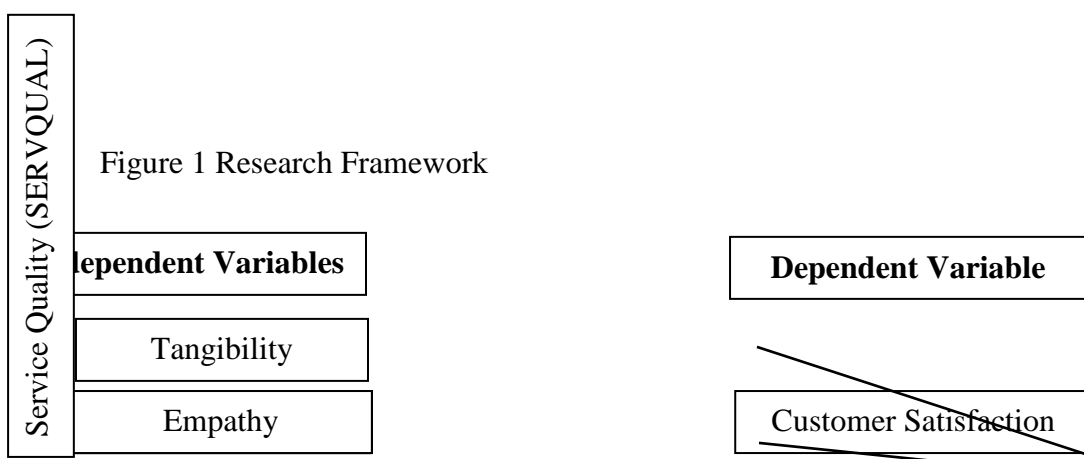
levels within the banking sector. The primary data were collected directly from bank customers through structured questionnaires, ensuring clarity and consistency in responses to facilitate rigorous analysis.

3.4 Data Collection Procedures

The data collection process involved several systematic steps to ensure reliability and validity. Initially, a list of commercial banks operating in Kathmandu, Nepal was compiled to establish a sampling frame. Non-probability convenience sampling was then employed to select 375 bank customers willing to participate in the study. Structured questionnaires were distributed among these participants, who rated their perceptions on service quality using the pre-structured Likert scale questions. The questionnaires were designed to capture specific insights related to tangibles, reliability, responsiveness, assurance, and empathy. Data collection emphasized obtaining firsthand customer feedback efficiently, aligning with the research objectives to explore the factors influencing customer satisfaction in the local banking industry.

3.5 Research Framework and Definition of Variables

This section outlines the research framework for studying the relationships between service quality dimensions and customer satisfaction in Nepal's banking sector. A conceptual framework serves as a blueprint that illustrates how these concepts interrelate, guiding the study's direction and methodology. Based on a thorough review of theoretical foundations, the framework integrates insights from studies Parasuraman et al. (1988) on service quality dimensions as independent variables. The thesis aims to identify which service quality factors positively impact customer satisfaction and subsequently influence customer loyalty in Nepalese banks. The framework of the study is presented in Figure 1.



Source: Parasuraman et al. (1988)

3.5.1 Customer Satisfaction

Customer satisfaction refers to the extent to which customers' expectations are met or exceeded based on their interactions with a product, service, or organization. It reflects their subjective evaluation of the overall experience, including aspects such as product quality, service delivery, responsiveness, and customer support. According to Oliver (1980), customer satisfaction is influenced by the perceived performance of a product or service compared to expectations. In the context of banking services, customer satisfaction is crucial for maintaining loyalty, positive word-of-mouth, and repeat business. It serves as a critical indicator of customer experience and plays a significant role in shaping the long-term relationships between customers and banks.

3.5.2 Tangibility

Tangibility in service quality refers to the physical appearance of facilities, equipment, personnel, and communication materials of a service provider. It represents the physical evidence of the service delivery environment that customers can perceive and evaluate. According to Zeithaml et al. (1990), tangibility is one of the five dimensions of service quality and influences customer perceptions about the credibility and reliability of the service provider. In the context of banking, tangible factors include the appearance of bank branches, the quality of furnishings, the presence of modern equipment like ATMs, and the professional appearance of staff. These tangible elements contribute to the overall impression of service quality and can impact customer satisfaction and loyalty.

3.5.3 Reliability

Reliability in service quality refers to the ability of a service provider to consistently deliver accurate, dependable, and promised services to customers. It is about performing the service right the first time and consistently meeting customer expectations. According to Cronin and Taylor (1992), reliability is critical in services like banking where customers rely heavily on accurate transactions, timely information, and dependable service delivery. In banking, reliability is assessed based on factors such as transaction accuracy, system uptime, adherence to service commitments, and error handling. A high level of reliability enhances customer trust, satisfaction, and loyalty by minimizing service failures and disruptions.

3.5.4 Responsiveness

Responsiveness in service quality refers to the willingness and ability of service providers to promptly help customers and provide timely service. It involves showing attentiveness to customer needs, concerns, and requests in a timely manner. According to Parasuraman et al. (1985), responsiveness is crucial in-service encounters where customers seek assistance, information, or solutions promptly. In banking, responsiveness is demonstrated through quick response times to customer inquiries, efficient complaint handling, and proactive communication about service updates or changes. Good responsiveness enhances customer satisfaction by demonstrating care and concern for their needs, leading to improved customer loyalty and retention.

3.5.5 Assurance

Assurance in service quality refers to the knowledge, competence, courtesy, credibility, and trustworthiness of service providers. It involves conveying confidence to customers that they will receive reliable and competent service. According to Zeithaml et al. (1990), assurance is about instilling confidence in customers about the service provider's capabilities and reliability. In banking, assurance is demonstrated through the professionalism of staff, their knowledge of products and services, ethical conduct, and security measures to protect customer information. These elements help to build trust and credibility, leading to enhanced customer satisfaction, loyalty, and positive word-of-mouth.

3.5.6 Empathy

Empathy in service quality refers to the ability of service providers to understand, care for, and address customers' individual needs and concerns. It involves showing empathy and personalized attention to customers to enhance their overall experience. According to Cronin and Taylor (1992), empathy is about demonstrating a genuine interest in customers' well-being and adapting services to meet their specific requirements. In banking, empathy is reflected in how staff listen to customer concerns, offer personalized solutions, and treat customers with respect and understanding. Empathetic service enhances customer satisfaction by making customers feel valued and understood, thereby fostering loyalty and positive relationships with the bank.

3.6 Method of Analysis

In this research descriptive analysis, correlation and linear regression, analysis was done with the help of SPSS software in order to analyze the relationship between several variables that influence customer satisfaction in Nepalese commercial bank. Here, customer satisfaction acts as a dependent variable where tangibility, reliability, responsiveness, assurance and empathy are independent variable.

3.6.1 Descriptive Analysis

Descriptive analysis is utilized in this study to provide a comprehensive overview of key variables related to service quality, customer satisfaction, and customer loyalty in the context of the Nepalese banking sector. It involves summarizing and presenting data using measures of central tendency (mean) and dispersion (standard deviation, range) to describe the characteristics of the sample and variables under study. Specifically, descriptive analysis helps in examining the distribution of responses on service quality dimensions tangibility, reliability, responsiveness, assurance, empathy on customer satisfaction.

3.6.2 Correlation Analysis

Correlation is the basic step in regression analysis. Based on multi-item concepts, correlation also calculates and confirms relationship. It also confirms the direct relationship and validation. The Correlation coefficient, R shows the degree of relationship between two different types of variables. It ranges from -1 to +1, where -1 indicates a perfect negative relationship which means the decreasing linear relationship that is when one variable increases another variable will decrease and 1

indicate a perfect positive correlation which means that increase in one variable will result from increase in another variable respectively.

3.6.3 Regression Analysis

Regression analysis is employed in this study to explore the relationships between various factors affecting customer satisfaction and loyalty within the Nepalese banking sector. Multiple regression analysis is utilized to examine how service quality dimensions tangibility, reliability, responsiveness, assurance, empathy impact customer satisfaction. By regressing customer satisfaction as the dependent variable against these independent variables, the study aims to quantify the extent of influence each service quality dimension has on customer satisfaction levels. The regression model utilized in this study is as follows:

$$CS = \beta_0 + \beta_1TAN + \beta_2REL + \beta_3RES + \beta_4ASS + \beta_5EMP + \varepsilon$$

Where,

CS represents the customer satisfaction

β_0 is the intercept,

TAN represents tangibility

REL represents reliability

RES represents responsiveness

ASS represents assurance

EMP represents empathy

ε represents the error term.

