

**"PERFORMANCE EVALUATION AND CUSTOMER
SATISFACTION OF HIMALAYAN BANK"
(A case study of Pokhara Branch)**

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ABBREVIATIONS

ADB	Agriculture Development Bank
ANZ	Australian and New Zealand Bank
ATM	Automatic Teller Machine
BS	Bikram Sambat
CBIL	Citizens Bank International Ltd.
EBL	Everest Bank Ltd.
EPS	Earnings per Share
F/Y	Fiscal Year
FIs	Financial Institutions
DIs	Depository Institutions
FM	Frequency Modulation
HBL	Himalayan Bank Ltd.
i.e.	That is
JVBS	Joint Venture Banks
LC	Letter of Credit
Ltd.	Limited
NIBL	Nepal Investment Bank Ltd.
NIDC	Nepal Industrial Development Corporation
NIM	Net Interest Margin
NRB	Nepal Rastra Bank
PVT.	Private
ROA	Return on Assets
ROE	Return on Equity
SCBN	Standard Chartered Bank Nepal Ltd.
L	
SFDB	Small Farmers Development Bank Ltd.

SMS	Short Message Sending
SWIFT	Society for World Wide Interbank Financial Telecommunication
TU	Tribhuvan University

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Banking industry plays a vital role in the economy of the nation. The word “bank” has been derived from the Italian word ‘banco’ or ‘banca’, Latin word ‘bancus’ and French word ‘banque’ meaning ‘bench’ on which the bankers would keep money and its records. Banks are financial institutions, which deal in money, handles saving, receives deposits from customers, collecting checks and deals in government and corporate securities. Banks are business houses established to safeguard people’s money, which is used to make loans and investments. A bank provides an easy way to pay bills through current account mostly known as cheque account. Money that is deposited in bank account earns additional amount for depositors in terms of interest, bonus, and etc. Banks provide many services such as accepting various types of deposits, safeguarding deposits, making loans, providing means of payment, electronic banking and other services such as traveller’s cheques and money orders. Banks invest by lending the funds to various business companies.

According to Kent, (Vaidya Shakespeare, **Money & Banking** 1999), “A bank is an organization whose principal operations are concerned with the accumulation of the temporarily idle money of the general public for the purpose of advancing to other for expenditure.”

According to Sawyer,(Vaidya Shakespeare, **Money & Banking** 1999), “ Ordinary banking business consists of changing cash for bank deposit and bank deposit for cash, transferring bank deposit from one person or

another giving bank deposit in exchange for bills of exchange, government bonds, the secured or unsecured promises of businessman to repay etc.” Thus, bank is a business establishment that safeguards people’s money and uses it to make loans and investments.

Financial system in Nepal originated in the historical context of Guna Kama Dev around 1723 BS. To borrow money, to rebuild the city, a merchant brought Nepal Sambat by clearing all indebtedness 57 years later during Jayasthiti Malla’s rule. During his tenure 64 different classes according to occupation were created in the name of Tankadhari. Like other countries goldsmith, merchant and money lenders were the ancient bankers of Nepal. The Tejarath Adda was established during the tenure of the Prime Minister Ranoddip Singh (1877-1933) BS. It was the first step towards the institutional development of the banking system in Nepal. However Tejarath Adda mainly focused on giving loans to the employees and public against the bullion at 5% interest rate and did not focus in collecting enough of deposits from them.

In Nepal, modern banking sowed its seeds with the inception of Nepal Bank Limited in 1937 AD. NBL mainly focused on attracting people towards banking sector from pre-dominated money lenders’ net and of expanding banking services. After the restoration of peace in 1951 AD Nepalese government was formed with interim character having many times changes. Later on 1956 AD the central bank of the country in the name of Nepal Rastra Bank (NRB) was developed. Since then it has been functioning as the government’s bank and has contributed to the growth of financial sector.

The integrated and speedy development of the country is possible only when competitive banking services reaches the nooks and corners of the country. As such after the political changes with the rise of Panchayat democracy number of financial institutions developed through government

initiation like Agriculture Development Bank (ADB), Provident fund, NIDC, Cooperative bank, Rastriya Banijya Bank etc within the period of 12years. The inception of Nepal Arab Bank Limited (now known as NABIL bank) in 1984 AD, the first joint venture bank proved to be a milestone in the history of banking. It gave a new ray of hope to the sluggish financial sector.

1.1.1 Definition of the Commercial bank

The word “bank” has been derived from the Italian word ‘banco’ or ‘banca’, Latin word ‘bancus’ and French word ‘banque’ meaning ‘bench’ on which the bankers would keep money and its records. Banks are financial institutions, which deal in money, handles saving, receives deposits from customers, collecting checks and deals in government and corporate securities. Banks are business houses established to safeguard people’s money, which is used to make loans and investments. A bank provides an easy way to pay bills through current account mostly known as cheque account. Money that is deposited in bank account earns additional amount for depositors in terms of interest, bonus, and etc. Banks provide many services such as accepting various types of deposits, safeguarding deposits, making loans, providing means of payment, electronic banking and other services such as traveler’s cheques and money orders. Banks invest by lending the funds to various business companies.

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1.1.2 Types of Banks

The modern economy demands the different types of financial institutions. A single institution can not fulfill all the services demanded by the customers. Therefore different types of banks also emerged in the banking industries which are below:

a. Commercial Banks:

Commercial banks are those banks, which performs all types of banking functions as accepting deposits, advancing loans, credit creation, and agency functions. They provide short-term loan, medium term loan and long term loan to trade and industries. They also operate off balance sheet functions such as issuing guarantee, bonds, Letter of Credit. In Nepal, Nepal Bank Ltd., Himalayan Bank Ltd., Nepal Arab Bank Ltd. are the Commercial banks of Nepal.

b. Development Banks:

Development banks are those banks, which aim is not to earn profit. Development banks are two types: i. the first development banks finances loan to the farmer and other agricultural sectors for short, medium and long term. ii. The second development banks finances loan in the infrastructure development in the country. The first types of development banks in Nepal are agricultural development bank and rural development bank etc.

c. Exchange Banks:

Exchange banks are those banks, which deals in foreign exchange and specialize in financing foreign trade. Exchange banks specialize and they supply the necessary foreign exchange required for settlement of transactions between traders engaged in foreign trade. These banks also collecting and supply information about the foreign customers, provide remittance facilities. Rastriya Banijya Bank is the exchange bank of Nepal.

d. Saving Banks:

The objectives of the saving banks are to mobilize the small savings and to promote saving in a country. In other words, saving banks are specialized institutions that induce small in come groups to save some thing out of their incomes and pool such savings. Postal saving scheme is one of the types of saving bank in Nepal.

e. Central Bank:

The central bank is the apex bank in a country that controls all monitory system and banking structure. It operates in the interest of the country and assist in the implementation of the economy policy of the government. It regulates and issues currency, perform agency and banking services to the Govt. and manages the foreign currency reserve of the whole country. It also work as the lender of the last resort, clearing house and controls the. NRB is the example of Nepal.

f. Industrial Bank:

Industrial bank are those banks, which provide short, medium and long term loans for the establishment of industries in the country, such as the purpose of land and development, machinery and equipment etc. NIDC works as the industrial bank in Nepal.

g. Co- operative Banks:

Co-operative banks are those banks that operate on the principle of Co-operation. They collect small deposits, mobilize small savings and provide short term and medium term loans to their members.

h. Merchant Banks:

Any person who is engaged in the business of issue management either making arrangement regarding selling, buying or subscribing to securities a manager, consultant, advisor or reddening corporate advisory service in relation to such issue management. Merchant bank also accepts the time deposit and finance in trade and industry. The main source of capital of Merchant banks are the time deposits and by the issue of securities. Nepal Sri- Lanka Merchant Bank is an example of Merchant bank of Nepal. They assist Business Corporation to raise fund for long term capital requirement by issue of bonds.

i. Pension Fund:

Pension fund is also considered as a bank. They accept legitimate deposit from employees of different organization. While they provide loans to different financial institution and some time participate in the financing in trade and industry. In Nepal, Employees Provident Fund is working as a Pension Fund.

j. Housing Bank:

Housing Banks are those banks that collect deposit, by deposits and selling securities in the capital markets where as they finance in the development of houses in the country. In Nepal, Nepal Housing and Development Finance Co. Ltd. is working as a housing bank.

1.1.3 List of Licensed Commercial Banks

-) Nepal Bank Ltd.
-) Rastriya Banijya Bank
-) Agriculture Development Bank
-) NABIL Bank Ltd.
-) Nepal Investment Bank Ltd.
-) Standard Chartered Bank Nepal Ltd.
-) Himalayan Bank Ltd.
-) Nepal SBI Bank Ltd.
-) Nepal Bangladesh Bank Ltd.
-) Everest Bank Ltd.
-) Bank of Kathmandu Ltd
-) Nepal Credit & Commerce Bank Ltd.
-) Lumbini Bank Ltd.
-) Nepal Industrial & Commercial Bank Ltd.
-) Machhapuchchhre Bank Ltd.
-) Kumari Bank Ltd.
-) Laxmi Bank Ltd.
-) Siddhartha Bank Ltd.
-) Global Bank Ltd.
-) Citizen International Bank Ltd.
-) Bank of Asia Nepal Ltd.
-) Sunrise Bank Ltd.
-) Prime Bank Ltd.
-) Development Credit Bank Ltd.
-) NMB Bank Ltd.

1.2 Statement of the Problem

Unlike other private corporations, Depository Institutions are unique in the social services they perform and the level of regulatory attention they receive. DIs is, as a result, unique in the types of assets and liabilities they hold. Like any profit corporations, however, the ultimate measure of a DI's performance is the value of its common equity to its shareholders. Nevertheless, some DIs that adopt the mutual form of ownership have objectives other than value maximizations-for example, the provision of relatively low-cost loans to their members.

Nepalese commercial banks lack appropriate, well managed and formulated policies to develop customer satisfaction in competitive market. They mainly rely upon the guideline instructions of Nepal Rastra Bank. There is lack of clear view towards sound financial performance and evaluation of the commercial banks. Furthermore there are not any specific views and guidelines towards the customer service deliver by the commercial banks in Nepal.

Due to the lack of farsightedness in policy formulation i.e. hesitation to invest long-term projects, unorganized interest structure and absence of strong commitment towards its proper implementation, causes many problems to commercial banks resulting in the increment in the dissatisfaction ratio of the customers of these banks.

Mainly, this study seeks to analyze and evaluating the performance evaluation of the customer satisfaction of commercial banks taking a case of Himalayan Bank Limited, Pokhara Branch. By analyzing the errors of commercial banks, this research aims to find out proper ways that help to make proper decision.

The proposed research will learn the following facts concerning HBL in context of Nepal and its past and present economic customer based scenario:

1. What are the different types of services & products provided by Himalayan Bank Limited?
2. What are the different units and subunits that exist under Operations as well as Credit Department of the Bank?
3. What is the current level of customer satisfaction provided by the bank?
4. What is performance level of Himalayan Bank performing as a whole?

1.3 Objectives of the Study

The proposed study will highlight the important activities and progresses of three commercial banks with justification. But the researcher wants to be more specific in his study to reflect what objectives have guided to undertake the study. The Joint venture Banks can run easily and efficiently if they are able to mobilize the deposits in right sector and realize these amounts in time. Otherwise it would be difficult to run their banking business in the competitive market. Therefore, the main objectives of this study are focusing how far the banks are able to fulfill this major purpose. The study will try to collect various opinions from various sectors such as how to run the bank effectively? What should the management do to run the bank in the present competitive market? The study will also try to look the resource mobilization trends of these banks for five years and collect the opinions of financial experts and present suggestions by analyzing the financial statement.

The specific objectives of the study are as follows:

1. To study the various types of services and Products provided by Himalayan Bank Ltd. Pokhara Branch.
2. To evaluate the level of Customer satisfaction of Himalayan Bank Ltd, Pokhara Branch.

3. To assess the overall performance of Himalayan Bank Ltd. Pokhara Branch and as a whole.

1.4 Significant of the Study

Apart from aiming to gain knowledge, research itself adds new to the existing literature. The significance of this study lies mainly in identifying problem or deteriorating FI, as well as for categorizing institution with deficiencies in particular component areas. Further, it assists in following safety and soundness trends and in assessing the aggregate strength and soundness of the financial industry. The research is prepared in order to supplement present examination procedures applicable to FIs of Nepal. As such, the study assists the stakeholders in fulfilling their collective mission of maintaining stability and public confidence. It would be helpful for the senior management involved in day-to-day operations. Bankers, and Examiners, alike can use this report to further their understanding of a bank's financial condition. This study makes them aware about the financial performance of their bank as well as the consumer satisfaction level of the banks in the market. The comparison will help them to identify productivity of their resources utilized. The management can be benefited as the study will try to find out if the performance of the bank is better/worse than competitors. The study points out the management gaps which can be corrected. It will be useful to the investor's shareholders and policy formulators of the institutions.

