

# **CUSTOMER RELATIONSHIP MANAGEMENT IN RETAIL BANKING MARKET OF NEPAL**

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

By

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November, 2024

## **CERTIFICATION OF AUTHORSHIP**

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled "**Customer Relationship Management in Retail Banking Market of Nepal**". The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes. The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of this dissertation.

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## REPORT OF RESEARCH COMMITTEE

Ms. Dikshya Bhandari has defended research proposal entitled “**Customer Relationship Management in Retail Banking Market of Nepal**” successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Pratibha Pandit Submit the dissertation for evaluation and viva-voce examination.

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## APPROVAL SHEET

We, the undersigned, have examined the dissertation entitled “**Customer Relationship Management in Retail Banking Market of Nepal**” presented by Dikshya Bhandari a candidate for the degree of Master of Business Studies (MBS Semester) and conducted the viva voce examination of the candidate. We hereby certify that the dissertation is worthy of acceptance.

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## **ACKNOWLEDGEMENT**

This study entitled “Customer Relationship Management in Retail Banking Market of Nepal” has been conducted to fulfill the partial requirements for the degree of Masters of Business Studies of Tribhuvan University. Every big or small project is successful due to the support of number of wonderful people who have given their valuable advice and suggestions regarding the matter. I sincerely appreciate the inspiration; support and guidance for all those people who have been instrumental in making this study a success. First and foremost, I would like to extend my gratitude to my supervisor, Pratibha Pandit. her valuable supervision and guidance have been the major boost in completing this study.

I would also like to thank Shanker Dev Campus for the resources essential for research work. This research would not have been accomplished without the respondents’ cooperation and support. Hence, I would like to thank all respondents who participated in this Research study. Further, I would like to expresses my deepest appreciation to my family and friends for their unwavering support.

Thank you,

Dikshya Bhandari

November, 2024

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## **ABBREVIATIONS**

ADB	:	Agriculture Development Bank
CL	:	Customer Loyalty
CRM	:	Customer Relationship Management
CS	:	Customer Satisfaction
CSA	:	Customer Satisfaction
FLE	:	Front Line Worker
KYC	:	Know Your Customer
MS Excel	:	Microsoft Excel
NBL	:	Nepal Bank Limited
RBB	:	Rastriya Banijya Bank
SERVQUAL	:	Service Quality
SPSS	:	Statistical Package for Social Science
SQ	:	Service quality

## **ABSTRACT**

The main objective of the study is to identify effective strategies to enhance Customer Relationship Management in retail banking market of Nepal. There can be many factors that affect the CRM strategies in banking sector. This research study has explained theoretical review and different literature review related to CRM, Customer Satisfaction, Customer Loyalty and so on. The study aimed to provide a descriptive analysis of all the variables used, under the present context. Primary data for the study was collected from customer associated with different bank and financial institution in Nepal through structured questionnaire. The questionnaire was distributed to 212 respondents. Pearson correlation analysis was conducted to identify the relationship between independent variable (Customer Satisfaction, Customer Loyalty, Service Quality and Customer Safety) and dependent variable (Customer Relationship Management Effective Strategies). SPSS 23 was used to find the result of the data analysis and interpretation.

A significant finding from the study is that the independent variable (Customer Satisfaction, Customer Loyalty, Service Quality and Customer Safety) has direct and positive impact on CRM. The conclusions are provided after interpreting and analyzing the collected data through primary sources. This study has some limitations and to overcome this, further research can be done by including more specific factors.

***Key words:*** *Customer Satisfaction, Customer Loyalty, Service Quality and Customer Safety*

# CHAPTER - I

## INTRODUCTION

### 1.1 Background of the Study

Retail banking segment of Nepal plays a role of a connector between people and financial instruments while creating an environment based on rapport as opposed to business. These relationships are the foundation of success, and hence the importance of CRM in managing competition and ensuring sustainable growth. Like any other banking sector in the developing world, the Nepalese banking sector however small in world context, has a blend of traditional and modern system. Customer relationship management (CRM) is described as the blend of processes, tools and methodologies that companies use to manage and assess customer contacts and information across the customer life cycle. The goal is to enhance the relationship between the organization and its customers so as to foster customer loyalty and sales. CRM systems collect data about the customers from many different interactions between the customer and the business, including the business's website, phone number, live chat, email, promotional materials, and social media accounts (Chou et al., 2020).

According to Buttle and Maklan (2019) Customer relationship management is the identification of customer needs, expectations and behaviors and the management of these elements to achieve business efficiency. Customer relationship management is also defined as a system that can be used to manage a company's relationship with its current and potential customers as a way of achieving success. Customer relationship management is about gaining and building the relationship with customers in organization because customers are the lifeline of any kind of business activities and taking proper care of them leads to better results. Customer relationship management is a concept that deals with the handling of communication between an organization and its customers, clients and sales leads. As Nepal progresses economically, driven by urbanization, technological advancements, and evolving consumer expectations, its retail banking market faces a pivotal moment. Adapting, innovating, and nurturing enduring customer connections are becoming increasingly essential.

Bose and Sugumaran (2003) defines CRM is an information management and technology analysis system. It is important to keep in mind that a successful CRM involves more than just a software program; rather, it involves using customer data to build a lasting relationship with the client. For the various kinds of customer connections prevalent in business to business or business to customer markets, different relationship approaches and possibly even separate CRM technologies might be required to achieve that goal. This thesis aims to untangle the complex web of customer relationship marketing within Nepal's retail banking, dissecting the factors on customer satisfaction, customer loyalty and service quality.

According to Kohli and Jaworski (1990) customer satisfaction is therefore defined as the attitude that a customer has towards products, services, and brands. Satisfaction of customer needs can be regarded as the key to success in the contemporary world of business which is both very competitive and very challenging. Therefore, it can be seen that customer satisfaction is a crucial factor in strategy formulation in a market oriented and customer centric organization. Hence, customer satisfaction remains a corporate objective given the fact that more and more organizations are aiming at quality in their goods and services. (Bitner & Hubbert, 1994).

Customer loyalty is a relative frequency of repeat purchases from a company or brand by a particular customer. It is the overall effect of customer satisfaction, customer experiences and the value of the products or services that a customer gains from a business organization. Customer loyalty has been a subject of significant concern in the literature as well as in practice for quite some time, and a loyal customer base has been postulated to be favorable for the firm. (Aksoy, 2013). The study aims to identify factors that affect customers becoming loyal.

According to Burnham et al., (2011) in numerous markets, consumers often face expenses when they transition from one provider to another, known as switching costs. These costs encompass various aspects such as exit fees, search efforts, learning curves, mental exertion, emotional toll, equipment expenses, installation fees, as well as financial, psychological, and social risks. When these expenses associated with changing suppliers are substantial, customers are more likely to stay loyal and continue making repeat purchases.

Service quality is a concept that encompasses certain factors such as reliability, tangible, responsiveness, assurance and empathy. This is because banking services are invisible and customers are therefore unable to comprehend services. Customers are therefore able to make conclusions about the service quality based on the physical cues (the buildings, the layout etc.) that define the service environment. When customers feel that the service quality is positive that has been offered by the service provider, customers are likely to be satisfied with the service provider and vice versa. Therefore, service quality has an impact on the customer satisfaction which then impacts the customer loyalty. (Rushton & Carson, 1985).

## **1.2 Problem Statement**

Over the past two decades, the global banking sector has undergone a profound transformation. Initially, banks were deeply invested in providing tailor-made services, catering to individual client needs. However, in recent times, this landscape has drastically altered, plunging banks into the area of cutthroat competition and challenges in securing significant projects. This paradigm shift is notably evident in Nepal, where the uncertain political climate and an overall unstable environment have severely constrained business opportunities for financial institutions (Seccareccia, 2014).

In response to these adversities, banks have undertaken a strategic reorientation, aiming to carve out distinct market segments. This strategic pivot has led to a deliberate shift in their lending focus, pivoting towards smaller-scale lending, commonly referred to as retail banking. Yet, despite this deliberate shift, banks grapple with the daunting task of winning over customers within this retail banking arena. In order to not just survive but thrive within this fiercely competitive landscape, banks are confronted with the pressing need to not only retain their existing customer base but also allure new clientele into their fold.

Gulati (2010) found that central to this monumental task is the cultivation and nurturing of robust and enduring customer relationships. It's undoubtedly recognized that customer satisfaction and loyalty are the bedrock of sustained profitability for banks while concurrently serving as potent tools in reducing operational costs. Hence, the imperative of effective customer relationship management within the sphere of

retail banking emerges as an unequivocally critical and indispensable topic for banks to navigate and master.

According to Morville and Rosenfeld (2006) The World Wide Web has developed into a platform with a number of general qualities that help establish relationships. An organization's ability to obtain high-quality and comprehensive consumer data is directly correlated with its ability to decision analysis will enable organizations to forecast consumer behavior. Better projections of consumer demands can arise from more focused and tailored engagement methods. Customers and the bank can both benefit from an enhanced relationship thanks to online CRM. Consumers can receive more communications and goods that are more tailored to their needs and lifestyles, while banks can gain from having a clientele of valuable, recurring customers.

Among this backdrop of immense shifts and challenges, several pivotal questions concerning customer loyalty in Nepal's retail banking market come to the fore:

- i. What is the state of customer attitude and behavior towards retail banking market in Nepal?
- ii. What is the level of customer satisfaction and loyalty in banks?
- iii. What are the factors that can lead to establish effective customer relationship?

These critical inquiries from the root of the contemporary challenges facing banks, demanding a comprehensive exploration and understanding of customer behaviors and the intricate dynamics governing relationships within the context of Nepal's retail banking industry.

According to Khadka and Maharjan (2017) Some businesses are determining if their goods and services meet or surpass customers' expectations, many businesses are concentrating on increasing customer satisfaction levels by setting themselves apart from their primary competitors. However, since service quality is crucial to obtaining client satisfaction, they can only surpass expectations if it is present in their products. Companies are able to enhance consumer loyalty and profitability by exceeding expectations, and this leads to them acquiring market shares within their respective industries(Choudhary,etal.,2023).

Kalogiannidis (2021) Finds that banks are the main source of money and the main means of capital mobilization in a nation's economy. When conducting business, banks don't put profit first; instead, to stay in business in a cutthroat market, they must provide their services in a manner that surpasses that of their rivals. Put another way; in order to support the nation's economic interests, banks must provide their services by attending to the needs of their customers. Therefore, banks need to be concerned about the kind of pull that can affect their consumers in order to draw in and retain them. Customers who choose banks for their financial purposes therefore always look for the service that provides them with the highest degree of satisfaction.