CHAPTER IV

RESULTS AND DISCUSSION

In this study, various statistical tools were employed, including descriptive analysis, correlation and regression analysis, facilitated through the use of the SPSS program. All statistical tools were utilized to evaluate both customer satisfaction levels and the quality of service within the Nepalese banking sector. The analytical methods described in the third chapter of the research were applied throughout the analysis process. Tabular formats were adopted for the gathered data to enhance the efficiency and clarity of the analysis procedures. Mainly this chapter is divided into two sections covering various sub sections. The first section includes results which cover all data to analyze while second section cover discussion which compare this study findings to previous empirical findings and made perfect discussion on the findings.

4.1 Results

Primary data analysis is a critical stage in research investigations, involving the thorough examination and precise interpretation of data directly gathered from study participants. This analysis aims to uncover patterns, trends, and correlations within the data, allowing researchers to derive meaningful insights and draw informed conclusions. It encompasses various statistical methods such as descriptive statistics, inferential statistics, through primary data analysis, researchers can gain valuable insights into their research questions, validate hypotheses, and assess the significance of their study objectives. In this study, the independent variables include service quality dimensions such as tangibles (TAN), reliability (REL), responsiveness (RES), assurance (ASS), and empathy (EMP), while customer satisfaction serves as the dependent variable.

4.1.1 Demographic Profile of Respondents

The demographic profile of respondents offers crucial insights into the characteristics of participants involved in the study. It aids in evaluating the sample's representativeness and interpreting findings within a defined context. Typically, demographic variables encompass age, gender, and education level. Analyzing these data enables researchers to detect potential biases or variations in responses across different demographic segments. Table 1 presents the demographic profile of continece sampled customers of Nepalese banking.

Table 1 *Demographic Profile of Respondents*

Items		Frequency	Percent
Gender	Male	241	64.27
	Female	134	35.73
Age Group	20-25	14	3.73
	25-30	79	21.07
	30-35	134	35.73
	35-40	79	21.07
	40 and above	66	17.60
	Education Level	Less than SLC	31
	SLC	26	6.93
	Plus Two	70	18.67
	Bachelor's degree	156	41.60
	Master's degree and above	92	24.53
Employment Status	Student	51	13.60
	Employed full-time	150	40.0
	Self-employed	30	8.00
	Unemployed	34	9.07
	Retired	110	29.33
	Total	375	100

Source: Survey (2024)

Table 1 shows the demographic profile of respondents. The study's participants were predominantly male, accounting for 64.27% of the total respondents, compared to 35.73% who identified as female. This gender distribution suggests a higher representation of male respondents in the study, which may influence how service quality and customer satisfaction are perceived and reported within the banking sector in Nepal.

Respondents in the study spanned various age categories. The largest groups were individuals aged 30-35 years and 25-30 years, each comprising 35.73% and 21.07% respectively. This distribution indicates a significant presence of younger to middle-aged adults in the study, likely reflecting a demographic segment that actively

engages with banking services and potentially holds diverse expectations regarding service quality and satisfaction.

Educationally, the study's participants exhibited a range of qualifications. A notable proportion held Bachelor's degrees (41.60%) or higher academic credentials (24.53%), underscoring a well-educated sample. This demographic aspect suggests that many respondents likely possess a solid understanding of financial services and may have heightened expectations regarding the quality of services provided by banks in Nepal.

In terms of employment, the study encompassed a varied mix of statuses. The largest group consisted of full-time employed individuals (40.00%), followed by retirees (29.33%) and students (13.60%). This diverse representation across employment statuses indicates that respondents from different occupational backgrounds were included in the study, offering insights into how perceptions of service quality and customer satisfaction may differ among working professionals, retirees, students, and others within the banking customer base in Nepal.

4.1.2 Descriptive Analysis

The descriptive analysis conducted in this study encompassed thirty variables assessed through questionnaires. Among these variables, twenty-five were related to five dimensions of service quality, while the remaining five focused on customer satisfaction within the banking services sector in Nepal. With a sample size of 375 questionnaires collected, the study ensured sufficient data for robust analysis. The responses gathered were meticulously enhanced and analyzed using SPSS 25.0 software, which facilitated systematic examination of mean values, standard deviations, ranks, and other implementation details across the variables. This structured approach allowed for comprehensive insights into how service quality dimensions and customer satisfaction are perceived and experienced within the context of Nepalese banking.

4.1.2.1 Descriptive Analysis of Tangibility

Tangibility, as a dimension of service quality was analyzed to understand how physical facilities, equipment, and appearance influence customer perceptions. The descriptive analysis revealed that customers rated tangibility elements such as the

physical environment of bank branches, the appearance of facilities, and the availability of modern equipment. Mean scores indicated generally positive perceptions, suggesting that tangible aspects play a significant role in shaping customer satisfaction and overall service experience. Table 2 shows the descriptive analysis on tangibility.

Table 2 *Descriptive Analysis of Tangibility*

Statements	N	Min	Max	Mean	S.D.
The bank's physical facilities are visually appealing.	375	1.00	5.00	3.19	1.09
The bank's equipment (e.g., ATMs, computers) is modern and well-maintained.	375	1.00	5.00	3.17	1.10
The bank's physical environment is clean and comfortable.	375	2.00	5.00	4.21	.62
The bank's printed materials (e.g., statements, brochures) are clear and visually appealing.	375	1.00	5.00	4.18	.60
The bank's staff are well-dressed and appear professional.	375	1.00	5.00	4.56	.62
Tangibility	375	1.40	5.00	3.86	.54

Source: Survey (2024)

Table 2 presents the descriptive analysis of tangibility, one of the dimensions of service quality evaluated in this study. For the first statement, the mean score is 3.19 with a standard deviation of 1.09. This indicates a moderate level of agreement among respondents, with some variability in their responses. It suggests that while many respondents find the tangible aspects described in this statement satisfactory, there is a significant number who have differing views.

The second statement has a mean score of 3.17 and a standard deviation of 1.10. Similar to the first statement, this reflects a moderate level of agreement and variability among the respondents. The close mean values of the first and second statements indicate a consistent perception of these tangible aspects among the surveyed customers. The third statement stands out with a higher mean score of 4.21 and a lower standard deviation of 0.62. This suggests that respondents generally agree more strongly with the tangible aspect described in this statement and that there is less

variation in their responses. Most respondents consistently perceive this aspect positively.

The fourth statement shows a mean score of 4.18 and a standard deviation of 0.60. Like the third statement, this indicates a high level of agreement among respondents with minimal variability, further highlighting that the tangible aspect addressed here is well-regarded. The fifth statement has the highest mean score of 4.56 and a standard deviation of 0.62. This indicates a very high level of agreement among respondents, suggesting that this particular tangible aspect is perceived very positively and consistently by the majority of customers.

The composite tangibility score, which aggregates the responses from all five statements, has a mean of 3.86 and a standard deviation of 0.54. This overall score suggests that, on average, respondents perceive the tangibility dimension of service quality positively, with a relatively consistent level of agreement across the different statements. The relatively low standard deviation for the composite score indicates that most respondents have similar perceptions regarding the tangibility aspects of service quality in the Nepalese banking sector.

4.1.2.2 Descriptive Analysis of Reliability

Reliability is a crucial dimension of service quality, was examined to assess the consistency and dependability of banking services in Nepal. Through descriptive analysis, it was found that customers place high importance on reliability, which includes aspects such as the bank's ability to perform promised services accurately and dependably. The analysis showed that customers value reliability as a fundamental factor in their banking experiences, with high mean scores indicating positive perceptions of service consistency and trustworthiness. Table 3 shows the descriptive analysis on tangibility from sample respondents' response, which were based on five-point Likert scale.

Table 3 *Descriptive Analysis of Reliability*

Statements	N	Min	Max	Mean	S.D.
The bank provides services as promised.	375	1.00	5.00	3.78	0.80
The bank performs services right the first time.	375	1.00	5.00	3.91	0.68
The bank provides services at the promised time.	375	2.00	5.00	3.80	0.81

The bank maintains accurate records of transactions.	375	1.00	5.00	3.71	0.85
The bank's services are dependable and consistent.	375	1.00	5.00	4.04	0.64
Reliability	375	1.20	5.00	3.85	0.61

Source: Survey (2024)

Table 3 presents the descriptive analysis of reliability, another dimension of service quality assessed in this study. For the first statement, the mean score is 3.78 with a standard deviation of 0.80. This indicates a generally positive perception among respondents, with some variability in their responses. The data suggests that most respondents believe that the bank provides services as promised.

