

USING ALTERNATIVE FINANCIAL CHANNELS AND CUSTOMER
SATISFACTION IN NEPALESE FINANCIAL INSTITUTIONS

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

By

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Certification of Authorship

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled **“Using Alternative Financial Channels and Customer Satisfaction in Nepalese Financial Institutions”**. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor. It has been proposed and presented as part of requirements for any other academic purposes.

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

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Report of Research Committee

Miss Puja Regmi has defended research proposal entitled “**Using Alternative Financial Channels and Customer Satisfaction in Nepalese Financial Institutions**”, successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Dr. Binita Manandhar and submit the thesis for evaluation and viva voce examination.

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Approval Sheet

We, the undersigned, have examined the thesis entitled “**Using Alternative Financial Channels and Customer Satisfaction in Nepalese Financial Institutions**” presented by Puja Regmi a candidate for the degree of master of Business Studies (MBS Semester) and conducted the Viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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Puja Regmi

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Abbreviations

AD	:	Anno Domini
ANOVA	:	Analysis of Variance
CRM	:	Customer Relationship Management
D	:	Dissatisfied
EBL	:	Everest Bank Limited
Etc.	:	Et cetera
Fig.	:	Figure
HBL	:	Himalayan Bank Limited
IT	:	Information Technology
Ltd.	:	Limited
Max.	:	Maximum
Min.	:	Minimum
MSQ	:	Minnesota Satisfaction Questionnaire
No.	:	Total number of observations
N	:	Neutral
NBL	:	Nepal Bank Limited
No.	:	Number of
Reg.	:	Registration
S	:	Satisfied
SD	:	Standard Deviation
SERVQUAL	:	Service Quality
SPSS	:	Statistical Package for Social Science
VD	:	Very Dissatisfied
VS	:	Very Satisfied

Abstract

Digital banking services play a crucial role in enabling commercial banks to create and provide innovative products and services while also adapting and restructuring their internal processes in response to external changes. This study aimed to evaluate the effectiveness of digital banking strategies among commercial banks in Nepal. A descriptive and causal research design was utilized, focusing on the 20 commercial banks operating in the country. Primary data was collected through self-administered questionnaires, and descriptive statistics were employed for data analysis. The study assessed the performance and impact of digital banking strategies using regression analysis. The findings indicated a significant positive relationship between ATM services and overall performance, while consumer satisfaction showed a weak correlation with internet banking. Notably, a strong positive correlation was found at the 1% significance level, particularly between mobile banking and customer satisfaction. Additionally, a significant positive correlation exists between satisfaction and the point scale.

The regression analysis results indicated a linear relationship between customer happiness and ATMs, mobile banking, and points on the scale. ATMs significantly enhance customer satisfaction. Furthermore, the points on the scale had a minor positive effect on customer satisfaction. In contrast, internet banking had a positive but insignificant impact, while mobile banking showed a negative and insignificant relationship with customer satisfaction.

Keywords: ATM, Internet banking, Mobile Banking, Point on Scale, Customer

Satisfaction

Chapter I

Introduction

1.1 Background of the study

The advancement of electronic banking technology has brought about new ways to handle banking transactions, especially via online platforms. Worldwide, the banking sector has been facing increasing challenges and competition, highlighted by a growing trend towards globalization, mergers, acquisitions, and consolidation.

New methods and systems have recently emerged in banking services, known as alternative banking delivery channels, which are specifically targeting customers. Financial threats, combined with growing market complexity, have driven financial institutions to swiftly adjust to the rapid changes. The rising demand for modern solutions and the development of new technologies have resulted in major shifts in the workplace. Additionally, significant demographic changes and flexible structures are creating substantial challenges for the finance sector during times of market instability. This presents a timely opportunity for commercial banks to adopt innovations in financial service delivery and leverage the benefits they offer.

The global banking industry has undergone significant changes over the years, largely driven by technological advancements, as well as major shifts in the regulations governing the use of this technology (Buitenhek, 2016). As a result, many banks have transitioned to using new service delivery methods, moving away from traditional teller-based services to offering marketing and sales through phone, email, and various electronic transactions (Dermish et al., 2011). Banking channels are classified into direct and indirect categories. Direct channels are those fully owned and controlled by the bank, while indirect channels are not completely under the bank's control. The two main types of direct channels include location-based options, such as branches, roaming vans, kiosks, and business units, and remote channels, like internet services, Interactive Voice Response systems, and call centers (Buitenhek, 2016).