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

The main objective of the study is to know the overall impact of customer relationship management in retail banking market of Nepal. Correspondingly, the specific objective of the study will be as follows.

- i. To identify the attitude and behavior of customer towards the retail banking in Nepal.
- ii. To assess the effectiveness of customer satisfaction and loyalty in terms of improving CRM.
- iii. To examine the factors responsible for effective customer relationship management in retail banking market of Nepal.

### **1.4 Research Hypothesis**

A study hypothesis, also known as a scientific hypothesis, is a precise, testable assertion that describes an expected relationship between variables or provides an explanation for an event.

H1: There is significant relationship between Customer Satisfaction and Customer Relationship Management in Retail Banking Market of Nepal

H2: There is significant relationship between Customer Loyalty and Customer Relationship Management in Retail Banking Market of Nepal.

H3: There is significant relationship between Service Quality and Customer Relationship Management in Retail Banking Market of Nepal.

H4: There is significant relationship between Customer Safety and Customer Relationship Management in Retail Banking Market of Nepal.

## **1.5 Rationale of the Study**

Unfortunately, the present research leaves much fewer researches in customer relationship management of retail banking market of Nepal. Customer satisfaction and loyal is among the most significant business factors that influence the overall customer relationship management. Consequently, the study of customer relationship management in retail banking market of Nepal has huge importance to various group of people/organization (Subedi, 2019). Understanding CRM in this context helps in adapting strategies for sustained growth. Effective CRM strategies can be a competitive differentiator in a crowded banking market. Analyzing CRM practices within Nepalese banks can reveal successful strategies or areas for improvement, offering a roadmap for banks to gain an edge with improved financial performance. According to Ghimire S. R. (2024) researching CRM in Nepalese retail banking can uncover connections between customer satisfaction, loyalty, and the bank's financial success. CRM practices in Nepal's retail banking sector can shed light on how banks navigate regulatory requirements and ethical considerations while managing customer relationships. Exploring CRM in Nepalese retail banking provides insights into how banks leverage innovation and technology to enhance customer relationships. Nepal's retail banking sector might be experiencing changes in technological advancements, customer preferences, product knowledge and adaptation. Studying the adoption of new tools and technologies for CRM can offer guidance on effectively integrating tech advancements to optimize customer interactions and services.

## **1.6 Limitations of the Study**

The specific limitations of the study are detailed below:

- i. The first major drawback is the question of coverage. There is probably no huge number of cross-sectional samples gathered from broad populations, and different accounts involuntarily could have been disregarded because of inadequate representative sampling.
- ii. The research efforts of the study are limited to customer satisfaction coupled with customer loyalty as key drivers of customer relationship management in the retail banking industry while other ingredients that may significantly influence the relationship are not considered.

- iii. This paper relies on the information given by the people who avail different types of services from various banks of Nepal. Thus, reliability of these data significantly affects the accuracy of result and conclusion.
- iv. Events in the economy or an important worldwide event taking place when data was being collected may have influenced customer behavior and perceptions, and therefore influenced the study findings.
- v. Another limitation of the study is that the appointed time for data collection may not allow the exploration of longer trends or the shifted customer behaviors. This may conceal new tendencies or changes in the consumers' behavior that needs a longer observation time to determine properly.
- vi. It could also be argued that the results could only be deemed representative of a given population group with the many sources of bias or restrictive nature of the sample frame. Sometimes the demographic, geographical or socio-economic characteristics of the sampled population are not necessarily an accurate depiction of the complete population of customers within the retail banking businesses in Nepal.
- vii. When the focus is made with just specific tools or methodologies the study raises some issues of credibility of these tools. This includes biases identified in the survey design, vagueness of the scenario questions as well as inability to capture detailed participants' responses and there by undermining the reliability of data gathered.
- viii. This might create uncertainties within the study since other factors that may raise variability can appear; this may comprise participant bias, accident of interpretation towards the scenario-based questions or possibility of inconsistency in the responses.
- ix. Only 212 responses are taken for this study.

## **CHAPTER II**

### **LITERATURE REVIEW**

Customer relationship management as a business concept revolves around identification, management and continual maintenance of profitable relationships with customers in an organization. It is on such statements that many researchers and scholars agree. This chapter includes a conceptual analysis, theoretical analysis, empirical analysis and research opportunity. Conceptual framework is one of the analytical tools interpreted to have multiple versions and utilization. Theoretical review is a preliminary review of the theories which gives a direction to the arguments of the author. Empirical review involves the use of facts and measurements, and acquires information from practice rather than hypotheses. While a gap in a particular area of study that poses a question that has not been answered is referred to as a research gap.

#### **2.1 Conceptual Review**

CRM is an idea that lets a company customize particular goods or services for every single client. In the most sophisticated case, CRM may be utilized to develop a customized, one-to-one encounter that will provide each unique consumer with a feeling of being taken care of, creating new chances for marketing based on the preferences and the client's past (Stringfellow, 2004). CRM is a customer-centric business approach that strives to provide a more satisfactory and enduring experience for customers in order to prompt and tailor service for every client.

According to Lambert (2010) to maximize profitability and income, CRM technological initiatives are most frequently used in functional areas like sales and marketing, customer assistance and service, and customer support. However, since the field is still in its infancy and still developing, there isn't a single, comprehensive definition for CRM. It is crucial to understand that there have been many attempts to define CRM and that many companies have modified the term to suit their particular needs and line of business. Three quotations that illustrate the definition of CRM are provided below.

a) CRM is the management of customer knowledge to enhance understanding and customer service. The consumer is positioned at the core of an organization by this

overarching notion. CRM includes customer service as well as the coordination of customer relations across all corporate functions, audiences, and points of connection ( Tseng, 2014). b) CRM is the framework that makes it possible to define how much a customer's value has increased and to identify the best ways to encourage valuable clients to repurchase (Swift, 2001). c) CRM is an attitude, mantra, and system of corporate procedures and guidelines aimed at attracting, keeping, and servicing clients. While technology can facilitate CRM, CRM itself is not a product of technology (Jha, 2023).

Almohaimmeed (2021) found that Operating, analytical, and collaborative are the three categories into which CRM can be separated. Front-office CRM, or operational CRM, is used in areas where direct customer interaction takes place, like call centers and email promotions. It enables and accelerates them in such fields. Most of the actual or perceived CRM products in the current marketplace are operational in nature. Operational CRM is designed to link the back end transactions with front end customer interphase seamlessly.

Analytical CRM otherwise known as back-office or strategic CRM enables an organization to utilize data mining to study customer interactions. Such type of CRM involves analysis of customer activities, which occurred in the front office. Technologies are needed for analytical CRM in order to gather and handle the massive amounts of customer data, which will enable analysis and new business procedures to improve customer-facing operations and boost profitability and loyalty ( Saha et al., 2021).

According to Rogers (2014) CRM that collaborates is practically overlay. The neurological pathways connecting the provider and client are supplied by the coordination network and communication center. It could refer to an application for partner relationship management, a customer contact center, or a portal. It goes on to say that it might also refer to channel strategies. It also means communication channels like the Web, email, voice apps, or mail. Put otherwise, it refers to any CRM feature that serves as a channel for communication between the client and the channel. By utilizing the three different forms of CRM, the objective of CRM is to identify and handle every customer as an individual.

The area of interest that has attracted much attention in recent past is the customer relationship management, or CRM. It is helping in providing tailored responses to the requirement of the clients in order to increase the speed of acquiring more customers and improving the customer retention ratio that is further resulting in increased sales and profits. It is also enhancing the reciprocal collaboration of marketers, salespeople, and organizations that provide services (Khan & Jainani, 2021).

Business people will have to change their organizational structure, their behavioural pattern and their measurement and remuneration policies and strategies as companies endeavor to reposition themselves to suit the variables within their clients. With regards to the CRM strategy, it was established that chief executives' support and intervention as well as senior management support as a key success factor. It is like tossing coins into the sea when funding CRM technology with no customer focused cultural attitude that permeates throughout the organization starting with the chief executive (Vidili, 2021).

CRM is a concept that enables a firm to brand specific goods or services in each customer. Used in the most optimal manner, CRM can be used to create a one-of-a-kind one-to-one relationship which will make each client feel nurtured and trapped in new marketing opportunities on the basis of the customers' propensity. CRM is a customer-centered business strategy that aims at making each customer more valuable to the company by delivering better standard or improvement and appreciation of customer fulfilment (Specchia, 2022).

In the business-to-business market, where close relationships between suppliers and vendors are crucial due to factors like performance, trust, and after-sale services, the small but quickly expanding business-to-consumer market may need different kinds of relationships, information, and contact strategies. The interactions between businesses and their customers are usually more transaction-driven, with shorter sales cycles (Tilburg, 2009). Customers can be looking for a balance between product capabilities, affordability, and convenience. Consumer demographics, buying history, present and previous behavior, preferences, and psychographics are frequently included in the data collected (Sandy & Gosling, 2013). The contact method consists of two-way online connection that provides instantaneous assistance and predictive

analysis of previous purchasing trends to identify new requirements and wants that can be addressed with new offers.

## **2.2 Theoretical Review**

During this research some of the theories that are associated with dependent and independent variable of the study were discussed. The two theories of market efficiency are Expectation Theory and Assimilation Theory. Therefore, it is helpful to determine the currently existing theories, the relationships between them, the amount of research carried out with the help of existing theories, and the development of new hypotheses for the process of testing.

According to Onasanya and Onwuegbuzie (2017) when a consumer determines the performance of a product or service, it is easier to measure the level of satisfaction or dissatisfaction based on the set performance benchmarks. Oliver says that the predicted expectation are the criteria specified prior to customer usage. The comparison can have one of the three outcomes. When performance is viewed as being above a predetermined level, then it is considered as positive confirmation. And in this case, the client is happy. When clients expect a performance to be, they have zero level of confirmation and they are likely to be satisfied. Negative disconfirmation in conclusion occurs when the performance fails to meet the expectations. Negative confirmation, of course, leads to dissatisfied customers.