The second statement has a higher mean score of 3.91 and a lower standard deviation of 0.68. This reflects a stronger and more consistent agreement among respondents that the bank performs services correctly the first time. The higher mean and lower standard deviation imply a high level of satisfaction in this aspect of reliability. The third statement shows a mean score of 3.80 and a standard deviation of 0.81. This indicates a positive perception with some variability, suggesting that while many respondents believe the bank provides services at the promised time, there is still a notable range of responses.

For the fourth statement, the mean score is 3.71 with a standard deviation of 0.85. This reflects a positive but slightly lower perception compared to the other statements. The higher standard deviation suggests more variability in the responses, indicating differing views on the accuracy of the bank's transaction records. The fifth statement stands out with the highest mean score of 4.04 and the lowest standard deviation of 0.64. This suggests a very high level of agreement among respondents that the bank's services are dependable and consistent. The lower standard deviation indicates strong consistency in their positive perceptions.

The composite reliability score, which aggregates the responses from all five statements, has a mean of 3.85 and a standard deviation of 0.61. This overall score suggests that, on average, respondents perceive the reliability dimension of service quality positively, with a relatively consistent level of agreement across the different statements. The relatively low standard deviation for the composite score indicates

that most respondents have similar perceptions regarding the reliability aspects of service quality in the Nepalese banking sector. The descriptive analysis of reliability reveals that customers generally have a positive perception of the reliability aspects of service quality in Nepalese banks. The high mean scores for the second and fifth statements indicate particularly strong positive perceptions in these areas, while the slightly lower score for the fourth statement suggests an area with more varied responses.

4.1.2.3 Descriptive Analysis of Responsiveness

The dimension of responsiveness was analyzed to evaluate how promptly and effectively Nepalese banks address customer needs and concerns. Descriptive findings indicated varying levels of responsiveness across different banks, with higher mean scores reflecting more favorable perceptions of quick service, prompt complaint resolution, and overall responsiveness to customer inquiries. This analysis highlighted the importance of responsiveness in enhancing customer satisfaction and loyalty in the banking sector. Table 4 shows the descriptive analysis on responsiveness from sample respondents' response, which were based on five-point Likert scale.

Table 4 *Descriptive Analysis of Responsiveness*

Statements	N	Min	Max	Mean	S.D.
The bank's staff are willing to help customers.	375	1.00	5.00	3.92	0.82
The bank responds promptly to customer inquiries.	375	1.00	5.00	4.00	0.72
The bank provides timely information to customers.	375	2.00	5.00	4.17	0.67
The bank's staff are always available to assist customers.	375	1.00	5.00	4.25	0.71
The bank handles customer complaints effectively.	375	1.00	5.00	4.07	0.70
Responsiveness	375	1.40	5.00	4.08	0.56

Source: Survey (2024)

Table 4 presents the descriptive analysis of responsiveness, a key dimension of service quality, in this study. For the first statement, the mean score is 3.92 with a standard deviation of 0.82. This indicates a generally positive perception among respondents, with some variability in their responses. It suggests that most respondents believe the bank's staff are willing to help customers. The second

statement shows a higher mean score of 4.00 and a lower standard deviation of 0.72. This reflects a strong and consistent agreement among respondents that the bank responds promptly to customer inquiries. The higher mean and lower standard deviation imply a high level of satisfaction in this aspect of responsiveness.

The third statement has a mean score of 4.17 and a standard deviation of 0.67. This indicates a very positive perception with relatively less variability, suggesting that respondents believe the bank provides timely information to customers. For the fourth statement, the mean score is 4.25 with a standard deviation of 0.71. This is the highest mean score among the statements, indicating a very high level of agreement among respondents that the bank's staff are always available to assist customers. The relatively low standard deviation indicates consistent positive perceptions.

The fifth statement has a mean score of 4.07 and a standard deviation of 0.70. This reflects a strong positive perception and consistent agreement among respondents that the bank handles customer complaints effectively. The composite responsiveness score, which aggregates the responses from all five statements, has a mean of 4.08 and a standard deviation of 0.56. This suggests that, on average, respondents perceive the responsiveness dimension of service quality very positively, with a high level of consistency in their responses.

4.1.2.4 Descriptive Analysis of Assurance

Assurance, focused on the competence, courtesy, and credibility of bank staff, was examined to understand its impact on customer perceptions. Descriptive analysis showed that customers value assurance-related factors such as the knowledge and courtesy of employees, their ability to convey trust and confidence, and the security of transactions. Higher mean scores indicated positive perceptions of assurance dimensions, suggesting that these aspects significantly influence customer satisfaction and trust in Nepalese banks. Table 5 shows the descriptive analysis on assurance from sample respondents' response, which were based on five-point Likert scale.

Table 5 *Descriptive Analysis of Assurance*

Statements	N	Min	Max	Mean	S.D.
The bank's staff instill confidence in customers.	375	1.00	5.00	4.07	0.72
The bank's staff are consistently courteous.	375	1.00	5.00	4.26	0.68

The bank's staff have the knowledge to answer customer questions.	375	2.00	5.00	4.05	0.79
The bank's staff are trustworthy.	375	1.00	5.00	4.03	0.75
The bank provides a secure environment for transactions.	375	1.00	5.00	4.08	0.72
Assurance	375	1.60	5.00	4.10	0.62

Source: Survey (2024)

Table 5 presents the descriptive analysis of assurance, another critical dimension of service quality, as perceived by the respondents in this study. For the first statement, which measures the confidence instilled by the bank's staff in customers, the mean score is 4.07 with a standard deviation of 0.72. This suggests that respondents generally feel confident in the bank's staff, with relatively moderate variability in their responses.

The second statement, regarding the courteousness of the bank's staff, has a higher mean score of 4.26 and a lower standard deviation of 0.68. This indicates a very strong positive perception and a high level of consistency among respondents, implying that most customers find the bank's staff to be consistently courteous. The third statement, which assesses the knowledgeability of the bank's staff in answering customer questions, shows a mean score of 4.05 and a standard deviation of 0.79. While the mean indicates a positive perception, the slightly higher standard deviation suggests a bit more variability in responses, indicating that some customers may have varied experiences regarding the staff's knowledge.

For the fourth statement, which evaluates the trustworthiness of the bank's staff, the mean score is 4.03 with a standard deviation of 0.75. This reflects a positive perception of the staff's trustworthiness, although there is some variability in the responses. The fifth statement, concerning the security of the environment provided for transactions, has a mean score of 4.08 and a standard deviation of 0.72. This indicates that respondents generally feel secure when conducting transactions, with a consistent level of agreement among them.

The composite assurance score, which aggregates the responses from all five statements, has a mean of 4.10 and a standard deviation of 0.62. This suggests that, on

average, respondents have a very positive perception of the assurance dimension of service quality, with a high degree of consistency in their responses. The descriptive analysis of assurance reveals that customers have a very favorable view of the assurance aspects of service quality in Nepalese banks. The high mean scores across all statements indicate strong positive perceptions, while the relatively low standard deviations suggest a consistent level of agreement among respondents.

4.1.2.5 Descriptive Analysis of Empathy

Empathy, which involves caring, individualized attention, and understanding of customer needs, was analyzed to gauge its importance in banking services in Nepal. Descriptive findings revealed that customers appreciate empathetic behaviors from bank staff, including personalized services, understanding of individual financial needs, and responsiveness to customer concerns. Analysis indicated that higher mean scores in empathy dimensions correlate with higher levels of customer satisfaction and loyalty, emphasizing its role in fostering positive customer relationships. Table 6 shows the descriptive analysis on empathy from sample respondents' response, which were based on five-point Likert scale.

Table 6 *Descriptive Analysis of Empathy*

Statements	N	Min	Max	Mean	S.D.
The bank provides personalized attention to customers.	375	1.00	5.00	3.65	1.12
The bank's staff understand the specific needs of their customers.	375	1.00	5.00	3.63	1.22
The bank's operating hours are convenient for customers.	375	2.00	5.00	3.61	1.23
The bank's staff are compassionate and caring.	375	1.00	5.00	3.91	0.94
The bank takes customer feedback seriously and acts on it.	375	1.00	5.00	3.53	1.26
Empathy	375	1.00	5.00	3.67	1.06

Source: Survey (2024)

Table 6 provides a descriptive analysis of the empathy dimension of service quality, reflecting how respondents perceive the bank's ability to provide personalized and compassionate service. The first statement, which assesses the bank's provision of

personalized attention to customers, has a mean score of 3.65 with a standard deviation of 1.12. This indicates a generally positive perception of personalized attention, though there is notable variability in the responses, suggesting different levels of satisfaction among customers.