In addition, this study will provide a collective knowledge and analysis to the literature of financial institutions.

1.5 Limitations of the Study

The limitation is another important aspect of the study. It is realized that the financial institutions including commercial banks are responsible for internal resource mobilization in the country. This study will be conducted

simply for partial fulfillment of Masters on Business studies second year course. This study will be focused only on performance evaluation and consumer satisfaction of one selected bank. Other limitations are as follows;

1. Sample size of this study will be all together 100 respondents are selected for participation randomly.
2. This study is totally based on the views and responses received from regular customers of Pokhara Branch of Himalayan Bank only. The findings of the study may not be applicable for other parts of the country.
3. In this research, most data will be primary in nature and secondary data also will be used for analyzing the overall performance of the Bank.

1.6 Organization of the Study

The study report has presented the systematic presentation of the research design, analysis, presentation, and findings of the study. The study reports is designed in five chapters, which are as follows.

Chapter – 1 Introduction

The beginning chapter of the study is introduction, which have served orientation for readers to know about the basic information of the research area, various problem of the study, objectives of eh study, need or justification of the study. IT is oriented for reads for reporting, giving them the perspective they need to understand the detailed information about coming chapter.

Chapter -2 Review of Literature

The second chapter of the study assures readers that they are familiar with important research that has been carried out in similar area. It also establishes that the study as link in a chain of research that is developing and emerging knowledge about concerned field.

Chapter -3 Research Methology

The third chapter describes about the various sources of data related with study and various tools and techniques employed for presenting the data.

Chapter -4 Presentation and analysis of data

The chapter analyses the data related with study and present the finding of the study and also comments briefly on them.

Chapter -5 summary, conclusion and recommendations

On the basis of the result from data analysis, the researcher concluded about the performance of the concerned organizations in terms of performance evaluation and consumer satisfaction of Himalayan Bank Ltd. It also gives important suggestions to the concerned organization for better improvement.

CHAPTER II

REVIEW OF LITERATURE

2.1 Introduction

In this study, many research works have been conducted by the various researchers regarding the various opinions of banking sectors. Such that various/several views and opinions have been expressed by the different persons/researchers regarding commercial banks and their activities, magazines, journals, booklets, and other related important publications which had been published by various sectors.

Now, in this chapter, what others have related is important to know to better guideline and the feed back to serve purpose of my study. So, I have referred the relevant literature relating to the field of this study which is traced below.

2.1.1 Conceptual Review of Commercial Banks

The word 'bank' is derived from their Italian word 'banco' which means bench. Previously bankers did their banking transactions by sitting on the bench on the open market. Bank is a kind of financial institution, which is established under the law and act for dealing with monetary transaction. So, bank accepts deposit from general public and commercial organization. People can deposit their small saving amount into bank and whenever required they can withdraw through Cheques.

Commercial banks is a business organization that received and holds deposits of funds from other, makes loan or extends credit and transfer funds by written order of depositors. From above meaning and

delimitation as a conclusion we can say that a bank has two main functions, they are; accepting deposits from public and performing transaction related to loan. Actually modern banks perform all the required financial function and provide it's service to every needy.

The commercial banks perform only commercial activities. Therefore, commercial banks are established for the purpose of earning profit. They only do development activities as per conceal bank instructing. A commercial banks is one which exchanges money, deposits money, accepts deposits, grants loans and performs commercial banking functions and which I not a bank meant for co-operative, agriculture, industries, or for such specific purpose. Principally commercial banks accept deposits and provide loans, primarily to business firms thereby facilitating the transfer of funds in the economy. The America institute of banking has lain down of four functions of commercial banks, i.e. receiving and holding deposits, handling payments for its clients, granting loans investment and creating money by extension of credit (American institute 1972).

2.1.2 Functions of a Bank

Banks are financial services from producing and selling the professional and prudent management of the public's fund as well as performing many other roles in the economy. Their success and failure hinges on their ability to identify the financial services the public demands produce those services efficiently and sell them at competitive price. We can present an over view of a full service bank as follows:

-) Cash Management Function
-) Credit Function
-) Trust Function
-) Saving Function
-) Investment Function

-) Payment Function
-) Investment Banking Function
-) Insurance Function
-) Brokerage Function

2.1.3 Commercial Bank In Nepal: A Historical Review.

It is fact that financial sector plays a vital role for the economic development of a country. Even before the establishment of a banking system in Nepal financial transaction was in practice as undertaken by some moneylenders like sahu-mahajans, zamindars, relatives, friends, and few informal organization limited to ethnic group such as gothic. The bowering from the other people and the informal organization was limited and based on personal understanding. At that time people deposit their gold, silver, and valuable goods for the sake of security, the concept of financial institution.

However the private money lenders supported the economic development of a country, the transaction undertaken by them was totally based on their personal understanding. No legal restrictions were against them and their monopoly in transaction was the reason for covering the interest in personal exploiting the people. Thus, it was realized to established financial intermediaries in supporting the economic development of a country.

Nepal has been ruled over by many rulers as karats, lichhavi, mall, baaise rajas, chubbiest rajas, rana and shah. Mostly karats, lichhavi, and malla chautari etc. At that period neither the people no the government were intersected to think about the economic development of the county.

After long time, during the Rana regime only handfuls prime minister thought about the economic development of the country. They established some officers in 1993 B.s (1877 AD).

No financial institutions were established over a long period due to political reasons. To fulfill the growing need of economy in Nepal, banking activities were performed only after the establishment of 'Nepal Bank Ltd' in 1994 BS as the first commercial bank of Nepal. This bank was established under Nepal bank Act 1994 BS (1938AD).

At the beginning, 49% of the ownership belongs to the promoters as well as general public and remaining belong to government. The incorporation of Nepal bank ltd is the real starting of the banking institution in Nepal. Nepal bank ltd started the act of consolidating the scattered capital since its establishment in order to mobilize it in productive sector. It developed systematic tradition in culture f modern banking system in Nepal. Such system could be able to establish a strong base for the improvement of national economy. Besides, it also acted as central bank for more than three decades.

Nepal Rastra bank established in Baisakha 14, 2013 B.S (1956) under Nepal Rastra Bank act 2012 BS (1995) as the central bank of Nepal. It is totally owned by government. Besides the commercial banking functions, NRB is heavily assisting for the development of whole economy. It is giving timely directives to all financial institutions operated and conducted in all over the country.

The government introduced Commercial bank act in Nepal in 2003 BS to cover their vast field of financial sector. According to the act, this act has helped to emerge number of commercial bank with a view to maintain the economic interest in comfort of the public in general facilitated to provide loan for agriculture, industry, and trade and make a available banking services to the country and people. (Commercial bank act, 1974).

Along vacuum in the banking sector got some rays of hope only when the government forwarded the economic liberalization policy in 2039 BS and decided to allow foreign banks to operate their activities in Nepal in "joint

venture model". Joint-venture banks can be defined as an association of two or more parties having common objective and goal so as to get maximum satisfaction. Basically at that time, it was envisioned that joint venture banks (JVBS) would support the country in various way's (Singh and Khadka 1999).

In Nepalese context the main purpose of joint venture is to develop economic forces in order to achieve distinguished results, which the partners separately could not achieve. Nowadays, joint-venture banks (JVBS) are laying dynamic and vital role in economic development of the country.

The Nabil banks ltd is the first joint-venture bank established in 2014 BS and started its operation with modern banking services, in the same way, Nepal Indosuez bank (at present Nepal investment bank, the second joint venture bank established in 2042 BS with an objective to encourage efficient banking services and facilities. Likewise, Nepal Grindlays Bank ltd (Now, standard chartered bank) is operated under their direction of Australian and New Zealand banking group (ANZ)

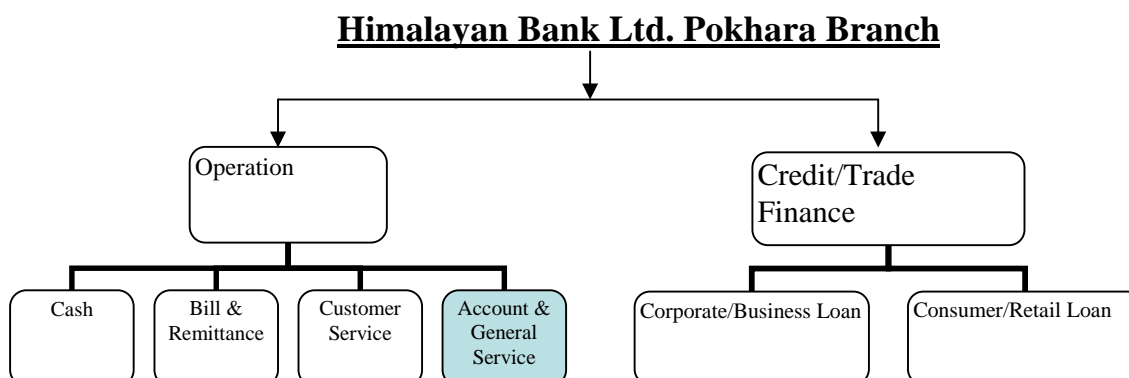
With the satisfactory result of joint-venture banks, Nepalese promoted are highly encouraged and as a result, commercial banks are introduced with percent domestic investment. At present Nepal industrial and commercial banks (NIC), Lumbini Bank ltd, Machhapuchhre bank ltd, Kumari bank ltd, Laxmi bank ltd, and Siddhartha bank ltd came into operation with cent percent domestic investment by Nepalese promoters which are the plus point of development of banking history of Nepal. Now, there is a strong competition between commercial banks for their existence so that the growing needs of the customers can easily be achieved.

2.1.4 Introduction of Himalayan Bank Limited

Himalayan bank limited is a joint-venture bank with Habib bank of Pakistan. It was established in 1992 under company Act 1964. This is the first joint-venture bank managed by Nepali chided executive. The operation of the bank started from February 1993.

The main objectives of the bank are to provide modern banking facilities like tale-banking to the businessman, industrialists, and other professionals and to provide loans on agriculture, commerce and industrial sectors. HBL provides the following services such as extension of branch, housing loan, hire-purchase loan for doctors, engineers, lawyer, chartered accountant etc, education loan , foreign remittance, ATM facility, vehicle loan, premium saving, debit card, internet banking, locker facility, any branch banking service facility, training for employees for skill development, and other various service facilities. The head office of the bank is situated at Thamel, Kathmandu, and altogether there are 18 branches spread over different locations.

This study is based on the performance evaluation of Himalayan Bank Limited for customer satisfaction as a case study of its Pokhara Branch. Pokhara Branch of Himalayan Bank Limited is located in Newroad, Pokhara. The branch provides a full fledge banking service viz. Cash Counter, Remittance Service, Customer Service Desk, Personal Lending Unit for personal loans, Card Services etc. The branch is basically divided into two units - Operations and Credit. There are 20 staff in the branch. The structure of the branch is presented hereunder:



2.2 Customer Value and Satisfaction

Modern marketing is a customer-oriented, integrated marketing and goal-oriented philosophy of business. This philosophy assumes that all the planning and operation should be customer-oriented i.e., the organization and its employees should first focus on determining customer needs and wants. In order to satisfy their needs and wants, all marketing activities (4ps or 7ps) should be coordinated in a coherent or marketing consistent way. And the marketer should try to earn profit only after the customers are satisfied. Through it is very difficult talk for the marketers, if they want long-run survival and achieve long run goal, they should follow this principle.

A buyer is anyone, individual person and an organization, which is potentially willing and able to buy products offered by the marketers. The buyer and customer are interchangeably used. In comprehensive term, buyers or customers are people in families and other kinds of households who buy and use products and services in order to satisfy their personal needs and wants.

A buyer behavior consists of activities that the people engage in when selecting, purchasing, and using products and services so as to satisfy needs and desires. Such activities involve not only physical actions but also mental and emotional processes. Here, the main them is that the process of effective marketing must begin with the careful evaluation of the problems faced by potential customers, because a product or service that does not provide an answer to a buyer's problem, no matter how unimportant that problem may seem to others, will not be accepted by the customers. Therefore, it is more productive to find out what customers wants in a product, and then to offer them that product, rather than to present a product and hope to convince the customers that they need it.

A marketer can secure his long-term benefits only by satisfying customer needs and wants. So the key to success for a marketer is to properly analyze the value and satisfaction that a customer receives from the marketer's offer or product because a customer makes purchase the product or service only if he expects adequate benefits from the product compared to the cost he satisfies.

Here, the customer value is the benefits that a customer receives from the product. It is the difference between the total customer value and total customer cost. More specially,

Customer Value = Total Customer Value- Total Customer Cost.