Isac (2014) decided that the consumers do make some form of perceptual comparison between perceived expectations about the product and perceived product performance. The consumer post-usage evaluation views were integrated into the satisfaction literature as the assimilation theory. Modest (2001) concluded that consumers align the beliefs they have about a particular product in a bid to minimize dissonance by ensuring the counterpart is aligned to expectations. Consumers can also decrease the tension resulting from an expectancy-perceived performance gap either by reducing the expectancy to match the perceived product performance or by raising the level of perceived satisfaction by making the disconfirmation experienced seem relatively small.

CRM is an idea that lets a company customized particular goods or services for every single client. In the most sophisticated case, CRM may be utilized to develop a customized, one-to-one encounter that will provide each unique consumer with a

feeling of being taken care of, creating fresh marketing chances based on the client's preferences and past. CRM is a customer-focused company approach that strives to provide each customer with a more personalized and responsive experience in order to boost customer satisfaction and customer loyalty (Stefanou, 2003).

CRM is the management of customer knowledge for improved client understanding and support. It is a broad idea that centers an organization around the needs of its clients. CRM includes customer service as a key component, but it also addresses arranging client relations for all audiences, points of contact, and company operations (Kincaid, 2003).

Three categories of CRM exist, according to Gefen and Ridings (2003) operational, analytical, and collaborative. Technical CRM, sometimes known as back end or back-office CRM, covers broad areas where interaction is required and acts to support it. The Customer interaction is done via email promotions or via calls centers for example. The largest proportion of the CRM technologies currently available in the market is known as operational CRM, which seeks to facilitate the integration of discrete back-office transactions with client-facing surfaces.

The subject of customer relationship management, or CRM, has gained a lot of interest lately. It involves improving the collaboration between marketing, sales, and service-related businesses and facilitating customized solutions to consumer needs in order to increase client retention and acquisition rates, which in turn is contributing to higher sales and profits (Dyché, 2002).

Individual workers will need to adjust to new organizational structures, cultural norms, and performance evaluation and reward systems as companies try to realign themselves around customers (Olian, & Rynes, 1991). The CEO's and senior management's involvement is highlighted as a critical success factor for CRM strategy. According to Mendoza and Pérez (2007) it would be like throwing money into the water to invest in CRM technology without a customer-oriented cultural mentality that is hierarchically inherited throughout the organization from the CEO.

Peng and Moghavvemi (2015) concentrated on gauging customer satisfaction in Malaysian banking through the provision of high-quality services. A quantitative study was conducted to investigate the connection between service quality dimensions as well as client contentment. Although there is a favorable correlation, customer

happiness is not significantly impacted by assurance. While reliability and customer satisfaction are negatively correlated, they are not significantly so. Positive relationships exist between tangibles and client pleasure. Although there is a favorable correlation, customer satisfaction is not significantly impacted by empathy. Although responsiveness and customer satisfaction are positively correlated, they are not significantly impacted. The study emphasizes implications for marketing professionals in the banking sector to enhance the quality of the service delivery.

Employing FLE and measures of perceived service quality, undertook a study to establish the level of service quality delivery in the Mauritian public sector service standard. The study examines the degree to which FLE views of customer expectations align with consumer expectations of service. In a significant Mauritius public sector department, SERVQUAL is utilized to gauge customer satisfaction and FLE satisfaction with service quality. Customers' expectations of a first-rate public service are recorded in the survey, and their opinions on the service provided by a specific public service department in Mauritius is compared with these expectations. The study also details a concurrent SERVQUAL survey conducted by FLE to assess how effectively the company understands the requirements of its clients and how well its internal procedures support the delivery of services (Justice., 2012).

This study was carried out by Al-Slehat1 (2021) to investigate the degree of service quality as perceived by Jordanian commercial bank clients and how it affects client satisfaction. Measures of service quality are based on updated versions of SERVQUAL, which includes the following five service quality dimensions: These refer to the tangible elements, assurance, empathy, responsiveness and reliability respectively. One hundred and sixty questionnaires were distributed randomly to the customers of the thirteen commercial banks in Jordan with branches in Irbid – a city in Jordan. As for the existing correlation between customer feelings and service organizations, multiple regression analysis was used. From the results retrieved from the study it is evident that customer satisfaction highly depends on the quality-of-service delivery.

In their study (2020) conducted by Thanh et al., investigated how aspects of service quality affected overall customer happiness. In this study, a service quality instrument was created, and the relationship between the characteristics of perceived service

quality and overall contentment of the clientele. The research results claimed that allocative responsiveness being the most important service quality that separates a service from its competitors, this service quality practice has the most significant effect on customer satisfaction. The study established that empathy had a negative and considerable effect on overall customer satisfaction, while there was a positive and significant impact on customer overall satisfaction on the service quality dimensions of tangibility, responsiveness, reliability, and industrial assurance. Thus, the current study came to the conclusion that the primary and most significant element influencing overall customer satisfaction is service quality. This result demonstrates how important it is for bank managers to raise overall customer satisfaction.

In a study, Shah and Kubota (2020) examined the service quality in workers and its impact on the client satisfaction in banking industry in the Lahore. This research was a cross-sectional study, and also empirically derived questionnaire research. According to previous research, there is high probability that high level of client satisfaction and service quality are directly proportional. Research showed that the participants have disagreed with the caliber of services rendered to the clients, which in turn, undoubtedly had an impact on client satisfaction. There is subpar service being provided to clients who exhibit low levels of satisfaction. Data analysis was done employing regression analysis, correlation, and reliability statistics.

Sardana and Bajpai (2020) examined how the various factors influencing service quality impacted the degree of customer satisfaction in the Indian public and private banks. This research focused on the perception that customers in Coimbatore had of the quality of the financial services being offered to them. Because the relative changes related to the various service quality factors are expressed in the SERVQUAL model as ratios. The analysis established that assurance has the largest effect on customer satisfaction with banking services in Coimbatore whereas, responsiveness has the least impact. From the results it can be ascertained that customers expect more from Coimbatore banks than they do in terms of priority given to their suggestions and opinions, secure transactions, sufficient management of knowledge resources and precision.

Ghimire A. (2021) looked into how satisfied customers were with commercial banks. The study employed both analytical and descriptive research designs. By utilizing

judicious sampling from the questionnaires, primary data were gathered from the Nepal's commercial banks. Five scales and a mean were utilized in the development of the questionnaires; the tools employed were the standard deviation and coefficient of variation. The data's reliability was assessed using the Cronbach's alpha test. It was discovered that all banks had generally performed satisfactorily in terms of client satisfaction. In contrast to government-owned commercial banks, private banks have demonstrated satisfactory performance. Compared to other government banks, RBB has performed better than NBL and ADB.

Al-Slehat1 (2021) made an effort to investigate how customer satisfaction is impacted by the quality of services provided by commercial banks. In the Gampaha district, 141 clients with both public and private bank accounts provided the information. For sample selection, a convenient sampling procedure was employed. Face-to-face interviews and a structured questionnaire were used to gather data, which was then analyzed using the partial least squares structural equation model. The study examined five potential correlations between customer satisfaction and five aspects of commercial banks' service quality. The tangible and customer satisfaction of both public and private banks, as well as their responsiveness, were found to be significantly positively correlated with each other. Additionally, it was shown that, with regard to private banks, assurance had a weakly positive association with client satisfaction but that, in contrast, there was no correlation between assurance and satisfaction in relation to public banks. Additionally, reliability and empathy showed no discernible correlation with customer happiness when it came to private banks, but they did show a low positive association with customer satisfaction with public banks. Consequently, this study discovered that public banks have greater customer satisfaction levels than private banks when it comes to service quality.

In the Nepalese commercial banking industry, Ghimire and Agarwal (2024) made an effort to gauge customer satisfaction and service quality in relation to the service quality dimensions. Regression, correlation, and descriptive statistics were employed in the investigation analysis to gauge the correlation between customer happiness, service quality, and service quality parameters. It made use of 364 sample clients who presently transact business with Kathmandu Valley commercial banks. According to research, Nepal Investment Bank is the most well-liked bank among the country's commercial banks. The formation of service quality and customer satisfaction of

commercial banks in Nepal depends on all the elements of service quality, which include tangibles, reliability, responsiveness, assurance, and empathy. The quality of services has a significant impact on customer satisfaction.

Thapa (2020) carried out research to determine the current state of service quality offered by a few commercial banks in Nepal. The five characteristics that customers use to assess the quality of bank services are tangibles, reliability, responsiveness, assurance, and empathy. The study was descriptive in nature and made use of primary data obtained from clients of a few chosen commercial banks, both public and private, through a personally given questionnaire survey. There was a total of 22 questions on five dimensions in the questionnaire. 82 bank respondents who were chosen for the study based only on convenience made up the sample size. In order to address the objectives of the study, the analysis uses t-test and descriptive statistics. This paper sought to explore the existing customer's perception on the quality of the Banks using the SERVQUAL model with these objectives. Thus, the current status of aggregate service quality was assessed with reference to perceived satisfaction for five dimensions of SERVQUAL for the incumbent banks. The descriptive and inferential analysis have indicated that the mean customer satisfaction on the five service quality dimensions as follows; Tangibles, reliability, responsiveness, assurance and empathy. Among these five dimensions, two dimensions, that is empathy and assurance were satisfied more with the bank service quality. Similarly, concerning the instrument dimensions, tangibility along with reliability were rated a little more satisfactory by bank customers than responsiveness was the least satisfying factor, according to the customers.

Shrestha and Parajuli (2020) looked into how Nepalese customers were affected by the commercial banks' service quality aspect. The purpose of this research was to establish the influence of several dimensions of service quality on customers of commercial banks in Nepal. Questionnaire was used to collect data in the field and it was developed on a 5- Likert scale. A purposive, and convenient sampling technique was used to recruit 144 individuals. Evaluation tools such as mean and correlation coefficient has been applied in the assessment of data. The evidence indicated that customer satisfaction at the Nepalese commercial bank is positively and significantly related to the service quality dimensions that includes tangibility, reliability, assurance, empathy and responsiveness. This research established that there is

positive and strong relationship between customer satisfaction and service quality component. Reliability is one of the degrees of service quality with influence over customer satisfaction in Nepali commercial banks. Consequently, the bank ought to be ready to meet the clients with first-rate amenities and services. The bank needs to make an effort to keep its relationships with clients lasting. Customers need to have faith that the banks they use fulfill the promises made in their advertisements. Therefore, the bank ought to consider client feedback on a regular basis. In commercial banks, the dimension of service quality is crucial to consumer satisfaction.