For the second statement, regarding the bank's staff understanding the specific needs of their customers, the mean score is 3.63 with a standard deviation of 1.22. This reflects a similar positive perception but with higher variability, indicating that some customers feel their needs are well understood while others may not. The third statement, which evaluates the convenience of the bank's operating hours, shows a mean score of 3.61 and a standard deviation of 1.23. This suggests that while the operating hours are generally seen as convenient, there is considerable variability in customer opinions.

The fourth statement, concerning the compassion and care exhibited by the bank's staff, has a higher mean score of 3.91 and a standard deviation of 0.94. This indicates a stronger positive perception of the staff's compassion, with relatively less variability compared to the previous statements. The fifth statement, which assesses how seriously the bank takes customer feedback and acts on it, has a mean score of 3.53 and a standard deviation of 1.26. This suggests that while some customers feel the bank takes feedback seriously, there is significant variability in these perceptions, indicating differing experiences among customers.

The composite empathy score, which aggregates the responses from all five statements, has a mean of 3.67 and a standard deviation of 1.06. This reflects a generally positive perception of empathy in the bank's service quality, though with notable variability in the responses. The descriptive analysis of empathy shows that customers perceive the bank's empathetic service quality positively, but with significant variations in their experiences. The higher variability in the responses suggests that while many customers appreciate the bank's personalized and compassionate service, there are areas where improvements can be made to ensure more consistent positive experiences across all customers.

4.1.2.6 Descriptive Analysis of Customer Satisfaction

Customer satisfaction, the outcome variable in this study, was analyzed to measure overall satisfaction levels among banking customers in Nepal. Descriptive analysis showed the distribution of satisfaction scores, indicating the extent to which customers perceive their banking experiences as meeting their expectations. Mean scores provided insights into the overall satisfaction levels, highlighting areas of strength and potential improvement in Nepalese banking services as perceived by customers. Table 7 shows the descriptive analysis on customer satisfaction from sample respondents' response, which were based on five-point Likert scale.

Table 7 Descriptive Analysis of Customer Satisfaction

Statements	N	Min	Max	Mean	S.D.
Overall, I am satisfied with the services provided by the bank.	375	1.00	5.00	4.66	0.67
The bank's services meet my expectations.	375	1.00	5.00	4.41	0.71
I am happy with my decision to bank with this institution.	375	2.00	5.00	4.63	0.66
I would recommend this bank to others.	375	1.00	5.00	4.42	0.69
I intend to continue using the services of this bank.	375	1.00	5.00	3.28	1.13
Customer Satisfaction	375	1.60	5.00	4.28	0.56

Source: Survey (2024)

Table 7 presents a descriptive analysis of customer satisfaction, capturing respondents' overall satisfaction with the services provided by the bank. The first statement, assessing overall satisfaction with the bank's services, has a mean score of 4.66 with a standard deviation of 0.67. This high mean score indicates that respondents are generally very satisfied with the bank's services, and the relatively low standard deviation suggests consistent satisfaction levels across the sample.

For the second statement, which evaluates whether the bank's services meet the respondents' expectations, the mean score is 4.41 with a standard deviation of 0.71. This also reflects a high level of satisfaction, with slightly more variability in responses, indicating that while most customers feel their expectations are met, there is some variation. The third statement, regarding happiness with the decision to bank with this institution, shows a mean score of 4.63 and a standard deviation of 0.66.

This indicates a strong positive sentiment toward their banking choice, with low variability suggesting that most customers share this positive view.

The fourth statement, which assesses the likelihood of recommending the bank to others, has a mean score of 4.42 and a standard deviation of 0.69. This suggests that customers are generally willing to recommend the bank, with some variability in their responses. The fifth statement, which evaluates the intention to continue using the bank's services, shows a lower mean score of 3.28 with a standard deviation of 1.13. This indicates more mixed feelings about future use, with a higher level of variability suggesting diverse customer intentions.

The composite customer satisfaction score, aggregating the responses from all five statements, has a mean of 4.28 and a standard deviation of 0.56. This reflects a generally high level of customer satisfaction with the bank's services, though the intention to continue using the bank's services shows more variability. The descriptive analysis of customer satisfaction reveals that respondents are largely satisfied with the bank's services, feel their expectations are met, and are happy with their decision to bank with this institution.

4.1.2.7 Summary of Descriptive Statistics

The summary of descriptive statistics in this study provides a comprehensive overview of how customers perceive service quality dimensions and their satisfaction with banking services in Nepal. Descriptive statistics, including means, standard deviations, and frequency distributions, were used to analyze data gathered through questionnaires from 375 banking customers. The summary of descriptive analysis of study variables is presented in Table 8.

Table 8 *Summary of Descriptive Statistics*

Variables	N	Minimum	Maximum	Mean	Std. Deviation
Tangibility	375	1.40	5.00	3.86	0.54
Reliability	375	1.20	5.00	3.85	0.61
Responsiveness	375	1.40	5.00	4.08	0.56
Assurance	375	1.60	5.00	4.10	0.62
Empathy	375	1.00	5.00	3.67	1.06
Customer Satisfaction	375	1.60	5.00	4.28	0.56

Source: Survey (2024)

Table 8 presents an overview of the descriptive statistics for key variables related to service quality dimensions and customer satisfaction based on data collected from 375 respondents. The analysis covers five dimensions of service quality: tangibility, reliability, responsiveness, assurance, and empathy, along with overall customer satisfaction. For tangibility, respondents reported a mean score of 3.86 with a relatively low standard deviation of 0.54, indicating a consistent perception of tangible aspects such as physical facilities and equipment provided by the bank. Reliability received a mean score of 3.85 and a standard deviation of 0.61, suggesting stable perceptions of the bank's ability to deliver services dependably. In terms of responsiveness, the mean score was 4.08 with a standard deviation of 0.56, indicating high satisfaction with the bank's promptness in addressing customer needs. Assurance garnered a mean score of 4.10 and a standard deviation of 0.62, suggesting that customers generally feel secure and confident in the bank's offerings. However, perceptions of empathy showed more variability, with a mean score of 3.67 and a higher standard deviation of 1.06, reflecting mixed views on the bank's personalized attention and understanding of customer needs. Overall, customer satisfaction received a mean score of 4.28 with a standard deviation of 0.56, indicating a high level of satisfaction among respondents with the bank's services overall.

4.1.3 Correlation Analysis

Correlation analysis plays a crucial role in this study by examining the relationships between service quality dimensions and customer satisfaction in Nepalese banking. Using statistical tools like Pearson correlation coefficients, the study assesses the strength and direction of associations between variables such as tangibility, reliability, responsiveness, assurance, empathy, and overall customer satisfaction. This analysis helps identify which service quality dimensions have stronger correlations with customer satisfaction, providing insights into where banks excel and where improvements may be needed. Table 9 presents the relationship between study variables.

Table 9 *Relationship Analysis*

	CS	TAN	REL	RES	ASS	EMP
CS	1	.442**	.403**	.527**	.590**	.504**
TAN		1	.243**	.463**	.441**	.325**
REL			1	.327**	.400**	.274**

RES	1	.561**	.381**
ASS		1	.428**
EMP			1

** indicate the relationship is significant at 5% level of significance

Where,

CS represents the customer satisfaction

TAN represents tangibility

REL represents reliability

RES represents responsiveness

ASS represents assurance

EMP represents empathy

The correlation analysis reveals several significant findings regarding the relationship between customer satisfaction (CS) and each dimension of service quality: tangibility (TAN), reliability (REL), responsiveness (RES), assurance (ASS), and empathy (EMP). There is a moderately strong positive correlation between Customer satisfaction and tangibility $r = 0.442$, indicating that customers who perceive tangible aspects positively are more likely to report higher satisfaction levels. Similarly, reliability shows a significant positive correlation with Customer satisfaction $r = 0.403$, suggesting that reliable service provision enhances customer satisfaction. Responsiveness demonstrates a stronger positive correlation $r = 0.527$, indicating that prompt and timely responses to customer needs positively influence satisfaction. Assurance exhibits the strongest positive correlation with Customer satisfaction $r = 0.590$ emphasizing that customers who feel assured by the bank's competence and trustworthiness tend to be more satisfied. Finally, Empathy also shows a significant positive correlation with customer satisfaction $r = 0.504$, indicating that customers who perceive empathetic behavior from bank staff are likely to report higher levels of satisfaction. These findings highlight the critical role of service quality dimensions in shaping customer satisfaction within the banking sector, underscoring the importance for banks to prioritize these aspects in their service delivery strategies.