Total Customer Value = Product Value + Service Value+ Personnel Value + Image Value.

Total Customer Cost = Monetary Cost+ Time Cost + Energy Cost + Psychological Cost.

Customer satisfaction is a customer's feeling of pleasure or disappointment regarding the performance of the product he consumes. If the product fulfills his expectations, he is said to be satisfied; but if his expectations are not fulfilled he is said to be dissatisfied or disappointed.

A satisfied customer may have the following:

A satisfied customer

-) becomes loyal towards company and its products for a longer period;
-) buys more when the company introduces new products;
-) talks favorably about the company and its products;
-) pays less than attention to competitors' advertisement and brands;
-) becomes less sensitive to competitors' price and other offers;

) provides ideas to the marketer to improve the product and its offers; and

) becomes less costly than the servicing of a new customer.

A marketer needs to retain not only the existing customers but should also attract the new customers because dissatisfied customers may try to shift to the competitors' products and services. This may cause a huge loss to the marketer. In order to find out the number of customers to be attracted to recover the loss due to the defection of customer, a marketer needs to rightly assess the cost of lost customers.

In order to reduce or control the defection rate of the existing customers, the marketers need to follow the following strategies:

- Identify the defection rate and its measurement criteria.
- Identify and evaluate the causes for customer defection.
- Estimate the loss of profit.
- Identify the cost of reducing defection rate.
- Give more emphasis on customer care.

The cost of lost customer is quite expensive for the company, so the company should retain not only the current customers but also should attract the new customers to check the loss due to the rejection of the customers. The cost of attracting a new customer is estimated to be five times cost of keeping a current customer happy. Therefore, the retention of the current customers is an important task for the company. The key to customer retention is keeping the customers satisfied; otherwise, the chance of their defection becomes high.

There are basically two methods of strengthening the customer retention:

To exercise high switching barriers

It is possible by providing high quality product and service at comparatively low price, provide discounts, simplify service delivery process of the company, etc. this method is known as Quality Marketing.

Here, quality means the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs. Quality may be the best assurance of customer allegiance, marketer's strongest defense against domestic as well as foreign competition, and the only path to sustained growth and earnings. Some companies and countries award prizes to the concerned firms or companies for their best performance as the best quality practices and improvements. Quality marketing is the key to value creation and customer satisfaction. Marketers who don't learn the language of quality improvement, manufacturing, and operations will become as obsolete as buggy whips.

To deliver high customer satisfaction

Delivering high customer satisfaction is possible through developing good relationship with the customers. This method is known as relationship marketing. Through this method, a marketer may be able to be familiar with the customers, understand their behavior and know the ways to provide them better values and satisfaction.

Through relationship marketing, new customer may be developed. The starting point of relationship marketing is the prospect. The prospect is one who conceivably might buy the product or service. When the need for the company's product is raised, he becomes a prospect. When he has ability to pay and willingness to spend money for the product, he becomes a qualified prospect. Developing good relationship with the prospects, a

marketer may be able to convert them into first-time customers, repeat customers, clients, advocates and partners respectively.

2.2.1 Services Provided by Himalayan Bank Ltd, Pokhara Branch

Himalayan Bank Ltd. Pokhara Branch provides different types of services to its customers. Some of importance services are as under:

- A) Deposit Products:** The major function that a bank performs is accepting deposits. Customers are paid certain interest on their deposit. Himalayan Bank has offered different types of deposit products to its customers. They are as follows:
- i.** Current Deposit
 - ii.** Call Deposit
 - iii.** Fixed Deposit
 - iv.** Saving Deposit
 - v.** Premium Saving Deposit
 - vi.** Bishesh Saving Account
 - vii.** Recurring Saving Deposit
 - viii.** Jumbo Term Deposit
- B) Loan Products:** Himalayan Bank has offered wide range of tailor-made funded and non-funded credit facilities to provide its customers the highest standards of services when it comes to the personal financial needs of the customers. Major loan products of HBL are as follows:
- i.** Corporate Loan (Funded & Non-funded)
 - ii.** Retail/ Consumer Loan
 - iii.** Small Business Enterprises Loan
 - iv.** Medium Business Enterprises Loan

C) International Banking (LC):- To assist its trading Customers, HBL offers Letter of Credit (LC) facilities. Customers can place their LC application in any of HBL Branches. The fees/charges are one of the lowest amongst the commercial banks of Nepal. The Customers enjoy wide correspondent network of Himalayan Bank in addition to the attractive rates. You may download LC Application form and for further details.

D) Remittance Services

) Himal Remit

Himal Remit, a premium online customer focused and technology oriented Money Transfer service has been providing by Himalayan Bank Limited, the leading joint venture bank of Nepal. Himalayan Bank is a pioneer in the field of retail money transfer business with over 11 years of customized service delivery experience in the field. Himalayan Bank has the largest network covering all major cities, towns and villages of the country and is capable of paying at more than 200 locations across Nepal. HimalRemit is a state of art web-based money transfer system. It is easily accessible through our main web domain <http://www.himalayanbank.com/>. It can be directly accessed by all our branches thus ensuring prompt execution of the remittance. The product is monitored and serviced 24/7 by our Remittance Service Department dedicated to deliver fast and reliable services to the Customers.

The remitting agency can transfer funds either to the beneficiary against the identification document or can credit the Customer's Account maintained either with Himalayan Bank Limited or other local banks of Nepal.

The money transferred through this product will be on real time basis. The system will automatically generate RAD number. The RAD number is

number generated by the system for each transaction and is unique and this becomes the main basis for payment at the receivers' end. The RAD number consists of ten digits.

1. The remitter will make request for fund transfer to pre-agreed location against cash deposit and he/ she is required to fill all details i.e. Name, ID number, Currency & Amount etc.
2. Based on the information provided by remitter, remitting agent shall transfer the data to the system and upon approval of transfer, RAD number will be generated by the System, which will be provided to the remitter.
3. The remitter will have to pass details of RAD number, Amount and nearest location from where money is to be collected to the beneficiary. The beneficiary will go to the pre-arranged payment location and claim the amount. The payment location will be either Himalayan Bank Branch or HBL agent.
4. For the payment to be paid from the HBL branch, the branch, upon confirmation of RAD number and identification of beneficiary, will make the payment.
5. For the payment to be paid from other authorized agent, agent shall make payment upon confirmation of RAD number, Identification and after receiving authorization from Himalayan Bank Limited.
6. For the payment to be credited to the account with HBL and/ or other banks in Nepal, payment details i.e. beneficiary's name, account number, bank/ branch name and amount etc., will be provided in HIMALREMIT. Based on the information in the System, HBL will arrange to make deposit to the beneficiary's account. HBL will arrange to make deposit to beneficiary's branch through

its branch where HBL has branch or through its agent, where HBL does not have its Branch.

7. Account credit confirmation will be provided to Remittance Promotion Department by HBL branch/ paying agent that will be passed on to the Remitting agent.
8. Paying agent, after making the payment, will send the confirmation of payment to Himalayan Bank, which will be sent to the remitting agent as confirmation of payment.
9. The system facilitates remitting agent(s) to browse the status of particular payment on the basis of RAD unique numbers.

Special Features of Himal Remit- the Online Remittance Software:

-) Web based technology, direct access from our main web site <http://www.himalayanbank.com/>
 -) Provide instant updates on remittance request at the receiving end for prompt processing.
 -) Manage agents and officers through central administration at Himalayan Bank.
 -) Provide a secure and reliable means of remittance information.
 -) Provide instant updated information to the HBL agents.
-) **SWIFT Transfer:** Through the SWIFT transfer mechanism, Himalayan Bank can transfer customer's fund to virtually anywhere in the world. Likewise, the bank can receive the fund for customer's account with the bank from virtually any bank in the world. SWIFT stands for Society for Worldwide Interbank Financial Telecommunication System, which is a reliable communication network speeding up fund transfer and other financial messages.

Customers do not need to have an account with Himalayan bank for fund transfer through SWIFT.

- J) **Traveler's Check:** You can purchase or sell traveler's cheques at Himalayan bank. Instead of carrying cash, a lot of people prefer to carry traveler's cheques for safety reason, while they travel. American Express Traveler's Cheques are available for sale.
- J) **Bank Draft:** Himalayan Bank can draw drafts on a number of its correspondent banks located all over the world.
- J) **Mail Transfer:** When there is no SWIFT transfer or draft arrangement, you may opt for mail transfer. As the name suggests, mail transfer is slow compared to other ways of fund transfer.
- J) **Manager's Check:** It is a cheque drawn by Himalayan Bank on itself, specially used for payments made by Himalayan bank. Beneficiary can send the cheque on collection or through clearing or can deposit it in his/her account with Himalayan Bank itself.
- J) **Anywhere Branch Banking:** Himalayan Bank uses state-of-art technology, software and hardware to provide the best service to its customers. All the branches are connected through VSAT link or radio link, so that you can access your account from any of the branches located throughout the kingdom. All the branches of the bank serve you for deposit and withdrawal of cash, balance inquiry, statement balance certificate etc.

E) Safe Deposit Locker

Looking at the varying needs/wants of the Customers, Himalayan Bank Ltd. offer locker facilities with sizes of its Customer's preference. Customers availing of this facility enjoy not only peace of mind in terms of security of their valuable belongings but also one of the most attractive

rates and ease of location. At present, the Bank offers locker facilities with the following sizes and rates:

F) Card Products

Himalayan Bank Ltd. introduced the first Nepali Credit Card for the domestic market HBL CARD which was the most popular card in the country. Now Himalayan Bank Ltd. is offering Visa and MasterCard card. This is a further expression of commitment of the bank to provide to the customers with products tailored to match requirements of the customers.

) **HBL Visa Debit Card:** Any individual maintaining savings/current account can avail the card .Accepted at more than 300,000 Visa merchant outlets and at more than 20,000 Visa ATMs throughout Nepal & India

) **HBL Credit Card** :-Himalayan Bank issues the following two different types of credit cards (International and Domestic) to its Customers

) **Credit Card Financing Scheme:-** Looking at the consumer financing needs of the Customers, HBL introduced this new card product. HBL has signed special tie-up agreements with various dealers in Nepal to make this scheme successful and for ease and comfort of the Customers. Under this scheme, HBL credit card holders can avail financing for various products from the Bank's merchants.

) **ATM Locations: -**

Inside Kathmandu Valley

1. Thamel Branch (In Front Of Tridevi Temple)
2. Thamel Branch Premiese
3. New Road Branch
4. Patan Branch

5. Maharajgunj Branch
6. Hot Breads, New Road
7. Patan Durbar Square, Patan
8. Blue Bird Department Store, Thapathali
9. Bhatbattini Department Store
10. Bhaktapur Durbar Square, Bhaktapur
11. T.U Teaching Hospital, Maharajgunj
12. Lalitpur Bishal Bazar
13. United Trade Center, Tripureshwor
14. Sasstra Prahari (Army Police), Halchowk
15. Sahid Gangalal Hospital, Bansbari
16. Banepa Branch, Banepa
17. Ason Chowk, Kathmandu
18. Gairidhara, Kathmandu
19. Battisputali, Kathmandu
20. New Baneshwor, Kathmandu

Outside Kathmandu Valley

1. Pokhara Branch
2. Hotel Meera, Lakeside Pokhara
3. Birgunj Branch
4. Bharatpur Branch
5. Bhairahawa Branch
6. Hetauda Branch
7. Dharan Branch
8. Butwal Branch
9. Nepalgunj Branch

G) Himalayan SMS

Himalayan Bank is proud to present **SMS Banking**. Now take care of a host of your banking needs without ever having to wait in queues. Using SMS Banking, you can check your balance, status of cheque (encashed or not), your last three transactions and the Bank's foreign exchange rate, all at a few clicks of your cell.

H) Internet Banking

Whenever, wherever. Take control with Internet Banking. It is simply doing many of your banking transactions using your PC and the Internet (subject to minimum browser restrictions). The advantages? No banking hours, no queues. Just banking from wherever you are connected, safely and securely. It's easy, convenient, and best of all, it's available to you anytime. It's for you if you want to control your account and it's free. Once you've registered and received your membership name and password - you'll find many benefits to banking from home or office or elsewhere.

2.2.2 Policy Formulation and Implementation for Commercial Banks

) In the process of amending the existing regulatory directives as and when require, some unclear sections of the regulations/directives were clarified, some were abolished while other was revised in FY 2002/03. These directives included the following:

- (a) Commercial banks were allowed to open a bank branch within the Kathmandu valley after opening two branches outside the valley.
- (b) The provision of maintaining 5.5 percent interest spread between deposits and lending rate was abolished.