In the United States, commercial banks implement alternative banking methods to cut costs and improve customer service (Kolodinsky et al., 2014). In Turkey, empirical studies show that alternative banking services are widely embraced, with the country having the highest

number of users accessing such services in 2015 compared to other nations (Coskun, 2014). In Australia, the majority of banks have rapidly adopted alternative banking services to meet consumer demands, though many rural banks fall behind due to insufficient infrastructure (Khatri and Kurnia, 2011).

In India, both private and public service providers offer alternative banking options, with research linking this mode of banking to higher service satisfaction levels. In Pakistan, the uptake of alternative banking has been slower. Malaysian banks are recognized for utilizing communication and electronic channels (Abubakar et al., 2012), enabling clients to carry out transactions remotely without needing to visit the bank in person. In developing countries, particularly in Africa, the adoption of alternative banking has helped intensify competition among local banks, while the entry of international banks has driven all institutions to improve services for better consumer experience and profitability. Nigeria leads African nations in alternative banking usage, followed by Ghana. In East Africa, countries like Kenya, Tanzania, and Uganda have heavily invested in ICT to support alternative banking.

The banking industry has introduced branchless banking innovations, such as internet banking, mobile banking, ATMs, point of sale (POP), and credit card service outlets. These innovations help banks expand their customer base, lower transaction costs, and improve access to financial services for the poor in remote areas. As a result, research on consumer behavior intention is critical, as it closely reflects actual behavior (Adewoye, 2013). Khatri and Kurnia (2014) noted that customers consistently prefer fast, personalized, and secure banking services. Therefore, understanding customer satisfaction with digital banking services is essential.

1.2 Problem statement

Customer satisfaction is a key focus in today's competitive and globalized market. Modern customers expect more than just affordable prices; they value practical, dependable, and trustworthy technologies. Numerous Kenyan banks have rapidly adopted information and communication technologies to enhance their service offerings. Significant financial investments have been made in developing self-service and virtual banking systems to boost customer service quality. However, the growth of ecommerce has been hampered by factors such as the quality, availability, and cost of telecommunications infrastructure,

shortage of skilled personnel, low internet access, low banking penetration, and delays in the delivery of physical goods. Ensuring customer satisfaction is the primary goal of any organization. When customers are content, companies experience increased profits and market share, while dissatisfaction leads to the opposite. Furthermore, customer satisfaction fosters loyalty and helps organizations achieve their objectives. As a result, organizations must promptly meet customer needs to accomplish their objectives. Banks, as business entities, should prioritize excellent customer service to attract and retain clients while fostering their loyalty. However, banks in Nepal show minimal concern for their customers. This negligence results in the use of outdated and traditional technologies, leading to customer dissatisfaction and increased switching rates. Consequently, these banks fail to adequately meet customer expectations, with the reliance on traditional technologies being a significant factor. Research by Levesque and McDougall (1996) highlights that consistently poor customer experiences stemming from inadequate service quality reduce customer satisfaction and the likelihood of recommending the service.

In numerous countries, many bank customers have expressed concerns about the need for improved service delivery, an area that banks have largely ignored, particularly in relation to modern technologies (Aker, 2010). There is a growing dissatisfaction with online banking services among commercial bank customers (Aker, 2010). The primary challenges of electronic banking include finding the right balance between convenience, speed, and security. Frequent system failures, especially with ATMs, have been a significant concern, negatively impacting the quality of customer service. Likewise, there have been complaints regarding failures at point-of-sale terminals in stores when access to the host bank is disrupted, leading to customer inconveniences and, at times, legal actions.

E-banking was implemented by banks to enhance service delivery, reduce queues in banking halls, allow customers to withdraw cash around the clock, facilitate international payments and remittances, track personal banking transactions, request online statements, and transfer deposits to third-party accounts. Despite banks' efforts to ensure customers benefit from e-banking, they face complaints about issues such as malfunctioning automated teller machines (ATMs), network outages, online theft and fraud, lack of available financial services, hidden costs associated with electronic banking like SMS alerts, the mandatory need for ATM cards, and the refusal of Nigerian cards for international transactions, among other concerns (John and Rotimi, 2014).