Joshi (2021) conducted a study to analyze the relationship between customer perception of satisfaction and banking service quality factors in Nepalese banking industry. In the Kailali district, there are three commercial banks: Out of Nepalese commercial banks (Rastriya Banijya Bank, Nabil Bank, and Global IME Bank), purposive sampling technique was applied and a five Likert scale structured questionnaire was distributed to 327 depositor clients. Self-administered questionnaires were distributed online and physically among the consumers to the appropriate banks, companies, governmental and non-governmental agencies in Kailali. In this study the quantitative data have been analyzed by using the statistical software named SPSS version 20, Pearson correlation coefficient and multiple regression analysis has been also carried out. The findings of this research were that customer satisfaction and service delivery had a direct association. All components of service-quality possess statistically significant positive impact.

### **2.3. Empirical Review**

This research was carried out to gather further information on the impact of service quality on customer satisfaction. From the various articles and journal that was reviewed, it was realized that customer satisfaction depends on many factors including reliability, tangibility, assurance, empathy, responsiveness and so on.

**Table 1***Summaries of Empirical Review*

Author's year	Title	Objectives	Methodology	Findings
Md. Atikur et al., (2020)	Investigating the Effect of Service Quality on Bank Customers' Satisfaction in Bangladesh	To assess the Bangladesh's retail banking service quality in comparison to other emerging nations	The study is primarily based on primary data that was gathered via a questionnaire that was where 250 sample size was taken from four banks in Kushita bangladesh	The outcome showed that consumers' perceptions of the bank's promptness and accuracy in transactions rank highest, while their opinions of its modern furnishings and equipment rank lowest. Customer service is becoming increasingly crucial in the retail banking industry due to increased competition, and banks need to pay attention to what their clients think about the quality of their services.
Thomas and Rashid (2021)	The Correlation between SERVQUAL Dimensions and Student Satisfaction	In order for colleges to compete with their rivals and pursue student satisfaction	Children ranging in educational level from Inter to Master were chosen at random for the study	The study's findings indicated that customer happiness is highly dependent on service quality. The findings indicate a favorable correlation between all viewpoints on service quality, however empathy is the only element that has a negative link with both customer happiness and service quality
Lim (2020)	Comparisons of service quality	to look at the customer satisfaction	A quantitative study design	The airline sector was facing a number of difficulties,

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	perceptions between full-service carriers and low-cost carriers in airline travel	and service quality of the top 14 American airlines from 2007 to 2011	technique was employed and the data was analyzed using Microsoft Excel	including controlling demand fluctuations, decreasing costs, and meeting strict quality standards all while attempting to provide superior services and meet the needs of different consumer segments. It was facing many customer complaints regarding service quality
Sinkala and Muchimba (2023)	An Investigation of the Effect of Service Quality on Customer Satisfaction: A Case of Zanaco Bank	To determine how customer satisfaction is affected by service quality	The descriptive survey method is used for the study, Lisrel software is used for data analysis	The customer satisfaction is positively impacted by the five SERVQUAL service quality aspects (tangible factors, empathy, trust, responsibility, and reliability).
Bhuian (2021)	The Impact of Service Quality on Customer Satisfaction in Hotel Business Development: Correlation Between Customer Satisfaction and Service Quality	To find the impact of service quality on customer satisfaction among Arab bank customers in the city of Irbid	The five-dimensional service quality model is used	The findings show that the greater the level of service quality, more satisfied the customer is. Variables like security, reactivity, empathy, and tangibility have a favorable impact on consumer satisfaction. It also demonstrates that the service quality is a suitable metric for assessing the level of service in the banking industry at Arab banks.

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Owusu and Otoo (2023)	Student Satisfaction and Loyalty: The Perspective of Professional Accounting Students	To identify the client demographics that impact their degree of perception, identify the customers' opinions of the banks' level of customer service, as well as to determine the connection between customer satisfaction and service quality.	Both the descriptive and inferential statistical methods in SPSS were used to analyze the data.	It was discovered that the majority of the bank's customers were middle-class men, over half of whom were relatively younger, educated, and mostly came from the private sector of the financial system. The demographic traits that affected consumers' perception level were found to be age and education. The vast majority of respondents expressed satisfaction with the services provided by the banks. Customers' satisfaction with the quality of the banks' services was also found to be significantly influenced by the tangibles, assurance, empathy, and dependability of the banks' services.
Filip (2020)	Political Chronicles of the African Great Lakes Region	To ascertain the correlation between customer satisfaction and service excellence.	Both cross-sectional and descriptive survey designs were used for data collection and SPSS's frequencies and	The results showed that most of the respondents were female, more than three equators had current accounts, more than half lacked a professional degree. It was further disclosed that the

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percentages were used to analyze the data. average level of customer satisfaction and service quality was at  $\approx 3$  (high level). There is results a strong and favorable correlation between customer satisfaction and service quality when evaluating aspects such as customer loyalty with assurance, and reliability

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## 2.4. Research Gap

It is uncommon to find research on Nepalese commercial banks that focuses on customer satisfaction and service excellence. The majority of research on Nepal's commercial banks has tended to focus more on other bank-related concerns than on factors that affect customer happiness. Most studies employed small sample sizes and a theoretical framework, according to earlier research. Research demonstrating the empirical relationship between communication, security, and customer satisfaction in Nepalese commercial banks has not been conducted. In some ways, this study tried to close a research gap created by past investigations. This study focuses on how satisfied consumers are with the caliber of service offered by Nepalese commercial banks, and it can also be used as a model for future research.

Many quantitative studies have been carried out to ascertain the degree of customer satisfaction with the quality of service provided by the Nepalese Commercial Bank, mostly in a sample of various industries. The analysis of the study tried to ascertain how the outcomes were impacted by these five independent variables. The current dynamic and highly competitive business environment presents a higher number of obstacles for commercial banks. Service quality is particularly important in the context of financial services since it gives a competitive advantage based on the level of customer satisfaction. In addition, a gap is produced by the research's period, variables, context, and methods.

# **CHAPTER III**

## **RESEARCH METHODOLOGY**

The chapter highlights the approaches that are used for the investigation and gives information about the methodological viewpoints. The goal of this study's research approach is to comprehend the relationship between customer perception towards service quality of banking industry in Nepal.

### **3.1 Research Design**

The research designs employed in this study included causal, comparative and descriptive. Descriptive research studies are those research studies that aim at describing the features of a particular individual or a particular group of individuals (Hamaker & ijzendoorn, 2020). Like in the experimental research, causal comparative study design entails the researcher placing one or more dependent variables and searching through historical data for patterns, correlations and significance. Primary data was used to analyze the correlation between service quality aspects and customer satisfaction. The sample survey adopted the five-point Likert scale while correlation and data analysis was done through regression analysis.

### **3.2 Population and Sample**

The population of the study relates to the whole or the aggregate of items or people from which the samples are selected. The population of the study was selected from the customers of commercial banks only because the topic of the study is about the efficiency of strategies related to customer relationship management in the retail banking sector of Nepal. Considering the large population of banking customers, 212 respondents are sampled.

Convenience and basic random sampling techniques were employed in the study. Convenience sampling describes the selection of samples based on the convenience of reaching certain elements within a subset of the population rather than on judgement or probability procedures (Farrokhi, 2012). Simple random sampling entails selecting respondents at random and gathering data exclusively from those who possess bank accounts (Lohr, 2021). The foundation for comprehending sampling techniques and selecting probability samples was established through the use of a simple random

sample. Automatic random dialing makes it simple to implement, but it needs a list of population elements, which can take more time and require bigger sample sizes.

Financial services offered by banks to private clients rather than to corporate ones are referred to as retail banking. In addition to offering guidance and information on financial services and products, it will help people manage their finances.

### **3.3 Source of Data**

The data for this study was therefore obtained through a survey questionnaire which was the primary source of data. The Google Docs was used through a social networking site to present the questionnaire to the bank's customer. The number of questionnaires distributed to the respondents was 212; and all the responses were valid. The survey questionnaire comprised of two parts. The first research was the basic demographic attribute of the respondents which includes their age, marital status, gender, age category and their monthly household income. The second part involved questions which related to the respondents' perception on the best practices of customer relationship management. These are customer safety measures, customer retention, service delivery and customer satisfaction. The respondents' responses were captured by a five scale Likert scale which is made up of five scales. The 5 scales that were used were strongly disagree (1), disagree (2), neutral (3), agree (4) and strongly agree (5). In this section, we used 25 questions.

### **3.4 Methods of Analysis**

Both inferential and descriptive statistics were used in the study of the quantitative data. The percentage frequency distribution and mean scores of the Likert scale items were utilized for the initial data analysis. These results were then employed in a Pearson's correlation analysis to examine the link between the independent and dependent variables.

Data metrics that had been collected were analyzed using Microsoft Excel and Statistical Package of Social Science (SPSS), and the p-value of test used to help determine how really the independent factors affected the dependent variables.

### **3.5 Statistical tools**

Many quantitative and scientific methods have been used in this study as discussed in the following sections. Besides other important study related responsibilities, collection of data, tallying, computation, analysis, findings and conclusion should be

presented in accordance with the model prescribed in the Faculty of Management, Tribhuvan University. Ad hoc analysis is used as required and numerical analysis is used when appropriate. The use of SPSS, a very complex computerized statistical program has enhanced the analysis of statistical data.

### **Mean**

The mean is a product of the division of all the measures or scores that have been obtained and the total number of participants. The arithmetic mean is the most common method that is used in order to define the central tendency. The population value is taken and then multiplied by the number of observations and divided by the total sum. Formula,

$$\text{Mean } (X) = \frac{\text{Sum of total numbers } (\sum X)}{\text{Number of samples } (n)}$$

Where ,

X = value of responses of each dependent and independent variable

N = Number of statements

### **Standard Deviation**

The measure of dispersion is the standard deviation. It indicates by how much the data is away from the mean and in what measure. It is sometimes called the root square deviation because of the fact that it is the square of the average deviation from the mean deviation.

$$SD = \sqrt{\frac{\sum(X-\bar{X})^2}{n-1}}$$

Where,  
SD = Standard deviation

N= No of observation

$\bar{x}$  = Mean

## Correlation

The extent of relationship between the variables may be established by means of the correlation coefficient. In this study, the Likert scale questions were analyzed by means of a correlation matrix and the correlation coefficient was employed to examine the relationship between the dependent and independent variables. It does not tell anything about the relationship between causes and effects. It can be positive or negative. The range of the correlation is between -1 and +1. It can be stated that there is positive high correlation between two of the variables if the 'r' coefficient of Pearson correlative test approaches 1. This exposes a situation whereby a shift in one value has an enormously influential impact on the other value. When r is close to zero there is very little relationship between the two variables concerned.