4.1.4 Regression Analysis

Regression analysis is employed in this study to explore the predictive relationships between service quality dimensions and customer satisfaction in the context of Nepalese banking. Specifically, multiple regression models are constructed to examine how variations in tangibility, reliability, responsiveness, assurance, and

empathy individually contribute to overall customer satisfaction. By using regression coefficients and statistical significance tests, the study identifies which service quality dimensions exert significant influence on customer satisfaction levels. Moreover, regression analysis facilitates the investigation of potential mediating effects where customer satisfaction acts as an intermediary between service quality dimensions and customer loyalty. The regression analysis of the study is presented in Table 10 to Table 12.

Table 10 *Model Summary*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.699 ^a	.489	.482	.40238

a. Predictors: (Constant), Empathy, Assurance, Responsiveness, Reliability, Tangibility

Table 10 model summary indicates the effectiveness of the regression model in explaining the variability in customer satisfaction (CS) based on the predictor's tangibility, reliability, responsiveness, assurance, and empathy. The coefficient of determination (R Square) is 0.489, indicating that approximately 48.9% of the variance in customer satisfaction can be explained by the predictors included in the model. The Adjusted R Square, which accounts for the number of predictors in the model, is 0.482, suggesting that the model adjusts well for the complexity of multiple predictors. The results suggest that tangibility, reliability, responsiveness, assurance, and empathy collectively contribute significantly to explaining variations in customer satisfaction within the banking sector.

Table 11 *Analysis of Variance (ANOVA)*

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	58.551	5	11.710	72.325	.000 ^b
	Residual	61.202	378	.162		
	Total	119.753	383			

a. Dependent Variable: Customer Satisfaction

a. Predictors: (Constant), Empathy, Assurance, Responsiveness, Reliability, Tangibility

Table 11 analysis of variance (ANOVA) table assesses the significance of the regression model in predicting Customer Satisfaction based on the predictor's tangibility, reliability, responsiveness, assurance, and empathy. The F value in the ANOVA table for the regression model predicting customer satisfaction is 72.325. This F value is highly significant ($p < 0.001$), indicating that the overall regression model, which includes tangibility, reliability, responsiveness, assurance, and empathy as predictors, significantly explains the variation in customer satisfaction.

Table 12 *Regression Coefficients*

Model	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1 (Constant)	1.089	.192		5.657	.000		
Tangible	.131	.044	.127	2.944	.003	.726	1.378
Reliability	.127	.038	.138	3.386	.001	.815	1.227
Responsiveness	.175	.047	.175	3.720	.000	.608	1.646
Assurance	.250	.044	.279	5.740	.000	.572	1.747
Empathy	.125	.022	.238	5.680	.000	.769	1.300

a. Dependent Variable: Customer Satisfaction

Table 12 the regression analysis results indicate significant relationships between the predictor variables tangibility, reliability, responsiveness, assurance, and empathy and the dependent variable, customer satisfaction. Tangibility has an unstandardized coefficient of 0.131, indicating that a one-unit increase in tangible is associated with a 0.131 increase in customer satisfaction. The standardized coefficient (beta) for Tangible is 0.127, suggesting that tangibility has a moderate positive impact on customer satisfaction. The t-value for tangible is 2.944, with a corresponding p-value of 0.003, indicating that the effect of tangible on customer satisfaction is statistically significant.

Reliability has an unstandardized coefficient of 0.127, indicating that a one-unit increase in reliability is associated with a 0.127 increase in customer satisfaction. The

standardized coefficient (beta) for Reliability is 0.138, suggesting that reliability has a moderate positive impact on Customer Satisfaction. The t-value for reliability is 3.386, with a corresponding p-value of 0.001, indicating that the effect of reliability on customer satisfaction is statistically significant.

Responsiveness has an unstandardized coefficient of 0.175, indicating that a one-unit increase in Responsiveness is associated with a 0.175 increase in customer satisfaction. The standardized coefficient (beta) for responsiveness is 0.175, suggesting that responsiveness has a moderate positive impact on customer satisfaction. The t-value for responsiveness is 3.720, with a corresponding p-value of 0.000, indicating that the effect of responsiveness on customer satisfaction is statistically significant.

Assurance has an unstandardized coefficient of 0.250, indicating that a one-unit increase in assurance is associated with a 0.250 increase in customer satisfaction. The standardized coefficient (beta) for assurance is 0.279, suggesting that assurance has a moderate positive impact on Customer Satisfaction. The t-value for assurance is 5.740, with a corresponding p-value of 0.000, indicating that the effect of assurance on customer satisfaction is statistically significant.

Empathy has an unstandardized coefficient of 0.125, indicating that a one-unit increase in empathy is associated with a 0.125 increase in customer satisfaction. The standardized coefficient (beta) for empathy is 0.238, suggesting that empathy has a moderate positive impact on customer satisfaction. The t-value for empathy is 5.680, with a corresponding p-value of 0.000, indicating that the effect of empathy on customer satisfaction is statistically significant.

The VIF is the reciprocal of the tolerance and measures the extent to which the variance of an estimated regression coefficient is increased due to multicollinearity. In this finding, the VIF values range from 1.227 to 1.747, which are relatively low. VIF values below 5 are typically considered acceptable, indicating that multicollinearity is not a major concern in this model. Based on the collinearity statistics, there is no strong evidence of multicollinearity among the independent variables in the model.

Based on the regression results, it can conclude that assurance has the highest impact on customer satisfaction among the service quality dimensions. It has a relatively

higher standardized coefficient (beta) value of 0.279 compared to the other dimensions. However, all variables have significant impact on customer satisfaction.

4.2 Discussions

The study aimed to assess the current state of service quality and customer satisfaction within Nepalese commercial banks. The descriptive analysis revealed varying perceptions among customers regarding tangibility, reliability, responsiveness, assurance, and empathy dimensions of service quality. The findings underscored that while customers generally perceive high levels of assurance and empathy, there is room for improvement in tangibility and reliability aspects. This assessment provides a foundational understanding of the strengths and weaknesses in service delivery across Nepalese banks, crucial for enhancing overall customer satisfaction.

In this study, tangibility emerged as a significant predictor of customer satisfaction in Nepalese commercial banks. The tangible aspects such as the physical facilities, equipment, and appearance of banks were found to positively influence how customers perceive service quality and satisfaction. This finding aligns with Devkota and Dahal (2022), who similarly emphasized the crucial role of tangibility in shaping customer perceptions and satisfaction within Nepalese banking contexts. Their study underscored that customers place significant value on the physical aspects of service delivery, highlighting the importance of well-maintained facilities and modern equipment in enhancing overall satisfaction. However, this contrasts with Jitendra (2022), whose research did not find a significant relationship between tangibility and customer satisfaction in Nepalese banks. This discrepancy may reflect varying methodologies or sample characteristics across studies, suggesting that while tangible factors are generally important, their specific impact on customer satisfaction could vary based on local market conditions or customer preferences.

The current study identified reliability as a critical factor influencing customer satisfaction in Nepalese commercial banks. Reliability, defined as the ability of banks to deliver services dependably and accurately, was shown to significantly enhance customer perceptions of service quality and satisfaction. This finding is consistent with Shrestha (2022), whose research highlighted a strong positive correlation between reliability and customer satisfaction in Nepalese banking services. Shrestha's

study emphasized that customers prioritize consistent service delivery and adherence to promises, which are pivotal in fostering trust and satisfaction. Similarly, Karim and Chowdhury (2021) found reliability to be a significant determinant of customer attitudes towards satisfaction in Bangladesh's private sector banks. Their findings echoed the importance of reliability in banking service quality, suggesting that reliable service provision contributes significantly to positive customer experiences and loyalty.

In this study, responsiveness emerged as another key driver of customer satisfaction among Nepalese commercial banks. Responsiveness, characterized by the willingness of bank staff to promptly assist customers and resolve issues, was found to positively influence customer perceptions of service quality. This result is consistent with Koirala and Shrestha (2022), who underscored responsiveness as a crucial factor in shaping customer satisfaction in Nepalese banks. Their study highlighted that timely and effective responses to customer inquiries or complaints enhance overall service experiences and satisfaction levels. Supriyanto (2021) also supported these findings by demonstrating the significant positive impact of responsiveness on customer satisfaction in Indonesian banking services. Their research emphasized that quick and efficient service delivery contributes significantly to customer perceptions of service quality and satisfaction, reinforcing the universal importance of responsiveness in enhancing customer experiences.