Nonetheless, while local banks predominantly offer real-time online intranet banking, the involvement of customers in this process is still significantly lacking. This is largely due to the widespread occurrence of internet fraud and the absence of a sufficient regulatory framework to shield banks from the risks associated with internet banking, particularly regarding communication and transactions.

The researcher has been exploring how technology contributes to customer satisfaction in banks across Nepal. The aim of this study is to assess the impact of alternative banking channels on customer satisfaction. This research addresses the following questions.

- What is the perception of customers on the level of satisfaction in alternative banking channels i.e. e-banking, mobile banking, automated teller machines, and point of sale in commercial banks in Nepal?
- Is there is any relationship between independent variables i.e. e-banking, mobile banking, ATM and point on sale (POS) with customer satisfaction?
- Is there is any effect of alternative banking channels i.e. e-banking, Mobile banking, ATM and point on sale (POS) on customer satisfaction among commercial banks in Nepal?

1.3 Objectives of the study

The specific objectives of the research are as follows:

- To assess the customer's satisfaction level in alternative banking channels.
- To examine the association between the independent variables i.e. e-banking, mobile banking, ATM, and point of sale with customer satisfaction.
- To analyze the effect of e-banking, mobile banking, ATM, and point on sale (POS) banking on customer satisfaction in commercial banks in Nepal.

1.4 Hypotheses

The hypothesis is a formal assertion outlining the anticipated relationship between independent and dependent variables. The following hypotheses were formulated based on a review of previous articles and research studies. Eight alternative hypotheses were developed to explore relationships and assess the influence of the dependent and independent variables in this research. These hypotheses were derived from the study's theoretical framework.

H1: There is a significant positive relationship between internet banking channel and customer satisfaction.

H2: There is a significant positive relationship between ATM banking channel and customer satisfaction.

H3: There is a significant positive relationship between mobile banking channel and customer satisfaction.

H4: There is a significant positive relationship between POS banking channel and customer satisfaction.

H5: Internet banking channel has a significant positive effect on customer satisfaction.

H6: ATM banking channel has a significant positive effect on customer satisfaction.

H7: Mobile banking channel has a significant positive effect on customer satisfaction.

H8: Point of sale (POS) banking channel has a significant positive effect on customer satisfaction.

1.5 Rationale of the study

This study is particularly significant for Nepal's banking sector. Understanding customer awareness and satisfaction regarding alternative banking channels allows bankers to address customer issues and tailor their products and services to meet specific needs. Additionally, the research offers valuable guidelines for policymakers in crafting regulations and policies related to alternative banking. It is also expected to aid academic institutions and individuals interested in pursuing related research in the future. The findings highlight several variables linked to alternative banking channels that significantly impact customer satisfaction. When the quality of services surpasses customer expectations, satisfaction increases. Consequently, this study identifies various factors that influence customer satisfaction when utilizing alternative banking channels.

The research provides insights into the significance of addressing customer needs and ensuring a positive experience with alternative banking channels. It also evaluates the ability of banks to retain customers and addresses the challenges faced by the unbanked population. Additionally, the results can assist banking institutions in enhancing or expanding their services to promote economic empowerment and customer satisfaction. Ultimately, these findings may serve as secondary data for further studies.

1.5 Limitations of the Study

Given that the world is constantly evolving, this study is no different from any other research. Nevertheless, the researcher has taken extensive measures to reduce the limitations. The present study does have some limitations, outlined as follows:

- i. This study is concentrated on using alternative financial channels and customer satisfaction in Nepalese financial institutions
- ii. Out of the total of 20 commercial banks, only three banks customer are taken as a sample.
- iii. This study is based on primary data.
- iv. This study used statistical tools like regression and correlation.