- (c) A directive was issued regarding sale of promoters share and putting it as collateral.
 - (d) Credit to the small farmers development bank limited (SFDB) will be treated as credit to the deprived sector.
 - (e) A directive was issued in relation to financial guarantee and investment in government bonds.
 - (f) Apart from the clarification relating to the investment in CIB, NRB made some revisions in some of its directives regarding banks paid-up capital, swap loan, formation of audit committee, adjustment in loan loss provisioning, various aspects of corporate governance, rescheduling and restructuring of loans and advances, etc.
-) To consolidate the different acts of commercial banks and financial institutions under an umbrella a draft of the bank and financial institutions ordinance was prepared and submitted to the ministry of finance.
-) With a view to reducing gradually the lending to priority sector by commercial banks, the following arrangement was made with effect from FY 2002/03.

While lending to priority sector will not be compulsory for the commercial banks from FY 2007/08 onwards, provision of lending to the deprived sector will be continued.

Table no: 2.1
Lending Priority Percentage to Total Loan

<u>Fiscal Year</u>	Minimum ceiling of priority sector lending as percent of total loan
2002/03	7 percent
2003/04	6 percent
2004/05	4 percent
2005/06	2 percent
2006/07	2 percent

For the enlistment of the sick industries, refinancing of Rs. 303 million was made available to 40 such industries through various commercial banks in FY 2002/03.

2.3 Review of Research Papers

Review of literature means reviewing research studies of other relevant proposition in the related area of the study so that all the past studies, their conclusions and deficiencies may be known and further research can be conducted. In order to conceptualize the issue of research of activities helps to identify the adequate relevant literatures. This sort of activities helps to identify the research problem as well as to determine the methodology for the study. It also avoids unintentional replication of previous studies.

For this study, relevant literatures have been reviewed from books, journals, magazines, published and unpublished articles and so on. Reports of previous research and dissertation works have also been reviewed during the study. Relevant literatures are also cited form related web sites. Libraries and online libraries are frequently visited for this purpose. This chapter presents an outline of the literature reviewed during the study. There are not much articles related to Performance Evaluation on Customer Satisfaction in Nepal.

An article of **Mr. Gyawali (2055)** on *deposit mobilization* refers to the collection of small and scattered savings of the people and directing them for investment in the productive purposes thereby contributing to the further increases of saving through improvement of the income level of the savers.

“A Comparative Performance Study of Rastriya Banijya Bank” by **Mr. Bajracharya (2047)**, concluded that deposits growth of commercial bank is not so consistent; there is low growth in local/ non-joint venture banks than that in joint venture banks. It is better on credit deposit ratio in joint venture banks than the non-joint venture banks /local banks. Non-performing loan was greater in non-joint venture banks and profitability was greater in joint venture bank. Local banks were forced to open their branches at the rural areas but joint venture banks were not forced in this rule. Therefore the competition among the local banks and joint venture banks is not healthy.

Another article of **Mr. Bajracharya(2047)** on "*Monitory Policy & Deposit Mobilization in Nepal*", from "Rajat Jayanti Smarika opines that mobilization of domestic saving is one of the prime objectives of the most active financial intermediary for generating resources in the forms of the private sector and providing credit to the investors in different sectors of the economy.

Next article of **Mr. Shrestha (2047)** on "*Commercial Banks Performance Evaluation*" concluded that joint venture banks are new operationally more efficient having superior performance while comparing with non Joint venture banks. Better performance of joint venture banks is due to their sophisticated technology, modern banking, and method, Via computerization, prompt customers service and skills. Their better

performance is also due to the burden the banks facing governments branching policy in rural areas and financing public enterprises. Local banks are efficient and in rural sectors, but having numbers of deficiencies. So, local banks have to face growing constraint of social, economical, political system on one spectrum and that of issues and challenges of joint venture banks commanding significant banking business on other spectrum.

In the same way, an article by **Mr. Thakur (2052)** on "*Performance of Nepalese Commercial Banks*," stated that the joint venture banks are successful not in only penetrating the market but also consolidating their position over the year. It is due to its customer orientation and strong marketing strategy.

Mr. Shrestha (2045) made a study on "*A study on deposits and credits of commercial banks in Nepal*", which revealed that in 2004 AD the credit deposit ratio would be 51.3, other things remaining the same, which was the lowest under the period of review. So, he had strongly suggested that the commercial banks should try to provide more credit facility launching new banking product otherwise they could not be able to absorb even its total expenses.

A study of Mr.P.R Panday (1999) entitled "*The study on brand loyalty*" focused to find out whether or not brand loyalty exists in the Nepalese consumer market while purchasing low involvement consumer products. Despite of this the objectives of the study are to analyze and overlook what is brand? What are correlates of brand loyalty and how far these correlates are decisive to make consumer brand loyalty in Nepalese market. What is the strategy further to be taken for making consumer brand loyalty. For this research work some consumer products are taken such as detergent soap, instant noodles, shaving blade, toothpaste and soft drinks. Trough

this study it is found that consumer give high importance to brand names at movement of purchasing. They emphasize in brand. Brand awareness to the Nepalese consumer is found to be high and majority of the Nepalese consumers are found brand loyal. It is found that the factor such as sex, age, marital status, income, family size, store loyalty, specific deal, and favorite brand of the other member, of the family influence brand loyalty but the degree and direction of relationship varies across product. Major recommendation of the study are branding is necessary for the product benefits, qualities such as action or color, easy to pronounce, recognize and remember as well as distinctive. Brand loyalty is absolutely a great asset of company. For the achievement of the great asset the marketing strategy of the company into product, price, place and promotion should be sound and well defined.

A study of Mr. R.K Neupane (2006) entitled "*Study of market situation of toothpaste in Kathmandu*" has been conducted to find out the role of advertising on brand choice of low involvement consumer goods. It is the study trying to show the importance of advertising on brand choice of low involvement products. The objective of this study was to find out if advertising plays any supportive role in brand choice decision, if the consumers brand choices for low involvement goods are completely, partially or not impressed through advertisement, if there other promotional tool exist which has more weight in brand choice decision than advertising.

A study of Ms. Chandra Shrestha (1980) entitled "*An analysis on market position of shampoo*". The objective of the study was to find out if the sales promotion does impact on sales of Beer. To find out which mode of sales promotion is more wisely used by the manufacturers as sales promotion tools, to find out the most suitable media to advertise about the

sales of beers in Nepal and to predict the sales of coming year if every factor remains same. This study specially deals with the most recent and widely used methods of sales promotion and its impact on product market.

"Dr. Govinda Bahadur Thapa" has expressed his view that the commercial banks including foreign joint venture banks seem to be doing pretty well in mobilizing deposits likewise; loans and advances of these banks are also increasing. But compared to the high credit needs particularly by the newly emerging industries, the banks still seem to lack of adequate funds. The banks are increasing their lending to non-traditional sectors along with the traditional sectors. This has obviously increased the customer base of the commercial banks resulting in the increase in the satisfaction level of the customers.

"A Report Study on Performance Evaluation of Chaudhary Group for customer satisfaction in instant noodle" has made remarkable efforts for evaluating Chaudhary Group on the customer satisfaction in instant noodles presented by **Hari Prasad Dahal** for the requirement of partial fulfillment of bachelor level of T.U. examination. He focused on customer satisfaction specially noodles products produced by Chaudhary Group. Chaudhary Group produces different varieties instant noodles i.e. Wai-Wai, Gol-Mol, Mama, Rintin etc. He focused on his report, Chaudhry Group has categorized it products according to competitive brand products and this group's products has been covered the market around 30 percent of total market. By providing different prizes and schemes to the final consumer, Chaudhary Group frequently changes its prizes and schemes according to competitive brand prizes and schemes. Recently, this company has announced that company's products covered the market not only domestic area but also in foreign countries.

Chaudhary Group has claimed its products produced as per the customer view, test, demand, loyalty, satisfaction etc. Customer can complain about its product through mail and web site. Recently, this company is facing the challenge from competitive brand products i.e. Rumpum, Mayoj, Rara, Shakha Laka Boom etc. but the test of Wai Wai is always flavored and testy rather than other brand products. The company uses to furnish maximum amount for research and development of products in each year.

During the period of this report writing, **Mr. Dahal** has used both primary and secondary data. Primary data was collected and analyzed using the questionnaires method from Kathmandu valley final customer around 500 customers by asking different opened end, closed end, alternative, yes/no, short view and tick answer related to the customer satisfaction and secondary data was collected from its head office Sanepa related to the income statement and balance sheet from FY 2001 to 2005 and those data were analyzed by using simple financial tool for finding the actual performance of the company.

Mr. Dahal focused on his report writing that customer is the king of market and product should be produced according to test and want of customer and then only company can earn profit in competitive market. Goods should be produced as per above provision and provide after sale service and lastly should respond to the customers feedback about the sold products.

Finally, he recommended that the company should focus on customer test and satisfaction rather than prizes and more schemes, expand its new market area not only existing market area, expand its product line with the test and want of customer etc.

2.4 Research Gap

This thesis includes the study on the performance evaluation on the *Customer Satisfaction* of Himalayan Bank Limited, a case study of Pokhara Branch. This research is completely new and original and it should be the foundation for the future researchers to know about the CUSTOMER SATISFACTION OF HIMALAYAN BANK LIMITED. Hence the research gap could not be assessed in this thesis. For the researchers it is requested to research about the different factors influencing marketing strategy, political instability, strictly follow up of the rules and regulations as well as the implementation etc. To stay alive in present competitive market scenario, each bank has to provide extra service to its clients in modern banking system.

CHAPTER III

RESEARCH METHODOLOGY

This chapter includes research design, justification for the selection of study unit, nature and sources of data, methods of data collection and limitations of methodology. The above research procedures are adopted comprehensively to accomplish the objectives set in Chapter

3.1 Research Design

A research design is the arrangement of condition for collection and analysis of data that aims to combine relevance to the research with economy in procedure. Research design is the plan, structure and strategy of investment so as to obtain answer to research questions and to control variances. To achieve the objective of this study, descriptive and analytical research design has been used. Some financial and statistical tools have been applied to examine to facts and descriptive techniques have been adopted to evaluate the overall performance of Himalayan Bank Ltd. Pokhara Branch.

3.2 Populations and Sample

There are many financial institutions in Nepal however we study about the non-performing assets of some commercial banks operation in Nepalese banking industry. The population of the study is the total number of commercial banks operator banking business in Nepal that is 25 banks. And the amplest are taken form population on random sampling basis.

To fulfill the requirement of these thesis objectives, among the clients of its bank, only 150 persons are selected for primary data collection and from the secondary data only sampling method of past data will be gathered as required.

3.3 Nature and Sources of Data

Basically the research is based on primary information data. 150 respondents who are the customers of HBL are major sources of data. The information related to the past and current work conducted in the research field were collected from the following sources:

- Annual reports of HBL

- NRB reports & bulletins and its official website

- Various research papers and Dissertations

- Various articles published in journals and financial magazines

- Nepal Stock Exchange reports

- Official Website of banks

Formal and informal discussions with the senior staff of the banks were held which was helpful in understanding and obtaining the additional information.

3.4 Data Collection Procedure

The required information was collected by conducting visit to the branch office of Himalayan Bank Ltd, Pokhara branch, consulting library at P.N. Campus and Pokhara College of Management, Internet Surfing and related text books. The annual reports of the selected banks for the study period were obtained from its Pokhara branch through personal approach and internet surfing to the banks' official website. NRB regulatory directives, Statistics of the Commercial Banks of Nepal and other related publication were obtained through internet surfing to NRB's official website and periodicals. Existing literature on the subject matter was collected from

various research papers placed in Western Regional Library (T.U.), Pokhara. Likewise, the review of working papers conducted by various international scholars on the related matter was done through internet surfing to various websites.

3.5 Data Processing

The primary data received from the respondents and the financial data from the published documents and audited financial statements were manually extracted into the computer files of Microsoft Excel program which acted as master database file. The data was refined further into spreadsheets to carry out financial ratio calculation and graphical illustrations through mathematical functions and Chart program of the Excel program.

3.6 Limitations of the Methodology

The research is conducted to fulfill the academic requirement of Master of Business degree. It is focused on the performance evaluation and consumer satisfaction of Himalayan Bank Ltd. Pokhara Branch and is based on reliable disclosure of audited financial reports the Bank. The basic limiting conditions, within which the research work is conducted, are:

1. The evaluation made herein of one sample unit of HBL only, hence cannot be reasoned for similar condition of the whole industry. However, it gives a particular direction to the industry if not actual.
2. The quarterly financial reports of the bank are not publicly available or if available not adequate whereas the effectiveness of the assessment requires quarterly financial reports.

The data figures from different other sources may not be congruent with the bank's published data. However audited data published by the bank are

treated as authentic. The study is carried out within the framework of case study research design. So, it is difficult to eliminate the limitations of the case study research design, in which the study as well as the methodology is bounded. Only a single unit is taken for the study, therefore, the study may not be able to represent the whole banking industry.