The following formula that is used to calculate correlation analysis

$$r = \frac{n(\sum xy) - (\sum x)(\sum y)}{\sqrt{[n \sum x^2 - (\sum x)^2][n \sum y^2 - (\sum y)^2]}}$$

Where,

r= correlation coefficient

n= no of observations x and y are the variables

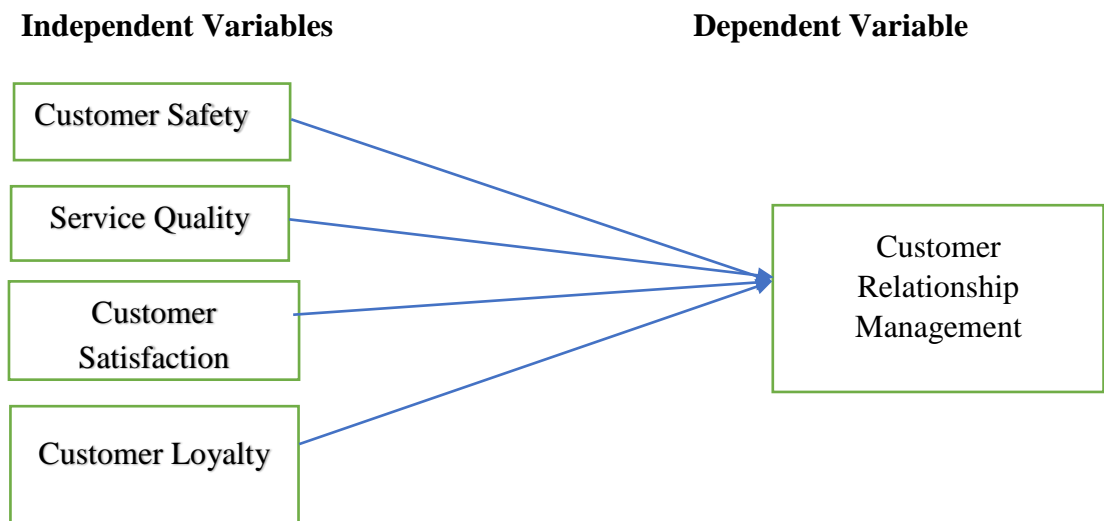
## Regression

The regression analysis is a group of statistical methods that allow the determination of the relationship between one variable and many others. They can be used to forecast the future direction of the association of variables and also how well the variables are related. The known value that is used in estimation is called an independent variable while the unknown value that will be expected is called dependent variable or regressed variable or the explained variable.

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$$

### 3.6 Research Framework

This paper analyzed the effects of service quality dimensions on the customer relationship management in the retail banking sector of Nepal employing the SERVQUAL model. Customer relationship management effective strategies were considered as dependent variable and four dimensions of SERVQUAL such as, safety, tangibles, reliability, and assurance were considered as independent variables.



(Source: Peris Njoki Mburu, 2012)

Figure 1 Research Framework

#### Independent Variables

In this research four effective strategies of customer relationship management are taken as independent variables which are customer safety, service quality, customer satisfaction, and customer loyalty.

- Customer Safety

Through advocacy, education, and mobilization, customer safety protects the interests and well-being of clients. Customer safety guarantees that consumers have access to efficient redress channels and can make well-informed decisions about their options. Customer safety has been acknowledged as a successful strategy for averting mishaps and/or lowering the possibility of catastrophic injuries in the event of one. It is clear that tight, uniform safety regulations and standards for consumer goods throughout Europe and the rest of the world are the best ways to safeguard customers safety (European Commission, 2023).

- Service Quality

Service quality is the extent to which a service meets or exceeds the requirements of the business. It also depends on the affective part of the service and technical characteristics, such as attentiveness, courtesy, and politeness besides accuracy, speed, and reliability. High quality services led to good customer experiences, improvement of customer happiness, and customer loyalty and trust. The quality of your service can affect your profitability, competitive advantage, and your reputation as well (Kandampully, 2010).

- Customer Loyalty

Customer loyalty refers to a situation where a customer continues to engage and make purchases from you instead of your competitors. If a client has a good experience with you, he will stick to you, which fosters trust. It is a continuous, mutually beneficial process between a customer and a business (Heskett, 2002).

- Customer Satisfaction

Customer satisfaction can be described as a metric that reflects the level of satisfaction of the customer with the products, services, and capacities of the company. Customer satisfaction data in the form of surveys and ratings can be useful for a company to understand how to modify or adapt its products and services. Customer satisfaction is one of the most accurate indicators of a company's growth. Satisfied customers spend more, churn less, and refer others. On the other hand, dissatisfied clients will soon shift to a competitor and they are capable of sharing negative word-of-mouth about your business. (Franklin, 2024).

### **Dependent Variable**

Customer relationship management as a strategic approach was considered as the dependent variable in this study. Customer relationship management (CRM) is the collection of methods, techniques, and tools that organizations apply for monitoring and assessing the customer contacts and data during the whole customer life cycle. Improving the quality of the interaction with customers, supporting client retention, and sales promotion are the goals (Hashemi-Pour, 2020).

### 3.7 Reliability and Validity

Validity and reliability are the most crucial factors in evaluating business and management research. The term “reliability” refers the extent to which a study's findings may be tested or repeated in a different setting and term “validity” refers to the degree of accuracy of the findings. It ascertains whether the study measures the objectives or whether the outcomes are accurate. It indicates the extent to which a measurement is in line with its intended use. When assessing consistency, behavioral and social studies researchers frequently employ Cronbach's alpha. A Cronbach's alpha value of less than 0.6 is seen as less reliable, whereas one of 0.7 or more is regarded as acceptable.

There is strong internal consistency when the alpha value is more than 0.9. Likewise, alpha values between 0.8 and 0.9, 0.7 and 0.8, 0.6 and 0.7, 0.6 and 0.5, and less than 0.5 are assessed as good, acceptable, questionable, poor, and unacceptable, respectively. Through this approach, we may assess the internal coherence of the values and eradicate any non-balancing inconsistent behavior.

#### *Cronbach's Alpha reliability test*

Variables	Cronbach's Alpha	No. of items
Customer Satisfaction	0.852	5
Customer Loyalty	0.669	5
Service Quality	0.795	5
Customer Safety	0.801	5
Customer Relationship Management	0.802	5

*Note:* Reliability analysis showing variables consistent with the results.

# **CHAPTER IV**

## **RESULTS AND DISCUSSION**

### **4.1 Introduction**

This chapter primarily focuses on presenting and assessing the data that was collected from multiple sources. This chapter analyses and presents primary data related to different factors using a number of techniques, as described in research methodology. To achieve the objectives stated in the first chapter, the gathered data is presented and assessed using the tools previously indicated. Presenting and analyzing data is an essential part of research initiatives.

### **4.2 Presentation and Analysis**

The results of a questionnaire survey that was distributed to different participants are shown in this section. Finding out about the useful aspects of customer relationship management in Nepal's retail banking sector was the aim of the questionnaire study.

Both SPSS and MS Excel were used to help with the data analysis. This study section includes information about the respondents' profiles as well as a descriptive analysis of their responses regarding customer relationship management in the banking sector. There are two other subsections inside this section. The profile and demographic details of the respondents are covered in the first section. The acquired data are analyzed using measures of central tendencies and frequency analysis in the second section, which is called descriptive analysis.

### **4.3 Demographic Information**

This section covers the demographic assessment and analysis of primary data collected via surveys. It offers details on the respondents' demographic characteristics from the research. Along with the respondents' gender, age group, marital status, monthly income, bank type they primarily associated with, and year of association with their respective bank A table presents the demographic data of the 212 sample participants.

## Gender

Gender plays a significant role and gives a clear concept regarding the problem. As a result, the study's investigation into the variable gender results another finding to the study. The gender wise classification of the respondents is presented in table.

**Table 2**

*Gender*

Gender	N	%
Female	104	49.1%
Male	103	48.6%
Other	5	2.4%

*Note: Field Survey, 2024 (N=212)*

Based on the result from analysis of gender in table, shows the highest percentage was found in females with a result of 49.1 percent as the major respondents in this research i.e. 104 females and 103 respondents are males having 48.6 percent and 5 respondents are others having 2.4 percent.

## Age

The age of the respondents is one of the most important characteristics defining the opinions regarding the particular issues. The age distribution of the respondents in terms of percentage is presented in the table.

**Table 3**

*Age Group*

Age Group	N	%
20-30 years old	136	64.2%
31 -40 years old	56	26.4%
41 -50 years old	8	3.8%
Above 50	12	5.7%

*Note: Field Survey, 2024 (N=212)*

Based on the result from Table 2, investigating the age level, where the highest percentage was the age of 20-30 years old at 64.2 percent or 136 respondents. Lowest

number of respondents were from age group 41-50 years old which is noticed as 3.8 percentage i.e.8 respondents out of 212 in total.

### **Marital Status**

Marital status of the respondents aids current research to know respondents from demographic perspectives.

**Table 4**

*Marital Status*

Marital Status	N	%
Married	113	53.3%
Unmarried	91	42.9%
Divorced	4	1.9%
Widow	4	1.9%

*Note: Field Survey, 2024 (N=212)*

From the table, 4 the data shows that 53.3 percentage i.e. 113 respondents are married and 42.9 percentage i.e. 91 respondents are unmarried, 1.9 percentage i.e. 4 respondents on each were divorced and widow. Married respondents were found higher in the study.

### **Monthly Income**

Monthly income is the total amount of money received by an individual per month. Monthly income of the respondents is shown in the table 4.

**Table 5**

*Monthly Income*

Monthly Income	N	%
Less than Rs. 20,000	33	15.6%
Rs 20,000 - 35,000	35	16.5%
Rs 36,000 - 50,000	51	24.1%
Above Rs 50,000	93	43.9%

*Note: Field Survey, 2024 (N=212)*

Table, 5 shows that the majority of respondents, i.e., 93 respondents, have a monthly income above Rs 50,000, which is 43.9 percent. The lowest number of respondents have monthly income less than Rs 20,000, i.e., 33 respondents, which is 15 percent.

### **Primarily Associated Bank Type**

The type of bank respondents is primarily associated with is shown in table 5.