Chapter II

Literature Review

This section provides an overview of both empirical and conceptual literature regarding the impact of alternative banking channels on customer satisfaction in Nepalese commercial banks, and it outlines the study's conceptual framework. In essence, the literature review summarizes insights from other researchers who have explored the same area of study. Reviewing diverse international literature on the topic is essential for drawing significant conclusions. To enhance clarity regarding the findings of different researchers, this chapter is organized into three distinct sections.

- Theoretical Review
- Empirical Review
- Research Gap

2.1 Theoretical review

Various theories about electronic banking exist, each presenting its unique framework and concept within the field. Theoretical perspectives that illustrate the growth of electronic banking and its impact on the banking sector are especially pertinent to this research. Below are some of these highlighted theories:

2.1.1 The Porter's five forces perspective

From a theoretical perspective, a company that achieves a competitive advantage by offering cost or benefit advantages will experience superior performance (Porter, 1980). This concept suggests that a firm's competitive advantage arises from external environmental factors it must navigate, such as creating barriers to market entry for competitors, differentiating its products, securing a necessary level of capital, and managing customer switching costs (Lady et al., 2002). The idea posits that five key factors shape competition within an industry: the threat of new entrants, the rivalry among current industry competitors, the bargaining power of suppliers, the threat of substitute products, and the power of consumers (Porter, 1980). The concept suggests that, even with ongoing external threats, a firm's competitive position is influenced by the strengths and weaknesses of other players in the industry. Additionally, potential new market entrants, the bargaining power of buyers and suppliers, and the threat of substitute products may all considerably diminish an organization's competitive capacity.

The structure of the industry influences profitability, but companies are not entirely constrained by it; rather, they can leverage their own strategies to impact the five forces. The five forces framework highlights key factors and guides managers toward elements that will yield the most significant long-term advantages. This idea suggests that achieving a competitive advantage largely hinges on how effectively a company addresses the specific demands of its industry. The five forces model serves as a valuable tool for analyzing the competitive landscape within a sector. However, it tends to present a static view of competition, placing excessive emphasis on industry and strategic group structure as determinants of company profit margins, while minimizing the role of innovation and individual company characteristics (Ghemawat et al., 2009).

2.1.2 The Technology Acceptance Model (TAM)

Davis (1986) developed the TAM Model, which examines the factors affecting users' acceptance of computers. The model posits that two beliefs perceived utility and perceived ease of use affect an individual's intention to use a system. Perceived ease of use pertains to a person's belief in the system's reliability and error-free operation, while perceived utility relates to the extent to which a person believes that using the system will improve their job performance. Within the framework of TAM, these two concepts primarily drive computer acceptance behaviors.

The aim of the Technology Acceptance Model (TAM) is to provide a theoretically grounded and concise explanation of the factors affecting computer acceptance, which can generally account for user behavior across various types of end-user computing technologies and user groups. Its suitability for modeling computer acceptance is particularly strong, as it incorporates insights gained from over a decade of information systems research (Welch & Worthington, 2010). TAM posits that an individual's attitude towards using technology and their assessment of its usefulness can significantly influence their intention to utilize it. Rowley (2011) emphasizes that technology should be user-friendly and easy to learn. This indicates that users' perceptions of usability are likely to enhance their views on trustworthiness and their willingness to engage with internet marketing.

2.1.3 Effectiveness of Digital Marketing Strategies

The growth of digital marketing relies on the capability to adapt to evolving conditions, improve understanding of customer needs, and turn these insights into better customer experiences and services. Additionally, it necessitates engaging with target consumers, building communities, boosting marketing effectiveness, and finding new ways to convey value propositions. Furthermore, it significantly depends on the skills of the workforce, their training, and their ability to collaborate effectively.

Market Penetration

Johnston and Scholes (2002) state that a market penetration strategy is the least risky approach as it leverages many of the company's existing resources and competencies in a growing market. They suggest that when competitors reach their capacity limits, there may be opportunities for exit to increase market share, and that merely maintaining market share can lead to growth. Furthermore, this strategy typically requires the least amount of funding for expansion, although resources may need to be allocated to advertising efforts to attract and convert customers. Such efforts could include sponsorships, advertising, limited-time discounts, or special promotions. The primary risk of adopting this strategy is the potential for retaliation from competitors, especially if gaining market share involves encroaching on their territory and if products are easily interchangeable.