CHAPTER IV

DATA PRESENTATION AND ANALYSIS

4.1 Data Presentation and Analysis

This chapter deals with the presentation of data collected and its analysis with focus on the Customer Satisfaction of Himalayan Bank Ltd. Pokhara Branch. The major findings from the analysis are made following the presentation. The data collected from different sources has been refined and documented in Excel tables, which are further processed to analyze and arrive at the findings on the satisfaction level of customer of Himalayan Bank Ltd. Pokhara Branch.

4.1.1 Data Presentation

With the help of review of literature and research methodology along with objectives of the study, both of primary and secondary data will be collected using different methods like questionnaire and from different reports and both of data will be applied for requirement of this thesis writing. To make this fruitful and effective, it is necessary to collect proper data and correctly analyze with the help of objectives of the study.

So, the primary data would be collected around 200 clients of Himalayan Bank in the Pokhara Branch by asking listed questions and their valuable information about the customer satisfaction and service provided by the bank. The customers of Pokhara Branch who have been enjoying several facilities from the bank have been selected randomly.

Similarly, secondary data would be gathered from the bank's web site and different publication of Himalayan bank and Rastra bank. Both primary and secondary data will be presented in different tables, charts, diagrams and figures when required.

4.1.2 Analysis of Primary Data of HBL

Primary data will be analyzed as the requirement of objective of this study. But for the fulfillment of selected topic is very tough at the side of customer satisfaction. In this section, the collected data will be analyzed and interpreted by using descriptive well as analytical studies with the help of different tables and charts. Primary data analysis and plays role for research analysis about customer satisfaction of Himalayan Bank Ltd.

a. Various Services and Products provided by HBL

The collected primary data are categorized in six groups at the time of providing questionnaires to the clients only in Pokhara Branch around 200 customers of the bank. The questions are basically focused to the service provided by bank to its customers. The responses of the respondents have been shown in the table hereunder:

Table 4.1

Product Consciousness

Do you enjoy any sort of facility in Himalayan Bank Ltd., Pokhara Branch?	No. of Respondents
YES	200
NO	-

The table shows that all the respondents are enjoying any one of the facilities in Pokhara Branch of Himalayan Bank Limited. This is because, we have obtained the information from the customer of HBL, Pokhara branch only in this study other than those using any one of the facilities in order to obtain exact conclusion.

Table 4.2
Types of Customers

Types of Customers	Number of Customers	Weight
Account Holders only	63	0.31
Cards Users	25	0.13
Borrowers	27	0.14
Remittance Users	42	0.21
Using More than one facility	43	0.21
Total	200	1

The above table explains the types of customers out of 200 respondents chosen for this study. Out of total 200 respondents 63 of the customers have different accounts in Himalayan Bank Ltd., Pokhara Branch, 25 use cards like Debit (ATM Cards), Credit Cards, 27 of them are borrowers availing different credit facilities, 42 respondents are remittance users and finally, 43 are those who have been using more than one facility from Himalayan Bank , Pokhara Branch.

Table 4.3
Types of Account

Types of Account	Number of Customer	Weight	Rank
1. Current Account	5	0.09	3
2. Saving Account	45	0.71	1
2.1 Normal Saving Account	17	0.27	
2.2 Premium Saving Account	13	0.21	
2.3 Bishesh Saving Account	5	0.08	
2.4 Recurring Saving Account	7	0.11	
2.5 Jumbo Term Account	3	0.05	
3. Fixed Deposit	4	0.06	4
4. Others	9	0.14	2
Total	63	1	

As per the above table out of 63 account holders of HBL, Pokhara branch, 45 have been maintaining Saving account (Normal Saving-17, Premium Saving-13, Bishesh Saving-5, Recurring Saving-7 & Jumbo Term saving-3), 5 have been maintaining current account, 4 have been maintaining fixed account and 9 respondent have been maintaining other account as call account, margin account, foreign currency account etc.

Table 4.4
Cards Facility

Types of Cards	Number of Customers	Weight	Rank
HBL Visa Debit Card	15	0.60	1
HBL Credit Card	8	0.32	2
Using more than one Card	2	0.08	3
Total	25	1	

As shown in above Table No. 4.4 majority of the card users are using HBL Visa Debit Cards with numbers of 15 out of 25 number of card users. In the same way, 8 persons are using Credit Cards who have been availing it on the basis of their credit worthiness. There are only 2 customers out of 25 who are using more than one card.

Table 4.5
Borrowers

Types of Borrowers	Number	Weight	Rank
Auto Loan	7	0.26	1
Housing Loan	6	0.22	2
Overdraft	5	0.18	3
Education Loan	3	0.11	4
Other Credit Facility	6	0.23	2
Total	27	1	

The above table shows that of the total credit facility users of the Bank Auto loan borrowers are higher with 7 numbers of borrowers than other. The number of Housing Loan and other credit facility users come after Auto Loan users, both making 6 out of total 27 followed by overdraft and education loan facility users.

Table 4.6
Remittance Facility users

Remittance Type	Number of Customers	Weight	Rank
Himal Remit	18	0.43	1
SWIFT Transfer	5	0.12	4
Instant Cash	9	0.21	3
E-Remit. & Others	10	0.24	2
Total	42	1	

The above Table No. 4.6 shows the maximum number of remittance users are Himal Remit with 18 numbers of users out of 42, E-Remit and Others remittance channel remained in second position with 10 numbers of users, SWIFT transfer lies in last position with 5 numbers of remittance users out of 42.

b. Level of Satisfaction of Different Customers of HBL

The collected primary data are categorized in six groups at the time of providing questionnaires to the clients only in Pokhara Branch around 200 customers of the bank. The questions are basically focused to the satisfaction level from the service provided by the bank to its customers. The responses of the respondents have been shown in the table hereunder:

Table 4.7
Level of Customer Satisfaction (Account Holders)

Particulars	Satisfied (No. of customers)	Not Satisfied (Number of Customers)
Interest Rate in Saving A/c	7	56
Withdrawing Limit	57	6
Frequency of withdrawal	63	-
Other Services	50	13

As shown in Table No. 4.7 almost 89% of interest bearing account customers are not satisfied with the interest rate offered by Himalayan Bank Ld. Pokhara branch. However, 90% of Account Holders are satisfied with the withdrawing limit and 100% customers are satisfied with frequency of withdrawal. On the other hand, approx. 80% account holders are satisfied with other services like behavior of the employees, range of services, line management, process of service etc.

Table 4.8
Level of Satisfaction (Card Users)

Types of Cards	Satisfied (No. of customers)	Not Satisfied (Number of Customers)
HBL Visa Debit Cards	9	6
HBL Credit Cards	5	3
Using more than one Card	1	1

The above Table No. 4.8 shows that 60% of out of total card users are satisfied from the card service provided Himalayan Bank Limited. Only few of them complained about the ATM machines which go out of order suddenly due to the various reasons like network problems, electricity problems etc. Some suggested adding the outlet of ATM throughout the nation.

Table 4.9
Level of Satisfaction (Borrowers)

Types of Cards	Satisfied (No. of customers)	Not Satisfied (Number of Customers)
Auto Loan	6	1
Housing Loan	5	1
Overdraft	4	1
Education Loan	2	1
Other Credit Facility	4	2
Total	21	6

The table shows that total satisfied customers (Borrowers) of Himalayan Bank Ltd, Pokhara Branch are almost 78% out of total 27 borrowers. 6 out of 7 Auto Loan customers are satisfied customers. Likewise, 5 out of 6 of housing loan, 4 out of 5 overdraft, 2 out of 3 education loan and 4 out of 6 of other credit facility availing borrowers are satisfied.

Table 4.10
Level of Satisfaction (Remittance Facility users)

Factors	Satisfied Customers	Unsatisfied Customers
Time for collecting money	32	10
Service	34	8
Behaviour of Employees	36	6

The level of satisfaction here is measured taking in consideration factors like time taken for collection of money, service and behavior of staffs. As per above Table No. 4.3.2.4 almost 80% of total remittance customers are satisfied and very few are not satisfied from the Bank while enjoying Remittance facility.

Table 4.11
Extra Facilities

Particulars	No. of customers
Expect new facilities	35
Already have enough facilities	165

The above data shows that majority of the customers are satisfied with the facilities provided by Pokhara Branch of Himalayan Bank Limited as the bank already provides all the facilities that all other banks are providing. However some of the customers, 35 out of 200 expected new facilities in future.

Table 4.12
Account in other banks

Name of Bank	No. of Respondents	Weight	Rank
SCBNL	7	0.12	5
EBL	11	0.18	2
NABIL	9	0.15	3
NIBL	20	0.33	1
CBIL	5	0.08	6
Others	8	0.14	4
Total	60	1	

The above table shows that the customers who have been using several facilities in Himalayan Bank Ltd. Pokhara Branch are even enjoying other facilities in many other banks. Most of the customers are enjoying facilities in Nepal Investment Bank Limited (NIBL). 11 customers are using facilities at Everest Bank Ltd. followed by NABIL, SCBNL and other commercial banks and financial institutions.

Table 4.13
Service Quality-a comparison

Particulars	No. of Respondents	Weight	Rank
HBL is Better	145	0.73	1
The other banks or financial institutions are better	20	0.10	3
Almost the same	35	0.17	2
Total	200	1	

The above table shows that 73% of the total respondents consider the service provided by Himalayan Bank Limited is better than other banks and financial institutions. 17% of the respondents said that the service provided by the financial institutions nowadays is almost same. Remaining 10% of total respondents chose other banks and financial institutions as better ones.

4.1.3 Analysis of Secondary Data of HBL as a Whole

The study also tries to study the secondary data of the Bank as a whole. The major findings from the analysis are made following the presentation. The data collected from different sources has been refined and documented in Excel tables, which are further processed to analyze and arrive at the findings.

a. Return on Equity (ROE)

ROE is measure of the rate of return flowing to the bank's shareholders. ROE is the profit as a percentage return on the owner's stake in a firm. The level of profit depends on the ROE i.e. the profit per dollar invested. Computed as the ratio of net income to the equity, it reflects the income earned from its internal sources. The ROE measures the book return to the owners of the firm. It is a "bottom line ratio" in that sense. Return on equity

reveals how well the bank uses the resources of owners. The higher ratio represents sound management and efficient mobilization of the owner's equity and vice-versa. ROE of 15% is treated as standard and banking industry are desired to have higher than this.

Return on Equity (ROE) is the numerical relationship between net incomes after taxes to total equity of a bank. It measures the amount of net income after taxes earned for each rupee of equity capital contributed by the bank's stockholders, which is determined as follows;

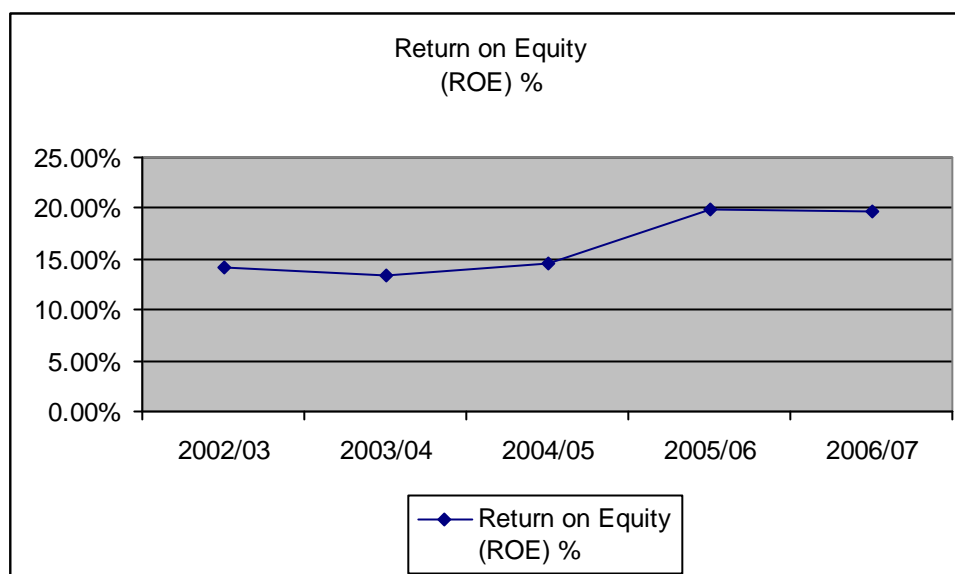
$$\text{Return on Equity (ROE)} = \frac{\text{Net Income}}{\text{Total Equity Capital}} \times 100$$

Table 4.14
Return on Equity Ratio (ROE)

Himalayan Bank Ltd (HBL)			
Fiscal Year	Net Income (Million)	Total Equity (Million)	Return on Equity (ROE) %
2002/03 (059/60)	212	1502	14.11%
2003/04 (060/61)	263	1906	13.80%
2004/05 (061/62)	308	2126	14.49%
2005/06 (062/63)	457	2292	19.94%
2006/07 (063/64)	492	2506	19.63%
Average	346.4	2,066.40	16.39%

Source: Annual Reports of HBL.