**Table 6**

#### *Primarily Associated Bank*

With which bank type are you primarily associated?

	N	%
Commercial bank	194	91.5%
Finance	2	0.9%
Microfinance	7	3.3%
Other	9	4.2%

*Note:* Field Survey, 2024 (N=212)

Table, 6 shows that majority of respondents, were associated with commercial bank which is 194, respondents out of 212, i.e., 91.5, percent out of total. Only 0.9, percent out of total were associated with finance which is 2 respondents.

### **Number of years of Association with respective banks**

Number of years of association of respective respondents are shown in table 6

**Table 7**

#### *Years of Association*

How many years have you been associated with the bank?

	N	%
Less than 1 year	17	8.0%
1 year - 5 years	57	26.9%
More than 5 years	138	65.1%

*Note:* Field Survey, 2024 (N=212)

From the table, 7 17 respondents i.e. 8 percent are associated less than a year, 57 respondents i.e. 26.9 percent are associated from 1 year- 5 years and 138 respondents i.e. 65.1 percent were associated for more than 5 years.

## 4.4 Descriptive Statistics

Fundamental explanation of central tendency, in particular the mean and variance of the study's variables, is covered by the descriptive analysis of this research. This analysis's primary goal was to categorize each variable according to the survey respondents' relative importance. The study measured four independent variables (customer satisfaction, customer loyalty, service quality, customer safety) using a five-point Likert Scale, with 1 representing Strongly Agree and 5 representing Strongly Disagree. Values above 3 indicate disagreement, whereas values below 3 show agreement with the statements.

### 4.4.1 Descriptive Statistics of Customer Satisfaction's Items

Overall, five statements and a descriptive study of the questionnaire for the independent variable, customer satisfaction's items, and their responses are discussed below.

**Table 8**

*Descriptive Statistics of Customer's Satisfaction Items*

	Minimum	Maximum	Mean	Std. Deviation
I am satisfied with the overall service provided by bank.[CS1]	1	5	2.23	0.796
I am satisfied with the interest rate offered by the bank.[CS2]	1	5	3.14	1.000
I am satisfied with the procedure of the bank.[CS3]	1	5	2.57	0.973
I am satisfied with the bank's complaint resolution process.[CS4]	1	5	2.73	0.908
I would like to recommend my bank to others.[CS5]	1	5	2.34	0.963
Valid N (listwise)	212			

*Note:* Descriptive Statistics provide insight into the preferences of respondents regarding customer satisfaction's items.

The highest mean of customer satisfaction is of CS3 i.e., 3.14, which means customer were satisfied with the interest rate provided by their bank. On the other hand, CS1,

which ask the respondents whether they were satisfied with the overall service provided by the bank has the lowest mean i.e. 2.23, represents that customers were less satisfaction with the overall service provided by the bank. Furthermore, CS3 has the biggest standard deviation (1.00), suggesting the highest degree of response variability and contrasting views regarding this choice. On the other hand, CS1 has the least fluctuation and suggests greater agreement among respondents regarding this preference, with the lowest standard deviation of 0.796.

#### 4.4.2 Descriptive Statistics of Customer Loyalty's Items

Overall, five statements and a descriptive study of the questionnaire for the independent variable, customer loyalty's items, and their responses are discussed below.

**Table 9**

*Descriptive Statistics of Customer Loyalty's items*

	Minimum	Maximum	Mean	Std. Deviation
I regularly visit the bank.[CL1]	1	5	2.70	.980
I rarely think of changing current bank with another one.[CL2]	1	5	2.51	1.019
Every time I want to make financial transaction banking channel is my first choice.[CL3]	1	4	1.89	.792
I repeatedly use banking products.[CL4]	1	5	2.07	.949
I consider bank as my preferred choice.[CL5]	1	4	2.05	.768
Valid N (listwise)	212			

*Note:* Descriptive Statistics provide insight into the preferences of respondents regarding customer loyalty's items.

The highest mean of customer loyalty is of CL1, i.e.2.70, which means customer regularly visits the bank. On the other hand, CL3 has least mean of customer loyalty i.e. 1.89, which means customers were less likely to make all the financial transaction

using banking channel. CL2 has highest standard deviation i.e., 1.019 which means that there was highest response variability and CL5 has least standard deviation i.e., 0.68, which means that there was consistency in the response.

#### 4.4.3 Descriptive Statistics of Service Quality's Items

Overall, five statements and a descriptive study of the questionnaire for the independent variable, service quality's items, and their responses are discussed below.

**Table 10**

*Descriptive Statistics of Service Quality's items*

	Minimum	Maximum	Mean	Std. Deviation
There is an ease of depositing and withdrawing money from branches.[SQ1]	1	5	2.10	0.846
Staffs takes interest in solving problems.[SQ2]	1	5	2.32	0.897
Bank maintain error free records.[SQ3]	1	5	2.67	0.956
Bank has modern equipment and technology.[SQ4]	1	5	2.32	0.934
Bank opening hours is convenient to me.[SQ5]	1	5	2.49	1.023
Valid N (listwise)	212			

*Note:* Descriptive Statistics provide insight into the preferences of respondents regarding Service Quality's items

The highest mean of service quality was SQ4 i.e., 2.32, which means the bank has modern equipment and on the other hand, the lowest mean of service quality was SQ 3 i.e., 1.88, which means respondents were less likely to agree that heir bank maintain error free records. SQ4 has the highest standard deviation i.e. 0.934 which means that there was less consistency in the response. Whereas, SQ3 has least standard deviation i.e., 0.790, which means that the response was consistent.

#### 4.4.4 Descriptive Statistics of Customer Safety's Items

Overall, five statements and a descriptive study of the questionnaire for the independent variable, customer safety's items, and their responses are discussed below.

**Table 11**

*Descriptive Analysis of Customer's Safety items*

	Minimum	Maximum	Mean	Std. Deviation
I feel safe with every transaction done through the bank.[CS1]	1	4	2.16	0.814
The bank keeps my information confidential.[CS2]	1	5	2.24	0.954
I regularly update KYC.[CS3]	1	5	2.24	0.893
I regularly update my digital banking products.[CS4]	1	5	2.13	0.821
The bank often reminds to change passwords and transaction pin.[CS5]	1	5	2.02	0.860
Valid N (listwise)	212			

*Note:* Descriptive Statistics provide insight into the preferences of respondents regarding Customer Safety's items

The highest mean of customer safety was CSA2 and CSA3 i.e., 2.24 which means the respondents feel safe that their bank keeps their personal information confidential and the respondents regularly update KYC. On the other hand, CSA5 has least mean i.e., 2.02 which means that the bank doesn't remind to change passwords and transaction pin frequently. CSA2 has highest standard deviation i.e., 0.954, which means that there was highest degree of variation of response about keeping information confidential whereas CSA1 has least standard deviation i.e., 0.814 which means customers feels safe with every transaction done through bank the response was less likely to change.

#### 4.4.5 Descriptive Statistics of Customer Relationship Management's Items

Overall, five statements and a descriptive study of the questionnaire for the dependent variable, customer relationship management's items, and their responses are discussed below.

Table 12

*Descriptive Statistics of Customer Relationship Management's items*

	Minimum	Maximum	Mean	Std. Deviation
I know about customer relationship in detail.[CRM1]	1	4	2.36	0.926
I know about the importance of Customer relationship management.[CRM2]	1	5	3.25	1.123
My bank provides adequate training programs to use banking products.[CRM3]	1	5	2.50	0.911
My bank's staff have proper skill that customer relationship managers require.[CRM4]	1	4	2.47	0.889
I feel my bank have adopt good CRM strategies.[CRM5]	1	5	2.84	1.035
Valid N (listwise)	212			

*Note:* Descriptive Statistics provide insight into the preferences of respondents regarding Customer Relationship Management's items.

The highest mean of customer relationship management was CRM2 i.e., 3.25, which means that the bank often organizes training programs to use banking products. On the other hand, CRM1 has least mean i.e., 2.36, which means that the customer was less likely to use every banking product offered by the bank. CRM2 has highest standard deviation i.e., 1.123 which means that the response may change regarding training program to use banking products whereas, CRM4 has least standard deviation i.e., 0.889 which means that the response was less likely to change.

#### 4.4.6 Descriptive Statistics

All items of dependent and independent variables are analyzed and overall descriptive statistics is calculated.

**Table 13***Decriptive Statistics*

	Minimum	Maximum	Mean	Std. Deviation	Skewness	Kurtosis		
	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Customer Satisfaction	1.00	5.00	2.6009	0.73774	0.445	0.167	0.560	0.333
Customer Loyalty	1.00	5.00	2.2453	0.59526	0.308	0.167	0.167	0.333
Service Quality	1.00	5.00	2.3783	0.69207	0.212	0.167	0.073	0.333
Customer Safety	1.00	5.00	2.1557	0.64940	0.777	0.167	1.329	0.333
Customer Relationship Management	1.00	5.00	2.6858	0.73297	-0.252	0.167	-0.079	0.333
Valid N (listwise)	212							

*Note:* Descriptive Statistics provide insight into the preferences of respondents

Table 13 shows the mean, median, mode and standard deviation of the variables. Mean of customer satisfaction was 2.6009 which indicate that average respondent agrees with the statement that customer satisfaction has impact on customer relationship management in the retail banking market of Nepal. The standard deviation was 0.73774 which suggest that the response is less likely to change. The skewness was 0.445, this mean that the data was right skewed. Similarly, kurtosis value was 0.560, so it was leptokurtic distribution. This gives the indication that the data set has heaver tails than a normal distribution.

The mean of customer loyalty was 2.2453 which indicate the overall respondents have agreeableness towards the statement that customer loyalty have impact on customer relationship management in retail banking market of Nepal. Standard deviation was

0.59526 which suggest that the response is less likely to fluctuate. The skewness was 0.308, this means that the data was right skewed. Similarly, the kurtosis value was 0.167, which was an indication of leptokurtic distribution. This gives the indication that the data set has heavier tails than a normal distribution.

The mean of service quality was 2.3783 which suggest that average respondents agree with the statement that service quality impact on customer relationship management in retail banking market of Nepal. Standard deviation was 0.69207 which indicates that the response is less likely to change. The skewness was 0.212, indicating that the data was left skewed. In the same way, kurtosis value was 0.073 which means that it was leptokurtic distribution. This gives the indication that the data set has heavier tails than a normal distribution.