Assurance was identified as a significant predictor of customer satisfaction in this study, reflecting the importance of knowledgeable and courteous staff who can instill confidence and trust in customers. This finding is consistent with Al-Azzam (2022), whose research highlighted assurance as a critical dimension in Arab bank services. Al-Azzam emphasized that customers place high value on the expertise and credibility of bank employees, which positively influences their overall satisfaction and loyalty. In contrast, Anjalika and Priyanath (2023) found a comparatively lower positive relationship between assurance and customer satisfaction in public banks compared to private banks in Sri Lanka. This discrepancy suggests that while assurance is universally recognized as important, its impact on customer satisfaction may vary depending on organizational contexts and customer expectations within different banking environments.

The study confirmed that empathy significantly enhances customer satisfaction in Nepalese commercial banks. Empathy, characterized by personalized and caring interactions with customers, was shown to positively impact how customers perceive the quality-of-service delivery. This finding resonates with Sthapit (2023), whose research highlighted empathy as a critical dimension influencing customer satisfaction in Nepalese banks. Sthapit underscored that customers value banks that demonstrate understanding and consideration towards their individual needs and concerns, fostering stronger emotional connections and loyalty. Similarly, Selvakumar (2022) found empathy to be a significant determinant of customer satisfaction in Indian banking services. Their study emphasized that empathetic interactions with customers contribute positively to their overall satisfaction and loyalty, indicating a cross-cultural importance of empathy in enhancing service quality perceptions.

This study provides robust empirical support for the pivotal roles of tangibility, reliability, responsiveness, assurance, and empathy in shaping customer satisfaction within Nepalese commercial banks. While consistent findings across various studies validate these relationships, occasional discrepancies underscore the nuanced influences that organizational practices and customer expectations may have on service quality perceptions. Understanding and effectively managing these dimensions are crucial for banks aiming to enhance customer satisfaction and loyalty in competitive banking markets.

CHAPTER V

SUMMARY AND CONCLUSION

5.1 Summary

Service quality and consumer satisfaction are critical components in the banking business, particularly in Nepal, where the financial industry is experiencing rapid expansion and competition. In Nepal, the banking sector is experiencing both of these factors are present in Nepal's banking sector. The many aspects of service quality, such as tangibility, dependability, responsiveness, assurance, and empathy, significantly shape client perceptions. High-quality service results in increased customer satisfaction, which in turn encourages customer loyalty, good word-of-mouth, and further business transactions. The Nepalese banking industry is characterized by constantly shifting consumer expectations; thus, it is crucial for banks to uphold a high level of service quality in order to preserve their competitive edge and pursue further expansion.

The requirement of understanding how various factors of service quality affect customer satisfaction in Nepalese commercial banks is the driving force behind this research, which is why it is both necessary and the subject of this investigation. In light of the rising relevance of customer-centric methods and the intensifying competition, it is of the utmost importance to determine which aspects of service quality have the most impact on the level of pleasure experienced by customers. By

presenting empirical data on the link between service quality aspects and customer satisfaction in Nepal, the purpose of this research is to fill a gap in the current body of knowledge. The research offers insights that are essential for financial institutions to improve their service delivery and match the expectations of their customers. Focusing on practical elements like dependability, responsiveness, assurance, and empathy provides these insights.

This study adopts a descriptive and explanatory research design to investigate the impact of service quality dimensions on customer satisfaction in Nepal's banking sector. A population of 375 bank customers in Kathmandu was targeted using convenience sampling, and structured questionnaires were employed to collect primary data. The study focuses on tangibility, reliability, responsiveness, assurance, and empathy as key dimensions influencing customer satisfaction. Data were analyzed using descriptive statistics to summarize variables and correlation and multiple regression analyses to explore relationships. The conceptual framework guiding the research illustrates these relationships, emphasizing the importance of these service quality dimensions in shaping customer perceptions and satisfaction within Nepalese banks.

The major findings of this study reveal significant relationships between service quality dimensions and customer satisfaction in Nepalese commercial banks. The descriptive statistics indicate that overall customer satisfaction has a high mean score of 4.28 with a standard deviation of 0.56. Tangibility scored a mean of 3.86 (SD=0.54), reliability 3.85 (SD=0.61), responsiveness 4.08 (SD=0.56), assurance 4.10 (SD=0.62), and empathy 3.67 (SD=1.06). Correlation analysis shows strong positive relationships between customer satisfaction and all service quality dimensions, with assurance exhibiting the highest correlation ($r=0.590$, $p<0.001$). The regression analysis further highlights that assurance has the highest standardized coefficient ($\beta=0.279$), followed by empathy ($\beta=0.238$), responsiveness ($\beta=0.175$), reliability ($\beta=0.138$), and tangibility ($\beta=0.127$), all with statistically significant p-values ($p<0.01$). The model explains 48.9% of the variance in customer satisfaction ($R^2=0.489$), with an F-value of 72.325 ($p<0.001$), indicating that the service quality dimensions collectively have a substantial impact on customer satisfaction. The VIF

values ranging from 1.227 to 1.747 suggest that multicollinearity is not a concern in the model.

This research offers a wide range of advantages. The first benefit is that it provides a comprehensive understanding of the primary factors that contribute to customer satisfaction in the Nepalese banking industry. This enables banks to identify areas in which they can make improvements. The second aspect of the research is that it provides suggestions that banks may use to improve the quality of their services, which will ultimately lead to increased customer satisfaction and loyalty. Last but not least, the results provide a contribution to the existing academic literature on service quality and customer satisfaction, providing a useful reference for future studies in this area. The research contributes to banks' strategic planning and operational excellence by emphasizing the importance of service quality aspects. This, in turn, leads to a banking environment in Nepal that is more focused on customer needs.

This research is useful for commercial banks so that they can improve service quality to the customers and thus maintain customer satisfaction and loyalty. Similarly, the policy makers can make future plans in banking sector based upon the information provided by the customers while doing this research. In the same way, it can also contribute to other sectors by providing

5.2 Conclusion

This study set out to achieve three main objectives related to service quality and customer satisfaction within the Nepalese commercial banking sector. First, it aimed to assess the current landscape of service quality and customer satisfaction in Nepalese commercial banks. Second, it sought to explore the relationships between tangible elements (tangibility), service consistency (reliability), promptness of service (responsiveness), staff competence (assurance), empathetic customer interactions (empathy), and customer satisfaction. Finally, the study aimed to analyze how these dimensions collectively impact customer satisfaction in the Nepalese banking industry.

Through a comprehensive analysis of primary data collected from customers of major commercial banks in Nepal, several key findings have emerged. The assessment of service quality and customer satisfaction revealed a generally positive perception

among customers, indicating that Nepalese banks are making strides in meeting customer expectations. Tangibility, including the physical facilities and equipment of banks, was found to significantly influence how customers perceive service quality. Moreover, reliability in service delivery, characterized by consistency and dependability, emerged as a critical factor enhancing customer satisfaction.

The study also highlighted the importance of responsiveness, with timely and effective customer service responses positively impacting overall satisfaction levels. Assurance, represented by knowledgeable and courteous staff who instill confidence in customers, was another significant predictor of customer satisfaction. Furthermore, empathetic interactions with customers, where banks demonstrate understanding and cater to individual needs, were found to foster stronger emotional connections and higher levels of satisfaction.

In conclusion, this study underscores the multidimensional nature of service quality in the Nepalese banking sector. By focusing on tangibility, reliability, responsiveness, assurance, and empathy, banks can enhance their service delivery strategies to better meet customer expectations and improve overall satisfaction levels. The findings suggest that a holistic approach to improving these dimensions is crucial for sustaining competitive advantage and fostering long-term customer loyalty in Nepal's dynamic banking environment. Future research could explore additional factors or delve deeper into specific aspects of service quality to further refine strategies aimed at enhancing customer satisfaction in the banking sector.

5.3 Implications

Based on the discussion, findings and conclusion of the study, the following implications are made:

- i. Enhancing tangibility, such as improving physical facilities and equipment, can significantly enhance customer perception of service quality in Nepalese commercial banks.
- ii. Consistency in service delivery, demonstrated through reliability, should remain a focal point for banks to maintain and improve customer satisfaction levels over time.
- iii. Timely and effective responsiveness to customer inquiries and needs is crucial for ensuring positive customer experiences and satisfaction.