Figure 4.1: Return on Equity Ratio (ROE)



As shown in Table 4.14 and Fig. 4.1, the ROE of 13.80% is the minimum in 2003/04 and maximum in 2005/06 with 19.94. The ratio fluctuated between 14.11% in the initial period of 2002/03 and 19.63% of the final period of 2006/07. The mean ratio of the bank is 16.39%. The mean ratio is above the 15% benchmark. Hence the bank's ROE ratio is sound.

b. Return on Assets Ratio (ROA)

ROA determines the net income produced per dollar of assets. It is a measure of profitability linked to the asset size of the bank. It is primarily an indicator of managerial efficiency; it indicates how capably the management of the bank has been converting the institution's assets into net earnings. ROA is a popular tool to measure how well its asset is utilized in generating profit. It measures the profit earning capacity by utilizing available resources i.e. total assets. Return will be higher if the banks resources are well managed and efficiently utilized. Generally, the return on assets ratio should be 1% and higher is desired to the banking industry.

Return on Assets (ROA) is the numerical relationship between net incomes after taxes to total assets of a bank. It is primarily an indicator of the quality of assets, managerial efficiency to utilize the institution's assets into net earnings. Higher the ROA, higher is the quality of assets and efficient asset utilization.

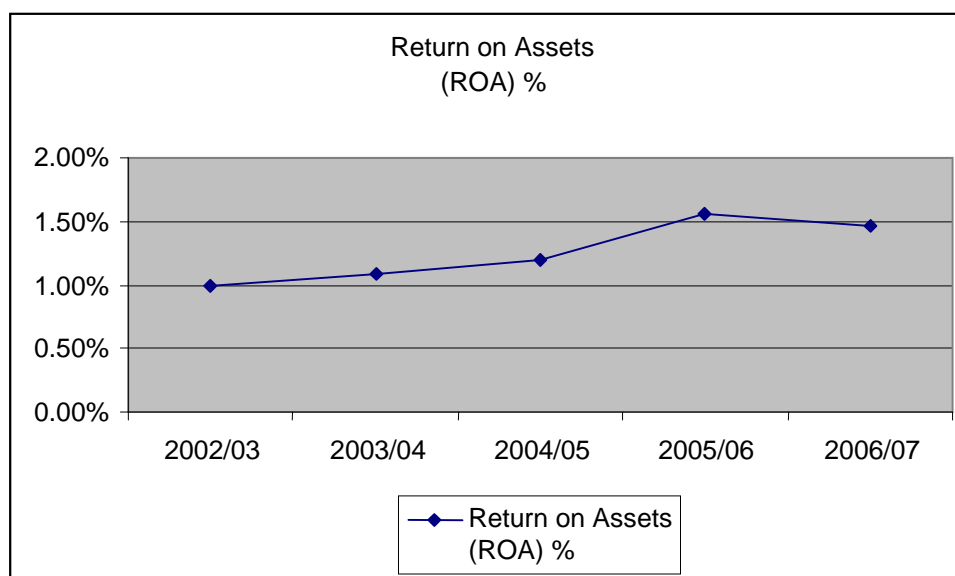
$$\text{Net Income (after tax) to Total Assets} = \frac{\text{Net Income (after tax)}}{\text{Total Assets}} \times 100$$

Table 4.15
Return on Assets Ratio (ROA)

Himalayan Bank Ltd (HBL)			
Fiscal Year	Net Income (Million)	Total Assets (Million)	Return on Assets (ROA) %
2002/03 (059/60)	212	21316	0.99%
2003/04 (060/61)	263	24198	1.09%
2004/05 (061/62)	308	25730	1.20%
2005/06 (062/63)	457	29460	1.55%
2006/07 (063/64)	492	33519	1.47%
Average	346.4	26844.6	1.26%

Source: Annual Reports of HBL

Figure 4.2: Return on Assets Ratio (ROA)



As shown in Table 4.15 and Fig. 4.2, the return on asset ratio of the bank was minimum in 2002/03 with 0.99% and maximum in 2005/06 with 1.55%. The ratio is in increasing trend. The mean ratio of the bank is 1.26%. The bank's mean ratio is approximately one and half folds above the 1% benchmark. The bank's ROA is in continuous increasing trend which shows the quality of assets and their efficiency to generate return is increasing.

c. Net Interest Margin (NIM)

The net interest margin measures the net return on the bank's earning assets (investment securities and loans and leases). It is calculated by dividing the Net Interest Income (NII) with the earning assets.

Generally, the net interest margin ratio should be 3% to 4% and higher is better in banking industry. Generally the higher this ratio, the better. However it highlights the fact that looking at returns without looking at risk can be misleading and potentially dangerous in terms of bank solvency and long run profitability.

Table No: 4.16
Net Interest Margin

Himalayan Bank Ltd (HBL)			
Fiscal Year	Net Interest Income (Million)	Total Earning Assets (Million)	Net Interest Margin (NIM)
2002/03 (059/60)	571	18714	3.05%
2003/04 (060/61)	647	21020	3.08%
2004/05 (061/62)	745	22212	3.35%
2005/06 (062/63)	978	24548	3.98%
2006/07 (063/64)	1008	25290	3.99%
Average	789.8	22356.8	3.49%

Source: Annual Reports of HBL.

In the past five years, the NIM ratio of HBL was distributed over 3.05% of 2002/03 and 3.99% of 2006/07. The minimum ratio was observed in initial FY with 3.05% and the maximum ratio was found in the

concluding year 2006/07 with 3.99%. The ratio continuously increased over the study periods. This indicates the sound interest margin of the bank during the period.

d. Earning Per Share (EPS)

The profitability of a firm from the point of view of the ordinary shareholders is the Earning Per Share. It measures the profit available to the equity shareholders on per share basis. The earnings per share of an organization give the strength of the share in the market. The higher the EPS is supposed to be a best comparing between two banks.

Table No. 4.17
Earning Per Share (EPS)

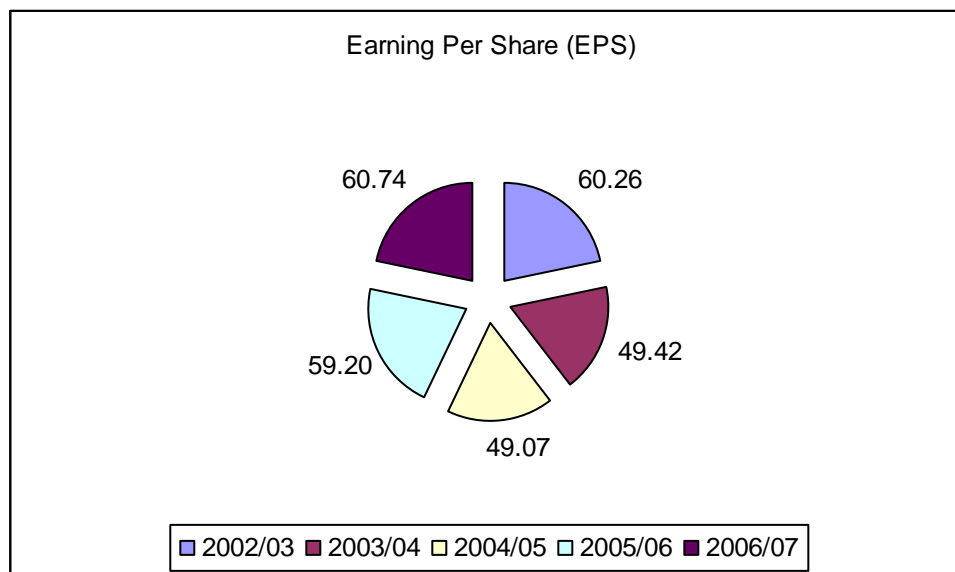
Himalayan Bank Ltd (HBL)			
Fiscal Year	Net Profit After Tax (Million)	Total No. of Share (Million)	Earning Per Share (EPS)
2002/03 (059/60)	235	3.9	60.26
2003/04 (060/61)	212	4.29	49.42
2004/05 (061/62)	263	5.36	49.07
2005/06 (062/63)	457	7.72	59.20
2006/07 (063/64)	492	8.1	60.74
Average	331.8	5.874	55.74

Source: Annual Reports of HBL.

Table 4.17

reveals that EPS of the bank decreased in the first three fiscal year of the review period thereafter it increased continuously till the final year of the review period. EPS was minimum in 2004/05 with Rs.49.07/share and maximum in 2006/07 with Rs.60.74/share. The average EPS of the period is Rs.55.74/share

Figure 4.3
Earning Per Share (EPS)



e. Loan Loss Provisioning Ratio

The Loan Loss Provisioning ratio indicates adequacy of allowance for loans and trend in the collection of loan and the performance in loan portfolio. It is obtained by the ratio of loan loss provision to the total loan. Loan loss ratio provides useful insight into the quality of a banks loan portfolio and bad debts coverage, and the adequacy of loan loss provisions. Greater loan loss provision is required to allow in income statement if high loss is expected. This ratio shows the possibility of loan default of a bank. It indicates how efficiently it manages its loan and advances and makes effort for the loan recovery. Higher ratio implies higher portion of non-performing loan portfolio. The ratio of loan loss provision to total loans and advances describes the quality of assets that a bank is holding. The provision for loan loss reflects the increasing probability on non-performing loans in the volume of total loans and advances. Loan loss provision on the other hand signifies the cushion against future contingency created by the default of the borrowers. The high ratio signifies the relatively more risky assets in the volume of loans

and advances. The high provision for loan loss shows the recovery of loan to be difficult and irregular and the age of the loan is increasing. More delay the bank gets to collect the loan, the provision will be higher and the ratio will be higher. Altman and Sametz (1977) have identified few early warning variables based on the balance sheet data. The loan loss ratio as defined by them is the ratio of provision for loss to the total loan and investments. This ratio is defined as the measure of prospective losses that are envisioned by the bank management in relation to the bank's overall loan and investment.

f. Loan Loss Provisioning Ratio

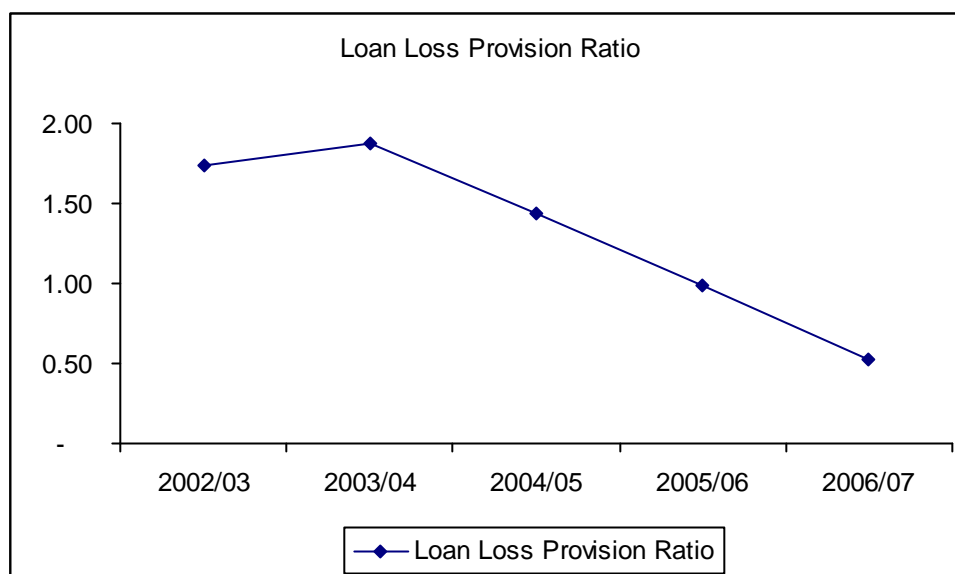
Table 4.18

Loan Loss Provisioning Ratio

Himalayan Bank Ltd (HBL)			
Fiscal Year	Total Loan Loss Provision	Total Loan & Advances	Loan Loss Provision Ratio
2002/03 (059/60)	166	9557	1.74%
2003/04 (060/61)	203	10845	1.87%
2004/05 (061/62)	186	12920	1.44%
2005/06 (062/63)	145	14642	0.99%
2006/07 (063/64)	90	16998	0.53%

Source: Annual Report of HBL.

Table 4.18 exhibits that the loan loss provisioning ratio of the bank increased in the first year decreased thereafter to 0.53% till the final year of study periods. The ratio ranges from 1.74% in FY 2002/03 to 0.53% in FY 2006/07, which indicates that the ratios are variable and not consistent with the decreasing trend. The provisioning for Pass loans is above 1% NRB norm in first three years and below 1% in last two years.