The mean was 2.1557 which suggest that average respondents agree with the statement that customer safety impact on customer relationship management in retail banking market of Nepal. Standard deviation was 0.64940 which indicates that the response is less likely to change. The skewness was 0.777, indicating that the data was left skewed. In the same way, kurtosis value was 1.329 which means that it was leptokurtic distribution. This gives the indication that the data set has heavier tails than a normal distribution.

The mean of customer relationship management was 2.6858 which indicate that overall respondents agree with the statement of the importance of customer relationship management in the retail banking market of Nepal. The standard deviation was 0.73297 which mean that the response is less likely to change. The skewness was -0.252 which also suggest that the data was left skewed. Similarly, kurtosis value was -0.079 which was below 3 and therefore the distribution was platykurtic. This gives the indication that the data set has lighter tails than a normal distribution.

#### **4.5 Reliability Test**

Reliability and validity are issues, which are very crucial when it comes to the evaluation of managerial and business research. Among internal consistency measures, Cronbach's Alpha is the most frequently used when the multiple Likert questions that comprise a scale are used. The Cronbach's alpha coefficients were interpreted as a value of 0.8 or above is considered to be excellent, 0.7 or above is

good, 0.5 or above is acceptable and below 0.4 are generally considered doubtful and unsatisfying. In this study Cronbach’s alpha was used to test the internal consistency of the item scales for both the continuous dependent and independent variables. The reliability test of Likert scale was determined using SPSS software and is presented in the table.

**Table 14**  
*Cronbach’s Alpha reliability test*

Variables	Cronbach's Alpha	No. of items
Customer Satisfaction	0.852	5
Customer Loyalty	0.669	5
Service Quality	0.795	5
Customer Safety	0.801	5
Customer Relationship Management	0.802	5

*Note:* Reliability analysis showing variables consistent with the results.

Cronbach’s alpha scores ranging from 0.669 to 0.852 suggest that the study’s variables exhibit promising levels of internal consistency, according to the reliability analysis. With an alpha of 0.852 on the Cronbach’s alpha scale, “Customer Satisfaction” has the best reliability and the best internal consistency. With alpha values of 0.802 and 0.801, respectively, “Customer Relationship Management” and “Customer Safety” likewise demonstrate exceptional reliability. With an alpha of 0.795, “Service Quality” exhibits strong reliability, whilst “Customer Loyalty” has an alpha of 0.669, which is deemed adequate. This implies that the variables continue to measure the various structures consistently. Overall, it can be said that the study’s data are trustworthy and appropriate for additional research, which will enable strong conclusions to be drawn about the connections between the variables being studied.

#### **4. 6 Correlation Analysis**

Correlation is a term in statistics that shows how closely any number of variables vary. It is used to assess the directional connection among variables. The present correlation study was aimed at investigating the direction and magnitude between

relational capital component variables and customer relationship management in the context of retail banking market of Nepal. Given that the scatter plots show a straight line, the correlation coefficient quantifies the intensity of corresponding linear relations. The correlation coefficient measures the strength of the linear relationship between two numerical variables in a sample of a population. It especially shows the degree of relation between independent and dependent variables. After stating the statistical information, Pearson correlation coefficients were computed and presented in Table 15.

**Table 15**  
*Correlations Analysis*

		Customer Satisfaction	Customer Loyalty	Service Quality	Customer Safety	Customer Relationship Management
Customer Satisfaction	Pearson Correlation	1	0.438**	0.649**	0.322**	0.467**
Customer Loyalty	Pearson Correlation		1	0.471**	0.543**	0.476**
Service Quality	Pearson Correlation			1	0.646**	0.562**
Customer Safety	Pearson Correlation				1	0.567**
Customer Relationship Management	Pearson Correlation					1

\*\* . Correlation is significant at the 0.01 level (1-tailed).

*Note:* Calculation using SPSS

### **Relationship between Customer Relationship Management and Independent variables**

Regression analysis is applied to determine sense or otherwise of the relationship between customer relationship management and dependent variables like customer satisfaction, Customer loyalty, service quality and customer safety. In this study, the results and conclusions have been presented how these variables influence the customer relationship management.

### **Customer Satisfaction and Customer Relationship Management**

The positive correlation coefficient between customer satisfaction and the customer relationship management is 0.467 ( $r=0.467$ ,  $p < 0.01$ , 0.000). It can be inferred that, at the 1 percent significance level, customer satisfaction and customer relationship management.

### **Customer Loyalty and Customer Relationship Management**

The positive correlation coefficient between customer loyalty and the customer relationship management is 0.476 ( $r=0.467$ ,  $p < 0.01$ , 0.000). It can be inferred that, at the 1 percent significance level, customer satisfaction and customer relationship management.

### **Service Quality and Customer Relationship Management**

The positive correlation coefficient between service quality and the customer relationship management is 0.562 ( $r=0.562$ ,  $p < 0.01$ , 0.000). It can be inferred that, at the 1 percent significance level, service quality and customer relationship management.

### **Customer Safety and Customer Relationship Management**

The positive correlation coefficient between customer safety and the customer relationship management is 0.567 ( $r=0.567$ ,  $p < 0.01$ , 0.000). It can be inferred that, at the 1 percent significance level, customer safety and customer relationship management.

## **4.7 Regression Analysis**

Regression is an analytical instrument used in research as well as other fields to identify the degree and nature of the association between variables that are dependent and independent. This technique is used to determine the influence of an independent and dependent variable. Regression analysis can only identify significant relationships between variables. Regression analysis is a statistical approach used in modeling to establish relationships between variables. The focus is on the relationship among a variable that is dependent and a number of independent variables. It includes strategies for modeling and assessing numerous variables.

**Table 16***Model Summary*

Model	R	R Square	Adjusted R Sq.	Std. Error
1	0.644	0.415	0.403	0.641

*Note:* Predictors: (Constant), CS\_SUM, CL\_SUM, SQ\_SUM, CSA\_SUM

Table 16 shows a good correlation coefficient of 0.644 to the independent variables indicating that relations with customers increase with improvements in customer satisfaction, customer loyalty, service quality and customer safety. In the model summary there is the R-squared or the coefficient of determinations that helps explain variance. The regression analysis shows that the independent variables (CS, CL, SQ, and CSA) explain 41.5% of the customer relations by using the R-square score of 0.415. This implies that, despite these variables contributing to a large extent the customers relations, there could be other factors that influence the customer relations not considered in this study.

**Table 17***ANOVA***ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	60.145	4	15.036	36.65	0.000b
	Residual	84.926	207	0.41		
	Total	145.071	211			

*Note:*

a. Dependent Variable: CRM\_SUM

b. Predictors: (Constant), CS\_SUM, CL\_SUM, SQ\_SUM, CSA\_SUM

$P < 0.000$ , F-statistic value in the table is 36.65 and is less than 0.05. This implies that there is close association of the model with the data collected and that there is a positive relationship between the dependent variable, which is Customer Relationship Management and the independent variables which include customer satisfaction, customer loyalty, service quality, and customer safety.

## Multiple Regression Analysis

Multiple regression is a research strategy that allows analyzing one dependent variable and several independent variables. The technique of multiple regression analysis employs known independent variables to estimate the value of a single dependent variable. The values of each indicator are also given a weight which shows the proportion that each of the predictors contributed to the forecast.

**Table 18**

*Multiple Regression Analysis*

	Coefficients	Standard Error	t Stat	P-value
Intercept	0.4	0.197	2.031	0.044
Customer Satisfaction	0.201	0.069	2.898	0.006
Customer Loyalty	0.282	0.078	3.633	0.000
Service Quality	0.228	0.09	2.533	0.012
Customer Safety	0.285	0.086	3.296	0.001

*Note:* Dependent Variable: Customer Relationship Management

The findings of the model that predicts customer relationship management using factors like customer satisfaction, customer loyalty, service quality, and customer safety are shown in Table. Every aspect has a favorable as well as significant impact. All of the variables are positive and significantly impact customer relationship management's efficiency. The outcome of the multivariate regression analysis leads to acceptance of the hypotheses.

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$$

Where, Y= dependent variable

a = constant coefficient

b = variable coefficient

X = independent variables

e = error term

We have,

$$CRM = 0.4 + 0.201CS + 0.282CL + 0.228SQ + 0.285CSA$$

Here, e = 0 (same predicted and calculated result)

**Hypothesis one (H1):** Customer Relationship Management is positively and significantly impacted by the customer satisfaction ( $t=2.898$ ,  $P=0.006<0.05$ ). The outcome demonstrates a strong positive impact, indicating that customer relationship is greatly enhanced by a greater degree of customer satisfaction.

**Hypothesis two (H2):** Customer Relationship Management is positively and significantly impacted by the customer loyalty ( $t=3.633$ ,  $P=0.000<0.05$ ). The outcome demonstrates a strong positive impact, indicating that customer relationship is greatly enhanced by a greater degree of customer loyalty.

**Hypothesis three (H3):** Customer Relationship Management is positively and significantly impacted by the service quality ( $t=2.533$ ,  $P=0.012<0.05$ ). The outcome demonstrates a negligible positive influence, suggesting that customer relation is not substantially impacted by the service quality.

**Hypothesis four (H4):** Customer Relationship Management is positively and significantly impacted by the customer safety ( $t=3.296$ ,  $P=0.001<0.05$ ). The outcome demonstrates a strong positive impact, indicating that customer relationship is greatly enhanced by a greater degree of customer safety.

#### 4.8 Hypothesis Testing Summary

Hypothesis testing is a type of inferential statistics that enable one to make generalizations on the whole population from the results of a sample which has been illustrated in the table.

**Table 19**

*Hypothesis Testing*

Hypothesis	P-value	Result
Customer satisfaction has significant impact on Customer Relationship Management	0.006	Accepted
Customer Loyalty has significant impact on Customer Relationship Management	0.000	Accepted
Service Quality has significant impact on Customer Relationship Management	0.012	Accepted
Customer Safety has significant impact on Customer Relationship Management	0.001	Accepted

*Note:* The primary data collected in 2024

Table 19, shows the hypothesis testing result summary. As can be observed, all of hypothesis were supported.

The first Hypothesis which had been accepted was because the 'p' value which was 0.006 was less than the 0.05 level of significance, and therefore suggesting that there was an effect of customer satisfaction on customer relationship management.

The second Hypothesis had been accepted because the calculated p-value of 0.000 was less the 0.05 level of significance implying that there was a relationship between customer loyalty and customer relationship management.