- iv. Investing in employee training and development to enhance assurance can positively impact customer trust and satisfaction with bank services.
- v. Developing strategies to foster empathetic customer interactions can deepen customer loyalty and satisfaction by addressing individual customer needs and concerns.
- vi. Continuous monitoring and improvement of service quality dimensions should be prioritized to adapt to evolving customer expectations and competitive pressures.
- vii. Exploring the integration of digital technologies to complement traditional service offerings could enhance overall service quality and customer satisfaction.
- viii. Further studies could investigate the impact of demographic factors, such as age and income, on perceptions of service quality and satisfaction in the Nepalese banking sector, providing deeper insights into customer preferences and behaviors.

REFERENCES

- Adhikari, N. R. (2020). Dimensions of job satisfaction among employees of banking industry in Nepal. *Journal of Balkumari College*, 9(1), 59-64.
- Adhikari, P. R. (2019). Determinants of job satisfaction and its impact on employee performance in Nepalese commercial banks. *The Journal of Economic Concerns*, 10(1), 74-81.
- Akhtar, M. N., Hunjra, A. I., & Akbar, S. W. (2018). Relationship between customer satisfaction and service quality of Islamic banks. *World Applied Sciences Journal*, 13(3), 453-459.
- Al-Azzam, A. F. (2022). The impact of service quality dimensions on customer satisfaction: A field study of Arab Bank in Irbid City, Jordan. *European Journal of Business and Management*, 7(15), 2222-2839.
- Al-Azzam, A. F. M. (2015). The impact of service quality dimensions on customer satisfaction: A field study of Arab Bank in Irbid City, Jordan. *European Journal of Business and Management*, 7(15), 45-53.
- Amin, M., & Isa, Z. (2023). Service quality in Islamic banks: The role of assurance and responsiveness on customer satisfaction. *Journal of Islamic Marketing*, 14(1), 75-89.
- Anjalika, W. P., & Priyanath, H. (2023). Effect of service quality on customer satisfaction: An empirical study of customers who have bank accounts in both public and private banks in Sri Lanka. *International Journal of Marketing and Technology*, 8(1), 33-42.
- Arasli, H., Mehtap-Smadi, S., & Katircioglu, S. T. (2005). Customer service quality in the Greek Cypriot banking industry. *Managing Service Quality*, 15(1), 41-56.
- Awan, M. H., Bukhari, S. K., & Iqbal, A. (2018). Service quality and customer satisfaction in the banking sector: A comparative study of conventional and Islamic banks in Pakistan. *Journal of Islamic Marketing*, 2(3), 203-224.
- Badara, M. A. S., Mat, N. K. N., Mujtaba, A. M., Al-Refai, A. N., Badara, A. M., & Abubakar, F. M. (2013). Direct effect of service quality dimensions on

- customer satisfaction and customer loyalty in Nigerian Islamic bank. *Management*, 3(1), 6-11.
- Bahia, K., & Nantel, J. (2000). A reliable and valid measurement scale for the perceived service quality of banks. *International Journal of Bank Marketing*, 18(2), 84-91.
- Baker, D. M. A. (2020). Service quality and customer satisfaction in the airline industry: A comparison between legacy airlines and low-cost airlines. *American Journal of Tourism Research*, 2(1), 15-22.
- Bateson, J. E., & Hoffman, K. D. (2011). *Services marketing*. Cengage Learning.
- Bharwana, T. K., Bashir, M., & Mohsin, M. (2020). Impact of service quality on customers' satisfaction: A study from service sector especially private colleges of Faisalabad, Punjab, Pakistan. *International Journal of Scientific and Research Publications*, 3(5), 1-12.
- Bitner, M. J. (1990). Evaluating service encounters: The effects of physical surroundings and employee responses. *Journal of Marketing*, 54(2), 69-82.
- Bitner, M. J., Booms, B. H., & Tetreault, M. S. (1990). The service encounter: Diagnosing favorable and unfavorable incidents. *Journal of Marketing*, 54(1), 71-84.
- Boonlertvanich, K. (2011). Effect of customer perceived value on satisfaction and customer loyalty in banking service: The moderating effect of mainbank status. *International Journal of Business Research*, 11(6), 40-54.
- Choudhury, M. M., & Das, S. K. (2022). The role of digital banking service quality in customer satisfaction: Evidence from Bangladesh. *Journal of Financial Services Marketing*, 27(3), 34-48.
- Devkota, N., & Dahal, J. R. (2022). An empirical study of service quality dimensions on customer satisfaction and customer loyalty in Nepalese commercial banking sector. *Agder: University of Agder*.
- Folkes, V. S. (1984). Consumer reactions to product failure: An attributional approach. *Journal of Consumer Research*, 10(4), 398-409.
- Heider, F. (1958). *The psychology of interpersonal relations*. John Wiley & Sons.

- Ighomereho, O. S., Ojo, A. A., Omoyele, O. S., & Olabode, O. S. (2022). From service quality to e-service quality: Measurement, dimensions and model. *Journal of Management Information and Decision Sciences*, 25(1), 1-15.
- Islam, M. S., & Kumar, A. (2021). Measuring service quality of banking sector in Bangladesh: A SERVQUAL model approach. *Journal of Asian Finance, Economics, and Business*, 8(2), 213-223.
- Jamal, A., & Naser, K. (2002). Customer satisfaction and retail banking: An assessment of some of the key antecedents of customer satisfaction in retail banking. *International Journal of Bank Marketing*, 20(4), 146-160.
- Johnson, E. C., & Karlay, J. S. (2018). Impact of service quality on customer satisfaction. *Master Degree Thesis in Business Administration, University of Gavle, Liberia*.
- Johnston, R. (1995). The zone of tolerance: Exploring the relationship between service transactions and satisfaction with the overall service. *International Journal of Service Industry Management*, 6(2), 46-61.
- Joshi, C. (2023). Perceived service quality and customer satisfaction in Nepalese banking industry. *Contemporary Research*, 5(1), 1-23.
- Kamal, R., Chandrakala, M., Iryna, H., Oleksandra, K., Katerina, P., & Reznik, N. P. (2024). *Total quality management's impact on telecom customers satisfaction, analyzed taking TQM-SERVQUAL approach*. In R. Khamis & A. Buallay (Eds.), *AI in Business: Opportunities and Limitations. Studies in Systems, Decision and Control* (Vol. 515). Springer.
- Karim, R. A., & Chowdhury, T. (2021). Customer satisfaction on service quality in Private Commercial Banking Sector in Bangladesh. *British Journal of Marketing Studies*, 2(2), 1-11.
- Kelley, S. W., & Davis, M. A. (1994). Antecedents to customer expectations for service recovery. *Journal of the Academy of Marketing Science*, 22(1), 52-61.
- Koirala, K. D., & Shrestha, S. K. (2022). Measuring service quality and customer satisfaction: Empirical evidence from Nepalese commercial banking sector undertakings. *Management Dynamics*, 16(1), 10-20.
- Kotler, P., & Keller, K. L. (2011). *Marketing management* (14th ed.). Prentice Hall.

- Kumar, M., Kee, F. T., & Charles, V. (2010). Comparative evaluation of critical factors in delivering service quality of banks: An application of dominance analysis in modified SERVQUAL model. *International Journal of Quality & Reliability Management*, 27(3), 351-377.
- Kyei, C. K., & Bayoh, R. (2021). Digital banking service quality and customer satisfaction: The role of the zone of tolerance. *Journal of Financial Services Marketing*, 26(3), 153-169.
- Lee, G. G., & Lin, H. F. (2005). Customer perceptions of e-service quality in online shopping. *International Journal of Retail & Distribution Management*, 33(2), 161-176.
- Liu, Y., & Jang, S. (2009). The effects of dining atmospherics: An extended Mehrabian-Russell model. *International Journal of Hospitality Management*, 28(4), 494-503.
- Mahamad, O., & Ramayah, T. (2010). Service quality, customer satisfaction and loyalty: A test of mediation. *International Business Research*, 3(4), 72-80.
- Mattila, A. S., & Patterson, P. G. (2004). Service recovery and fairness perceptions in collectivist and individualist contexts. *Journal of Service Research*, 6(4), 336-346.
- Mittal, V., & Kamakura, W. A. (2001). Satisfaction, repurchase intent, and repurchase behavior: Investigating the moderating effect of customer characteristics. *Journal of Marketing Research*, 38(1), 131-142.
- Minh, N. H., Ha, N. T., Anh, P. C., & Matsui, Y. (2022). Service quality and customer satisfaction: A case study of hotel industry in Vietnam. *Asian Social Science*, 11(10), 15-23.
- Muyeed, M. A. (2019). Customer perception on service quality in retail banking in developing countries – A case study. *International Journal of Marketing Studies*, 4(1), 22-32.
- Munhurrun, P. R., Bhiwajee, S., & Naidoo, P. (2017). Service quality in the public service. *International Journal of Management and Marketing Research*, 1(1), 37-51.