Figure: 4.4: Loan Loss Provisioning Ratio**g. Total Loan to Total Deposit Ratio**

The ratio of Total loan to Total deposit measures the portion of total loan in respect of total deposit. The Total Loan to Total Deposit Ratio of Himalayan Bank Ltd. is presented in the following table.

Table 4.19**Total Loan to Total Deposit Ratio**

Himalayan Bank Ltd (HBL)			
Fiscal Year	Total Loan	Total Deposit	Total Loan to Total Deposit Ratio
2002/03 (059/60)	9557	18619	51.33%
2003/04 (060/61)	10845	21007	51.63%
2004/05 (061/62)	12920	22010	58.70%
2005/06 (062/63)	14642	26490	55.27%
2006/07 (063/64)	16998	30048	56.57%

Source: Annual Report of HBL.

Table 4.19 shows that Total loan to Total deposit ratio of Himalayan Bank Ltd is fluctuating over the year. The ratio ranges minimum with 51.33% in FY 2002/03 to maximum with 58.70% in FY 2004/05. In all years the

bank has maintained lower ratio, which indicates the strong liquidity position of the bank but it may affect the profitability of the bank.

The overall secondary data presented above reflect the performance of Himalayan Bank Limited which seems to be quite satisfactory. The researcher has presented the above data in this study to analyze the level of customer satisfaction by using these data. The overall performance of the Bank is noted to be satisfactory which obviously is due to the satisfied customers of the bank. It is truly said that the satisfied customers are the Assets of any company/organization. The same has been reflected in this study.

4.2 Major Findings

After the presentation and analysis of both primary and secondary data, following major findings have been derived;

4.2.1 Total numbers of respondents were 200 as sample for this study.

Out of 200 respondents chosen for this study 63 of the customers have different accounts at Himalayan Bank Ltd., Pokhara Branch. 25 use cards like Debit (ATM Cards), Credit Cards 27 of them are borrowers availing different credit facilities 42 respondents are remittance users and 43 are those who have been using more than one facility from Himalayan Bank , Pokhara Branch.

4.2.2 Out of 63 account holders of HBL, Pokhara branch, 45 have been maintaining Saving account (Normal Saving-17, Premium Saving-13, Bishesh Saving-5, Recurring Saving-7 & Jumbo Term saving-3), 5 have been maintaining current account, 4 have been maintaining fixed account and 9 respondent have been maintaining other account.

4.2.3 Most of the card users are using HBL Visa Debit Cards with numbers of 15 out of 25 number of card users, 8 customers out of

25 are using Credit Cards who have been availing it on the basis of their credit worthiness and only 2 out of 25 were found to be using more than one card.

- 4.2.4 Out of 27 credit facility users of HBL, Pokhara branch, 7 have been availing Auto loan, 6 have been availing Housing Loan, 5 have been availing overdraft, 3 Education Loan and 6 have been availing other credit facility from HBL
- 4.2.5 Total numbers of different Remittance users are found to be 42 out of 200 respondents. Out of 42 remittance users, 18 are using Himal Remit, 5 are using Swift Transfer, 9 are using Instant Cash and 10 are using E-Remit and other remittance channels.
- 4.2.6 86% of total account holders maintaining interest bearing account are not satisfied with the interest rate offered by Himalayan Bank Ld. Pokhara branch. While 90% of Account Holders are satisfied with the withdrawing limit and frequency of withdrawal and about 80% account holders are satisfied with other services like behavior of the employees, range of services, line management, process of service etc.
- 4.2.7 60% of total card users are satisfied from the card service provided by Himalayan Bank Limited. Only few of them were not satisfied with the card service provided by the bank.
- 4.2.8 Total satisfied customers (Borrowers) of Himalayan Bank Ltd, Pokhara Branch are almost 70% out of total 27 borrowers. 6 out of 7 Auto Loan customers are satisfied customers. 80% of borrowers are satisfied from Housing loan and Education.
- 4.2.9 80% of remittance uses are satisfied from the remittance services of HBL and very few of them are not satisfied. As the bank has a separate counter for Remittance, it does not take more time for providing money to the beneficiary. Similarly, the quality of

service also is better as there is the provision of separate counter and staff for this purpose. The respondents found the behavior of the employees quite good and are satisfied towards it to the greater extent.

- 4.2.10 Majority of the customers are satisfied with the facilities provided by Pokhara Branch of Himalayan Bank Limited as the bank already provides all the facilities that all other banks are providing. However some of the customers expected more services.
- 4.2.11 20 customers out of 200 customers of HBL, Pokhara branch are enjoying facilities at Nepal Investment Bank Limited (NIBL), 11 customers are using facilities at Everest Bank Ltd. followed by NABIL, SCBNL and other commercial banks and financial institutions. Almost 73% Customers are satisfied with the facilities provided by the bank. Almost 17% of the respondents said that the service provided by the financial institutions nowadays is almost the same. Remaining respondents chose other banks and financial institutions as better ones.
- 4.2.12 The ROE of 13.80% is the minimum in 2003/04 and maximum in 2005/06 with 19.94. The ratio fluctuated between 14.11% in the initial period of 2002/03 and 19.63% of the final period of 2006/07. The mean ratio of the bank is 16.39%. The mean ratio is above the 15% benchmark. Hence the bank's ROE ratio is sound.
- 4.2.13 ROA ratio of HBL was minimum in 2002/03 with 0.99% and maximum in 2005/06 with 1.55%. The ratio is in increasing trend. The mean ratio of the bank is 1.26%. The bank's mean ratio is approximately one and half folds above the 1% benchmark. The bank's ROA is in continuous increasing trend which shows the quality of assets and their efficiency to generate return is increasing.

- 4.2.14 NIM ratio of HBL was distributed over 3.05% of 2002/03 and 3.99% of 2006/07. The minimum ratio was observed in initial FY with 3.05% and the maximum ratio was found in the concluding year 2006/07 with 3.99%. The ratio continuously increased over the study periods. This indicates the sound interest margin of the bank during the period.
- 4.2.15 EPS of HBL bank decreased in the first three fiscal year of the review period thereafter it increased continuously till the final year of the review period. EPS was minimum in 2004/05 with Rs.49.07/share and maximum in 2006/07 with Rs.60.74/share. The average EPS of the period was Rs.55.74/share
- 4.2.16 Loan Loss Provisioning ratio of the bank increased in the first year and thereafter it decreased to 0.53% till the final year of study periods. The ratio ranges from 1.74% in FY 2002/03 to 0.53% in FY 2006/07, which indicates that the ratios are variable and not consistent with the decreasing trend. The provisioning for Pass loans is above 1% NRB norm in first three years and below 1% in last two years.
- 4.2.17 Total loan to Total deposit ratio of Himalayan Bank Ltd is fluctuating over the year. The ratio ranges minimum with 51.33% in FY 2002/03 to maximum with 58.70% in FY 2004/05. In all years the bank has maintained lower ratio, which indicates the strong liquidity position of the bank but it may affect the profitability of the bank.

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

The research study is focused on assessing the Performance Evaluation and Customer Satisfaction of Customer of Himalayan Bank Ltd. Pokhara Branch, by using descriptive and analytical research design. The study scrutinises the performance of HBL and customer satisfaction level as regard to their trend different services and products provided to its customers. Responses from the customers are the primary source of information and the bank's audited annual reports of condition for the period 2002/03 to 2006/07 are the secondary source of information and treated as authentic.

The practice of banking emerged in Nepal 70 years ago with the establishment of Nepal Bank Limited in 1994 BS. In its 70 years' banking history, the country has made much headway in the banking sector. There is now a wide-ranging network of financial institutions scattered across the length and breadth of the country. The financial system of the country now consists of the central bank, commercial banks, development banks, finance companies and cooperatives engaged in limited banking transactions.

It is fact that financial sector plays a vital role for the economic development of a country. Even before the establishment of a banking system in Nepal financial transaction was in practice as undertaken by some moneylenders like sahu-mahajans, zamindars, relatives, friends, and

few informal organization limited to ethnic group such as gothic. The bowering from the other people and the informal organization was limited and based on personal understanding. At that time people deposit their gold, silver, and valuable goods for the sake of security, the concept of financial institution.

Modern marketing is a customer-oriented, integrated marketing and goal-oriented philosophy of business. This philosophy assumes that all the planning and operation should be customer-oriented i.e., the organization and its employees should first focus on determining customer needs and wants. In order to satisfy their needs and wants, all marketing activities (4ps or 7ps) should be coordinated in a coherent or marketing consistent way. And the marketer should try to earn profit only after the customers are satisfied. Through it is very difficult talk for the marketers, if they want long-run survival and achieve long run goal, they should follow this principle.

A buyer is anyone, individual person and an organization, which is potentially willing and able to buy products offered by the marketers. The buyer and customer are interchangeably used. In comprehensive term, buyers or customers are people in families and other kinds of households who buy and use products and services in order to satisfy their personal needs and wants.

A buyer behavior consists of activities that the people engage in when selecting, purchasing, and using products and services so as to satisfy needs and desires. Such activities involve not only physical actions but also mental and emotional processes. Here, the main them is that the process of effective marketing must begin with the careful evaluation of the problems faced by potential customers, because a product or service that does not provide an answer to a buyer's problem, no matter how unimportant that problem may seem to others, will not be accepted by the

customers. Therefore, it is more productive to find out what customers wants in a product, and then to offer them that product, rather than to present a product and hope to convince the customers that they need it.

A marketer can secure his long-term benefits only by satisfying customer needs and wants. So the key to success for a marketer is to properly analyze the value and satisfaction that a customer receives from the marketer's offer or product because a customer makes purchase the product or service only if he expects adequate benefits from the product compared to the cost he satisfies.

Himalayan bank limited is a joint-venture bank with Habib bank of Pakistan. It was established in 1992 under company Act 1964. This is the first joint-venture bank managed by Nepali chided executive. The operation of the bank started from February 1993.

The main objectives of the bank are to provide modern banking facilities like tale-banking to the businessman, industrialists, and other professionals and to provide loans on agriculture, commerce and industrial sectors. HBL provides the following services such as extension of branch, housing loan, hire-purchase loan for doctors, engineers, lawyer, chartered accountant etc, education loan , foreign remittance, ATM facility, vehicle loan, premium saving, debit card, internet banking, locker facility, any branch banking service facility, training for employees for skill development, and other various service facilities. The head office of the bank is situated at Thamel, Kathmandu, and altogether there are 18 branches spread over different locations. This study is based on the performance evaluation of Himalayan Bank Limited for customer satisfaction as a case study of its Pokhara Branch. Pokhara Branch of Himalayan Bank Limited is located in New road, Pokhara. The branch provides a full fledge banking service viz. Cash Counter, Remittance Service, Customer Service Desk, Personal Lending Unit for personal loans, Card Services etc. The branch is basically divided

into two units - Operations and Credit. There are altogether 20 staffs in the branch.

5.2 Conclusions

It was already stated that this study is based on both primary and secondary data. Reliability of analysis and conclusion depends upon accuracy of data. Financial tools are applied for the study. From the analysis we obtain the following result.

The overall primary data collected to test the level of customer satisfaction of Pokhara Branch of Himalayan Bank Limited shows that majority of the customers are satisfied with the overall service provided by the branch. Pokhara Branch of HBL itself provides a full fledged banking which has given lesser space to the customer to complain.

5.2.1 63 customers are account holders out of 200 respondents and 45 maintaining different saving account in HBL, Pokhara branch, out of which most of them are not satisfied with interest rate provided by the bank. This might be due to the attractive interest rate provided by other banks. On the other hand, almost account holder customers are satisfied with other services provided by Himalayan Bank, Pokhara Branch.

5.2.2 Most of the card users are using Debit cards and more than average of total card users are satisfied with the card services provide by the bank and only few of them complained about the ATM machines which go out of order suddenly due to the various reasons like network problems, electricity problems etc. The number of debit cards users are higher than credit cards users, which is because of easy cash transaction and less official formalities of the bank.