The third Hypothesis had been accepted because the calculated p-value which was 0.012 was less than the 0.05 level of significance; thus, it was evidenced that service quality affected the customer relationship management.

The fourth Hypothesis had been accepted because the p – value which was 0.001 was lesser than the 0.05 level of significance which mean that there was an association between customer safety and customer relationship management.

#### **4.9 Major Findings**

This research is based on the study of customer relationship management and factors affecting the customer relationship management. The following findings are drawn from the data examination and analysis.

In the demographic profile of respondents' gender, it is found that majority of respondents are female 49.1 % (i.e.104) and male 48.6% (103). This shows that respondent's perception is female dominated as shown by the respondent's frequency. Age group of the respondents are categorized in four division, the majority of respondents fall under 20-30 division having 64.2% (136 respondents). Only 3.8 percent respondents are found on the age group of 41-50 years following 26.4 percent respondents from age group 31-40 years and 5.7 percent of respondents above 50 years. As per the result of marital status, 113 respondents are married, 91 respondents are unmarried, four respondents are divorced and widow on each. Majority of the married respondents are found as a respondent.

Among the respondent's 43.9 percent of them are found to have income above Rs 50,000 whereas only 33 respondents have less than Rs 20,000 monthly income. Most of the respondents are associated with the commercial bank i.e. 91.5, percent (194)

and only 2 of them are associated with finance. 65.1 percent are associated to their respective bank for more than five years.

Descriptive statistics of customer satisfaction shows that customer relationship management is more likely to achieve with highest mean 2.6009 and most of the respondents are less likely to customer safety with the lower mean 2.1557. Following service quality and customer loyalty shows moderate effect in customer relationship management i.e. mean is 2.3783 and 2.2453 respectively.

There exists a high degree of correlation with value  $r= 0.567$  between customer safety and customer relationship management. Following  $r=0.562$  degree of correlation exists between service quality and customer relationship management. There is  $r=0.476$  correlation exists between customer loyalty and customer satisfaction and  $r= 0.467$  between customer satisfaction and customer relationship management.

The p-value of all the independent variable is less than 0.05 which means there is a significance impact of all the independent variables (customer satisfaction, customer loyalty, service quality and customer safety) with customer relationship management in retail banking market of Nepal.

From the regression analysis, all the independent variables are positive and has significant impact on customer relationship management (i.e.  $P\text{-value}<0.05$ ).

#### **4.10 Discussion**

The study was done to analyze the factors affecting customer relationship management in banking sector. The study relied on primary data. Various researchers have conducted numerous academic studies, primarily focusing on the importance of banks and the impact of the banking industry. As a result, there was a need for additional research and investigation on other parameters. This study uses a questionnaire to focus on customer satisfaction, customer loyalty, service quality, and customer safety. The research relied on descriptive and comparative analysis, using a purposive sample size and a primary source of data obtained from various participants.

The study conducted by Ghimire (2024) examines the effectiveness of CRM strategies used by commercial banks in the Kathmandu Valley in Nepal. Though little research has been done in the context of developing countries like Nepal, CRM is

becoming more and more important for enhancing customer satisfaction and overall bank performance. Among the crucial facets of CRM practices that are the focus of this study are knowledge management, technology-based CRM, organization, and key customer focus. The research looks at how these CRM factors impact the performance of commercial banks using a binary-logistics regression model. The data, which has a 94.4% response rate, is collected from customers of commercial banks in the Kathmandu Valley through self-administered surveys. The study's findings demonstrate that each of the CRM facets looked at had a significant impact on commercial banks' performance, with knowledge management being the most crucial. Each CRM factor considered in this study was shown to be statistically significant in predicting the performance of commercial banks at a p-value of 0.05. There is a stronger correlation between knowledge management and bank performance, according to the binary regression result.

## CHAPTER V

### SUMMARY AND CONCLUSION

Chapter five provides a concise summary of the full study and highlights its significant findings. It's broken up into three parts. Furthermore, the important findings are examined in a distinct section of this chapter and the study's recommendation is offered. Finally, the chapter summarizes the scope of future study in the same topic.

#### 5.1 Summary

In banking, customer relationship management or CRM is the most important technological tool employed by banks to optimize customer service, improvement in operation efficiency and achieving branch expansion. CRM captures and stores important information and processes during the interaction with the customer to deliver useful knowledge about leads and customers for banks and other financial organizations. In this regard, it is observed that the banking and financial organizations have grown fiercely in the case of Nepal. The customer's number has peaked in this intensely competitive environment.

The main research objectives of this study were to assess the attitude and behavior of customer toward the retail banking in Nepal and to also evaluate the best practice in CRM and factors that influence Customer Relation Management in the retail banking market in Nepal. Several studies were conducted by different researches and scholars to establish linkage between customer satisfaction, customer loyalty and other attributes with CRM. From the above analysis it is clear that many articles, literature, journals and books have been written on this topic and therefore, there are many factors that make customer relationship management effective in the retail banking market.

This research focuses on primary data which has been gathered from the customers of banks and financial institutions. Consequently, the results of the customer relationship strategy were revealed by using the questionnaire survey technique. Descriptive statistical methods as well as demographical data were used in order to analyze the data that were collected. In the case of data analysis, the means of the Likert scale items and percentage frequency distribution were employed. It is against this

backdrop that a Pearson's correlation analysis of the established findings was conducted in order to determine the nature of the relation between the independent and dependent variables.

The finding derived here shows that customer relationship strategies in the retail banking market of Nepal is depend on customer satisfaction, customer loyalty, service quality and customer safety. Thus, this research establishes that all the above independent variables have a significant effect on customer relationship management in the retail banking market of Nepal.

## **5.2 Conclusion**

The primary goal of this research was to examine how various factors influence Customer Relationship Management (CRM) in the Nepali retail banking sector. Based on the findings, it can be concluded that CRM in this industry is significantly affected by several key variables: customer satisfaction, customer loyalty, service quality, and customer safety. In other words, there is a clear, positive linear relationship between CRM and these independent variables. As any of these factors improve, CRM also improves, while a decline in these factors leads to a deterioration in CRM.

In addressing the first research question, which explored customer attitudes and behaviors toward the retail banking market in Nepal, it was found that customers generally express satisfaction with the banking services they receive. However, their responses regarding customer loyalty and service quality were more moderate, with customer safety being rated somewhat lower than the other factors.

When considering customer satisfaction and loyalty towards their respective banks, the research revealed that these factors are at a satisfactory level. The average scores for customer satisfaction (2.6009) and customer loyalty (2.3783) suggest that most customers feel content and committed to their financial institutions.

Finally, in response to the third research question, the study identified four key factors Customer Satisfaction, Customer Loyalty, Service Quality, and Customer Safety as essential for establishing an effective CRM system in Nepal's retail banking market. All these variables demonstrated a direct relationship with CRM, underlining their importance in shaping successful customer relationships in the sector.

### **5.3 Implications**

The research findings highlight that customers' perceived satisfaction, loyalty, service quality, and safety are key factors that significantly influence Customer Relationship Management (CRM) in Nepal's retail banking sector. These determinants play a crucial role in shaping how effectively banks manage their relationships with customers. The study concludes that improvements in these independent factors such as increasing customer satisfaction, enhancing service quality, fostering loyalty, and ensuring customer safety directly contribute to better CRM practices. In essence, a more robust and effective CRM strategy can only be achieved by strengthening these core elements of the customer experience.

#### **General Implication**

One area that requires further exploration is the use of quantitative data analysis, as it holds the potential to provide clearer insights into the broader direction and effectiveness of the CRM framework. By utilizing quantitative methods, researchers can simplify the process of understanding how CRM functions at a larger scale, allowing for more precise measurements and predictions.

Additionally, participant observation could serve as a valuable supplementary data collection technique. Through this method, researchers can immerse themselves in the daily operations of an organization, spending time directly observing and participating in customer interactions. This hands-on approach would offer a deeper, more nuanced understanding of how CRM strategies are implemented in practice, shedding light on the real-world dynamics of customer relationship management. By combining both quantitative analysis and participant observation, future research could provide a more comprehensive picture of CRM practices in the retail banking sector.

#### **Implication for future studies**

Upon completing this investigation, areas that warrant further exploration. While this study explored a range of variables related to Customer Relationship Management (CRM), focusing in-depth on a single variable could offer a more detailed and nuanced understanding of its impact on CRM evaluation. By narrowing the scope and conducting a comprehensive analysis of one specific factor whether it's customer

satisfaction, loyalty, service quality, or safety could uncover deeper insights into how that variable influences CRM practices within the retail banking sector.

Furthermore, an interesting area for future research would be to explore the influence of CRM on a bank's brand image, customer trust, and perceived value. Understanding how effective CRM strategies shape these intangible assets could provide valuable insights into the broader impact of customer relationships beyond immediate financial outcomes.

Additionally, the study has identified a number of potential research avenues that could further contribute to the field of CRM:

1. **Extending the Study to Business-to-Business (B2B) Organizations:**  
Replicating this study in a B2B context could reveal how CRM strategies differ between business and consumer markets, and how factors like customer satisfaction and loyalty manifest in organizational relationships.
2. **Investigating CRM from an Organizational Perspective in Banking:**  
Shifting the focus to the organizational perspective would provide a deeper understanding of how banks design and implement CRM strategies, the challenges they face, and how these strategies are aligned with organizational goals.
3. **Comparing Online and Offline CRM Approaches:** In the age of digital transformation, comparing the effectiveness of online versus offline CRM strategies could shed light on how customer interactions are managed across different platforms, and whether one approach is more successful in fostering long-term customer loyalty.

By pursuing these areas of study, future research could further enrich the understanding of CRM and its multifaceted impact on customer relationships, organizational performance, and industry practices.

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**Abstract The main objective of the study is to identify**

effective strategies to enhance Customer Relationship Management in retail banking market of Nepal. There can be many factors that affect the CRM strategies in banking sector.

**This research study has explained theoretical review and different literature review related to**

CRM, Customer Satisfaction, Customer Loyalty and so on.

**The study aimed to provide a descriptive analysis of all the variables used, under the present context. Primary data for the study was collected from**

customer associated with different bank and financial institution in Nepal through structured questionnaire. The questionnaire was distributed to 212 respondents. Pearson correlation

**analysis was** conducted **to** identify **the relationship between** independent variable ( **Customer Satisfaction, Customer Loyalty**