- Newman, K. (2001). Interrogating SERVQUAL: A critical assessment of service quality measurement in a high street retail bank. *International Journal of Bank Marketing*, 19(3), 126-139.
- Noor, I., Alhidayatullah, A., & Amal, M. K. (2023). Dimensions of service quality in influencing customer satisfaction. *Adpebi International Journal of Multidisciplinary Sciences*, 2(2), 189–197.
- Parasuraman, A., Zeithaml, V. A., & Berry, L. L. (1988). SERVQUAL: A multiple-item scale for measuring consumer perceptions of service quality. *Journal of Retailing*, 64(1), 12-40.
- Parasuraman, A., Zeithaml, V. A., & Berry, L. L. (1991). Refinement and reassessment of the SERVQUAL scale. *Journal of Retailing*, 67(4), 420-450.
- Raza, M. A., Jawaid, S. T., & Hassan, A. (2015). Impact of service quality on customer satisfaction in Pakistan: Evidence from conventional banks, Islamic banks, and Islamic windows. *International Journal of Economics and Financial Issues*, 2(1), 14-19.
- Rehman, A., & Sufyan, M. (2021). The relationship between service quality, customer satisfaction and customer loyalty: An empirical study of the Pakistani banking sector. *Journal of Business & Financial Affairs*, 3(2), 1-7.
- Rita, P., Oliveira, T., & Farisa, A. (2019). The impact of e-service quality and customer satisfaction on customer behavior in online shopping. *Heliyon*, 5(10), e02690.
- Rust, R. T., & Oliver, R. L. (1994). Service quality: Insights and managerial implications from the frontier. In R. T. Rust & R. L. Oliver (Eds.), *Service quality: New directions in theory and practice* (pp. 1-19). SAGE Publications.
- Sarwar, M. Z., Abbasi, K., & Pervaiz, S. (2012). The effect of customer trust on customer loyalty and customer retention: A moderating role of cause-related marketing. *Global Journal of Management and Business Research*, 12(6), 27-34.
- Siddiqi, K. O. (2011). Interrelations between service quality attributes, customer satisfaction and customer loyalty in the retail banking sector in Bangladesh. *International Journal of Business and Management*, 6(3), 12-36.

- Sureshchandar, G. S., Rajendran, C., & Anantharaman, R. N. (2002). Determinants of customer-perceived service quality: A confirmatory factor analysis approach. *Journal of Services Marketing, 16*(1), 9-34.
- Zeithaml, V. A., Berry, L. L., & Parasuraman, A. (1993). The nature and determinants of customer expectations of service. *Journal of the Academy of Marketing Science, 21*(1), 1-12.
- Zeithaml, V. A., Berry, L. L., & Parasuraman, A. (1996). The behavioral consequences of service quality. *Journal of Marketing, 60*(2), 31-46.
- Zeithaml, V. A., Berry, L. L., & Parasuraman, A. (2002). Service quality delivery through websites: A critical review of extant knowledge. *Journal of the Academy of Marketing Science, 30*(4), 362-375.

APPENDICES

Appendix I

Questionnaires for Sample Respondents

Dear Sir/Madam

I am a student from Shanker Dev Campus, Tribhuvan University, conducting a survey to gather information on the Service Quality Dimension and Customer Satisfaction among users of the Nepalese Banking Sector in Kathmandu Metropolitan City. Your participation and provision of true and accurate information on this questionnaire are highly appreciated as it will greatly contribute to the completion of my research project. Please be assured that all the information you provide will be kept strictly confidential and will be used solely for research purposes. Thank you for your valuable cooperation.

Regards

Gyanendra Kunwar
Shanker Dev Campus

General Background

Gender

- Male
- Female

Age

- 20-25
- 25-30
- 30-35
- 35-40
- 40 and above

Education Level

- Less than SLC
- SLC

- Plus Two
- Bachelor's degree
- Master's degree and above

Employment Status

- Student
- Employed full-time
- Self-employed
- Unemployed
- Retired

**STATEMENT OF SERVICE QUALITY DIMENSION AND
CUSTOMER SATISFACTION AMONG CUSTOMERS OF THE
NEPALESE BANKING SECTOR**

Below are some of the possible factors on Service Quality Dimension and Customer Satisfaction among users of the Nepalese Banking Sector. To what extent do you get agree with the below factors.

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

Statements		SD	D	N	A	SA
(A) Tangibility						
A1	The bank's physical facilities are visually appealing.					
A2	The bank's equipment (e.g., ATMs, computers) is modern and well-maintained.					
A3	The bank's physical environment is clean and comfortable.					
A4	The bank's printed materials (e.g., statements, brochures) are clear and visually appealing.					
A5	The bank's staff are well-dressed and appear professional.					

(B) Reliability					
B1	The bank provides services as promised.				
B2	The bank performs services right the first time.				
B3	The bank provides services at the promised time.				
B4	The bank maintains accurate records of transactions.				
B5	The bank's services are dependable and consistent.				
(C) Responsiveness					
C1	The bank's staff are willing to help customers.				
C2	The bank responds promptly to customer inquiries.				
C3	The bank provides timely information to customers.				
C4	The bank's staff are always available to assist customers.				
C5	The bank handles customer complaints effectively.				
(D) Assurance					
D1	The bank's staff instill confidence in customers.				
D2	The bank's staff are consistently courteous.				
D3	The bank's staff have the knowledge to answer customer questions.				
D4	The bank's staff are trustworthy.				
D5	The bank provides a secure				

	environment for transactions.					
(E) Empathy						
E1	The bank provides personalized attention to customers.					
E2	The bank's staff understand the specific needs of their customers.					
E3	The bank's operating hours are convenient for customers.					
E4	The bank's staff are compassionate and caring.					
E5	The bank takes customer feedback seriously and acts on it.					
(F) Customer Satisfaction						
F1	Overall, I am satisfied with the services provided by the bank.					
F2	The bank's services meet my expectations.					
F3	I am happy with my decision to bank with this institution.					
F4	I would recommend this bank to others.					
F5	I intend to continue using the services of this bank.					

Thank You!!

SERVICE QUALITY DIMENSIONS AND CUSTOMER SATISFA...

By: Gyanendra Kunwar

As of: Jul 11, 2024 8:56:16 AM
22,082 words - 84 matches - 4 sources

Similarity Index

5%

Mode: Summary Report ▼

sources:

507 words / 2% - from 05-Jul-2023 12:00AM
elibrary.tucl.edu.np

217 words / 1% - from 08-Jul-2024 12:00AM
elibrary.tucl.edu.np

206 words / 1% - from 30-May-2024 12:00AM
ir.knust.edu.gh

124 words / 1% - Internet from 16-Dec-2022 12:00AM
library.uniglobe.edu.np

paper text:

ABSTRACT This research looks at

how customer satisfaction in Nepalese **banking is affected by** aspects of **service quality. The**

study examines data from 375 bank clients in Kathmandu that was gathered using structured questionnaires using a five-point Likert scale, using a descriptive and explanatory research approach. The study focuses on the link between total customer satisfaction and five critical elements of service quality: tangibility, dependability, assurance, responsiveness, and empathy. While empathy has greater variability, descriptive statistics show good performance in assurance and responsiveness, indicating significant satisfaction in these areas. The results of correlation study show that customer happiness and each aspect of service quality are significantly positively correlated, with assurance showing the highest correlation. The greatest influences on customer satisfaction are assurance and responsiveness, as further shown by regression analysis. A large percentage of the variation in customer satisfaction may be explained by the model. These results point to areas where the banking industry needs to improve while highlighting the vital role that service quality plays in raising consumer happiness. The study's conclusions imply that in order to sustain and raise customer satisfaction levels, banks should give priority to improving assurance and responsiveness. Keywords: Nepalese banking industry, customer happiness, service quality, tangibility,

reliability, assurance , and **empathy CHAPTER I INTRODUCTION 1.1 Background of Study**

A customer's utility increases with their length of stay with the business. Because of the fierce competition, complicated customer behavior, and erratic market needs of today, businesses need to give their service quality top priority. Long-term clients are essential to an organization's success since they not only give money but also offer priceless, real feedback. According to Zeithaml et al. (2002), banks gain a lot from optimizing customer retention because contented consumers recommend the business, attend to individual requirements, and help it build a favorable reputation. Reaching high levels of customer satisfaction in the worldwide