- 5.2.3 Approximately 78% of customers availing different credit facilities from HBL, Pokhara branch are satisfied with the overall credit facilities provided by the bank and some are not satisfied due to the recent increment in interest rate in the credit facilities.
- 5.2.4 Most of the customers using remittance facilities were found to be Himal Remit users and majority of them are satisfied from the Bank while enjoying Remittance facility. The main reason behind the popularity of Himal Remit is due to the easy access to money through it as it is the bank's own remit channel. The other reason behind its popularity might be extra attention to the customers provided by the bank than other remittance channels. Majority of the customers are satisfied with the facilities provided by Pokhara Branch of Himalayan Bank Limited as the bank already provides all the facilities that all other banks are providing. However some of the customers suggested to add more services.
- 5.2.5 60 customers out of 200 customers of HBL, Pokhara branch are enjoying facilities with other than HBL. The customers enjoying facilities of other banks as well is due to human nature of wanting for more and also comparing facilities of different banks. Almost all customers are satisfied with the facilities provided by the bank. Almost 17% of the respondents said that the service provided by the financial institutions nowadays is almost same. Remaining respondents chose other banks and financial institutions as better ones. These customers are not satisfied.
- 5.2.6 ROE ratio of HBL fluctuated between 14.11% in the initial period of 2002/03 and 19.63% of the final period of 2006/07. The mean ratio of the bank is 16.39%. The mean ratio is above the 15% benchmark. Hence the bank's ROE ratio is sound. On the other hand, ROA ratio of HBL is in increasing trend. The mean ratio of

the bank is 1.26%. The bank's mean ratio is approximately one and half folds above the 1% benchmark. The bank's ROA is in continuous increasing trend which shows the quality of assets and their efficiency to generate return is increasing.

- 5.2.7 NIM ratio of HBL continuously increased over the study periods. This indicates the sound interest margin of the bank during the period. EPS of HBL bank decreased in the first three fiscal year of the review period thereafter it increased continuously till the final year of the review period. The average EPS of the period was Rs.55.74/share
- 5.2.8 Loan Loss Provisioning ratio of HBL ranges from 1.74% in FY 2002/03 to 0.53% in FY 2006/07, which indicates that the ratios are variable and not consistent with the decreasing trend. Total loan to Total deposit ratio of Himalayan Bank Ltd is fluctuating over the year. In all years the bank has maintained lower ratio, which indicates the strong liquidity position of the bank but it may affect the profitability of the bank.

5.3 Recommendation

The following some valuable suggestions and recommendations are prescribed through the basis of findings, presentation and analysis of data and conclusion to overcome weakness and inefficiencies and to improve present financial as well as customer satisfaction performance of Himalayan Bank Limited, Pokhara Branch and Himalayan Bank Limited as a whole.

- 5.3.1 As per the finding, most of the customers of HBL, Pokhara branch are not satisfied with interest rate in interest bearing account; therefore, in order to motivate the saving habit of the lower level people, the bank is suggested to increase in interest rate and

reduce in the minimum required balance and extension of its branches towards deprived sectors of the kingdom is must for boosting up the lower level people.

- 5.3.2 It is observed that Himalayan Bank Limited still does not have enough ATM card counter, internet banking, and branch networking service etc and has some problems in network of ATM machine; so it is recommended that it should increase such type's service for providing maximum service to its customers especially in remote areas and take step to eliminate the problem about the ATM network.
- 5.3.3 Level of satisfaction of borrowers of HBL is found 78%, remaining 28% are dissatisfied, it is due to the time of sanction and lending loan from HBL Bank Limited, there are usually taken more time and lengthy procedure so it is suggested that bank should improve its efficiency job in order to achieve 100% satisfaction level of the customers. Further, it is strongly recommended to follow liberal lending policy and invest more and more percentage of total deposit in small loan and advance also and similarly maintain more stability on the investment policy.
- 5.3.4 Due to the establishment of several branches of different commercial banks and Local FIs Pokhara area as well as other parts of nation, Himalayan Bank Limited, Pokhara Branch and Himalayan Bank as a whole is facing lots of competition. It is found some customers of HBL are making banking transaction with other Banks & FIs also, which may be the root cause of retention problem of the bank. Therefore, Himalayan Bank Limited should be conscious about the retention of existing customers and make new customers by giving emphasis on

modern technology development and efficient manpower development.

- 5.3.5 Himalayan bank Limited should be more market oriented; services oriented and offer a complete range of financial as well as customer service for customer satisfaction the customers.
- 5.3.6 The ROE and ROA ratio of HBL in some years are below the standard benchmark. However, average mean ROE ratio of the bank is above standard benchmark, which shows the sound earning level of the banks. ROE ratios of the bank seem to be fluctuated during the study period, which indicates the instability of the earning of the banks. So the bank is recommended to make a stability earning level.
- 5.3.7 NIM ratio of HBL found continuously increased over the study periods. This indicates the sound interest margin of the bank during the period. Thus the bank is suggested to maintain the same level of NIM ratio in the coming years too. EPS of HBL bank decreased in the first three fiscal year of the review period thereafter it increased continuously till the final year of the review period. Hence, the bank is suggested to maintain the stability EPS ratio.
- 5.3.8 Total loan to Total deposit ratio of Himalayan Bank Ltd is fluctuating over the year. The ratio found to be lower side during the period, which indicates the strong liquidity position of the bank but it may affect the profitability of the bank. Therefore, it is strongly recommended to follow liberal lending policy and invest more and more percentage of total deposit in loan and advance and similarly maintain more stability on the investment policy.

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APPENDIX I

Questionnaires

(This is the set of questionnaires prepared to conduct a field work on the performance evaluation on customer satisfaction of Himalayan Bank Ltd, Pokhara Branch, as the partial fulfillment of the requirement for the degree of Bachelor of Business Studies. The questionnaires shall be filled by the customers of Himalayan Bank Limited who have been enjoying different types of facilities of Bank that this research gives exact data and the objective of the report shall be fulfilled. The information obtained through this questionnaire shall be kept confidential and will be used for this report purpose only).

Please fill up the following (Your personal details shall be kept highly confidential and the information provided shall be used for research purpose only)

Name:

Sex:

Occupation:

Age:

Address:

1. What type facilities are you enjoying in Himalayan Bank Limited, Pokhara Branch? Please specify.
.....
2. Do you know about the facilities provided by Himalayan Bank Limited, Pokhara branch? Please tick the ones you know.
 - A. Account opening in Nepalese as well as foreign currencies.
 - B. Credit facilities like Auto/ Housing/ Business loan
 - C. Purchase of foreign currencies/ Travelers Cheque etc
 - D. Several Remittance facilities.
 - E. Debit Card/ Credit Card facilities.
 - F. Any Branch Banking System.
 - G. Locker Facilities.
 - H. Other facilities like evening counter, 365 Days banking etc.
 - I. All

For Account Holder

3. Which Account do you have in Himalayan Bank?
 - a) Saving b) Current c) Fixed Deposit d) Others

4. Do you think that the interest rate that you are getting from the Bank is reasonable? If, No please write the expected rate you want from saving as well fixed deposit accounts.
a) Yes b) No c) It must be more than.....
5. Are you satisfied with the withdrawal limit and frequency from your account?
a) Yes b) No
6. Why have you chosen Himalayan Bank out of number of other commercial banks?
.....

For Card Holders

7. Are you availing with the Credit/ Debit card facility from Himalayan Bank?
a) Yes b) No
8. Are you satisfied with the Credit/Debit Card Service of the Bank?
a) Yes b) No
9. Are the Member of ATM outlets/ shopping outlets enough for using your cards easily?
a) More than enough b) Number of outlet should be increased

For Borrowers

10. Are you availing any credit facility from Himalayan Bank Limited?
a) Yes b) No
11. If you are availing credit facility, which facility are you availing?
a) Auto Loan b) Housing Loan c) Business Loan d) Others.....
12. If yes, do you think the interest you are paying is reasonable?
a) Yes b) No c) It must be less than
13. Are you satisfied with the service provided by and the behavior of the employee of the Lending Unit of Himalayan bank Limited?
a) Yes b) No

For the customers who use remittance facility

14. Which remittance facilities do you use from Himalayan Bank Limited?
a) Himal Remit b) Instant Cash
c) SWIFT Transfer (Swift) d) E-remittance e) Others.....

APPENDIX II

List of Commercial Banks in Nepal

S.N.	Name of the Banks	Estd. Year (B.S.)
1	Nepal Bank Limited	1994
2	Rastriya Banijya Bank	2022
3	Agriculture Development Bank Nepal	
4	NABIL Bank Limited	2041
5	Nepal Investment Bank Limited	2042
6	Standard Chartered Bank Nepal Limited	2043
7	Himalavan Bank Limited	2049
8	Nepal SBI Bank Limited	2050
9	Nepal Bangladesh Bank Limited	2050
10	Everest Bank Limited	2051
11	Bank of Kathmandu Limited	2051
12	Nepal Credit and Commerce Bank Limited	2053
13	Lumbini Bank Limited	2055
14	NIC Bank Limited	2055
15	Machapuchre Bank Limited	2056
16	Kumari Bank Limited	2057
17	Laxmi Bank Limited	2058
18	Siddhartha Bank Limited	2058
19	Global Bank Limited	2064
20	Citizen Investment Bank Limited	2064
21	Sunrise Bank Ltd.	2064
22	Prime Bank Ltd.	2064
23	Bank of Asia	2064
24	Development Credit Bank Ltd	2065
25	NMB Bank Ltd.	2065

Source: <http://www.nrb.org.np>.

APPENDIX III

Shareholding Pattern of HBL

S.N.	Subscription			% Stake
1.	Financial Institution			14%
	a.	EPF	14%	
2.	General Public (Promoters+General Public)			66%
3.	Foreign Investment			20%
	a.	Habib Bank of Pakistan	20%	

Source: Annual Reports

APPENDIX IV

HIMALAYAN BANK LTD. Comparative Balance Sheet

(in million Rs.)

Fiscal Year (as at mid July)	2002	2003	2004	2005	2006
Capital and Liabilities					
Share Capital	390.0	429.0	536.3	772.20	810.81
Reserve Funds	1111.5	1476.9	1755.5	1665.97	1929.84
Borrowings	534.0	645.8	659.0	144.62	235.97
Deposit Accounts	18619.4	21007.4	22010.3	26490.85	30048.42
Other Liabilities	660.9	638.9	768.5	386.75	494.10
Total Liabilities	21315.8	24198.0	25729.6	29460.39	33519.14
Assets					
Cash & Bank Balance	1264.7	1979.2	2001.1	1717.35	1757.34
Money at Call	352.4	150.1	368.9	1005.28	1710.02
Investment	9157.1	10175.4	9292.1	10889.03	11822.98
Loan and Advances	9557.1	10844.6	12919.6	14642.56	16998
Fixed Assets	318.8	229.9	299.6	840.82	574.06
Other Assets	665.7	818.8	848.3	365.40	656.70
Total Assets	21315.8	24198.0	25729.6	29460.39	33519.14

Source: Annual Reports.

APPENDIX V
HIMALAYAN BANK LTD.
Comparative Profit and Loss Account

(in million Rs.)

Fiscal Year(for the mid July)	2002	2003	2004	2005	2006
Expenses					
Interest Expenses	578.134	554.128	491.543	648.84	767.41
Staff Expenses	101.537	120.146	152.508	234.59	272.23
Office Operating Expenses	155.786	177.132	211.047	329.70	341.56
Provision for Doubtful Debts	166.506	202.873	186.226	145.15	90.69
Provision for Staff Bonus	38.783	40.003	46.731	67.24	71.74
Non-operating Expenses	--	—	10.988	2.90	315.89
Income Tax Provision	114.023	147.896	157.522	214.94	225.58
Net Profit	235.023	212.129	263.053	457.46	491.82
Total Expenses	1389.79	1454.31	1519.62	2100.82	2219.39
Incomes					
Interest Income	1149	1201.23	1245.9	1626.47	1775.58
Commission & Discount	101.704	102.562	123.929	165.45	193.22
Foreign Exchange Gain	104.601	109.599	112.419	198.13	151.64
Non-Operating Income	2.451	10.76	3.299	1.89	3.49
Other Income	32.038	30.154	34.076	108.88	95.46
Total Income	1389.79	1454.31	1519.62	2100.82	2219.39

Source: Annual Reports.

APPENDIX 6

Calculation of Different Ratios for FY 2002/03 (2059/60)

1. Return on Equity (ROE) = $\frac{\text{Net Income}}{\text{Total Equity Capital}} \times 100$
 $= 212/1502 \times 100$
 $= 14.11\%$

2. Net Income (after tax) to Total Assets = $\frac{\text{Net Income (after tax)}}{\text{Total Assets}} \times 100$
 $= 212/21316 \times 100$
 $= 0.99\%$

3. Net Interest Margin Ratio (NIM) = $\frac{\text{Net Interest Income}}{\text{Total Earning Assets}} \times 100$
 $= 571/18714 \times 100$
 $= 3.05\%$

4. Earnings Per Share = $\frac{\text{Net Income (after tax)}}{\text{Total No. of Share}}$
 $= 235/3.9$
 $= \text{NPR } 60.26 \text{ per share}$

5. Loan Loss Provision Ratio = $\frac{\text{Total Loan Loss Provision}}{\text{Total Loan and Advances}} \times 100$
 $= 166/9557 \times 100$
 $= 1.74\%$

6. Total Loan to Total Deposit Ratio = $\frac{\text{Total Loan}}{\text{Total Deposit}} \times 100$
 $= 9557/18619$
 $= 51.33\%$