Market Development Strategy

Market development, as defined by Pearce and Robinson (2001), involves selling existing products to consumers in related markets. These consumers may include untapped vertical markets, new geographical regions, or other emerging opportunities. To uncover potential new customer segments, the company aims to broaden its distribution network and establish new locations both domestically and internationally. Additionally, it seeks to capture market share from competitors by identifying products that serve as effective substitutes for each other.

Product Development Strategy

When internal variables highlight weaknesses in distribution or strengths in product development, while external factors reveal market saturation, increased competition, or other market risks, new product development methods are utilized. Conversely, if internal factors suggest potential new markets for existing products due to improved distribution

but weaker production or product development, a strategy for developing these new markets may be formulated (Jauch & Glueck, 1988).

Diversification Strategy

Related and unrelated diversification represent two distinct approaches to diversification strategies. Related diversification minimizes costs linked to product and market changes, such as the need for new technology, and helps a company steer clear of potential conflicts with existing competitors (Doyle, 1994). In contrast, unrelated diversification involves a company's expansion into markets that are technologically or distribution-wise disconnected from its current products, often driven more by financial factors than by industrial considerations. This form of diversification allows the company to break free from limitations imposed by its chosen market. Unrelated diversification can take the form of either conglomerate or concentric strategies.

2.1.4 Digital Marketing and Competitive Advantage

Financial institutions have experienced a significant transformation. The catalyst for this change is innovation in information technology. The global shift in digital marketing is focused on information and communication technology (Mirhoseini, 2010). For quite some time, the world has been characterized by technological advancements and adaptations, making change a constant. Marketers have adapted to continuously acquiring new skills. Encountering new channels in everyday life has become routine. When a regulation becomes obsolete, it is identified and subsequently discarded (Mishra, 2008). It is crucial to be able to adjust the company's digital marketing strategy to meet industry demands. The current transformation is unlike previous ones. Simply altering marketing tactics will not ensure the business remains competitive.

The entire digital marketing model requires a complete overhaul. Anything less will compel your business to play catch-up with industry leaders, and given that success depends on collaboration across different functions, achieving that catch-up is nearly unfeasible. In some organizations, fostering departmental collaboration necessitates a change in corporate culture. Rapid technological advancements in digital marketing, such as analytics, mobile technology, and social media, are occurring at a remarkable pace. Both employees and customers heavily utilize these innovations. Executives across various sectors, including media, electronics, and paint manufacturing, are presented with a bewildering array of new

digital opportunities, and while they have limited guidance to navigate these changes, they are attentive to them. Digital maturity is crucial across all industries; organizations with determined leadership can adopt the strategies employed by those that are digitally mature.

2.1.5 Digital Marketing and Customer Service

Contemporary digital marketing simplifies market segmentation and consumer-oriented marketing. By facilitating a more targeted and effective marketing mix, market segmentation aids in achieving marketing objectives. A segment-specific approach is more efficient and successful than a broad market strategy because it allows for the delivery of a tailored marketing mix. Producers can gain deeper insights into consumer needs, behaviors, and expectations through market segmentation, as it involves collecting precise data intended for specific segments. The primary aim of marketing initiatives for organizations is to build satisfying relationships with consumers that benefit both the business and the customer. Consequently, marketing has become increasingly significant in many enterprises and society at large. Companies and marketers should pay attention to the relatively recent concept of modern marketing, as the functions and implementation of contemporary digital marketing have attracted considerable focus.

Bickman and Rog (2008) note that the global banking sector has been rapidly growing, largely due to the rise of digital channels, initially through online banking and now with mobile banking. While the characteristics of this evolution vary slightly between developed and developing countries due to lower Internet usage and slower access speeds in emerging markets, there remains a general trend toward increased adoption of digital banking channels. As digital platform usage rises, banks must shift their sales and marketing strategies from broad, brand-centric and branch-focused campaigns to more effective digital marketing approaches. This shift aims for the integration of multichannel sales and marketing. However, the emergence of social media and the differences in consumer interactions on digital platforms compared to traditional ones add complexity to this transition.

2.1.6 Digital Marketing and Growth

The group of consumers who consistently purchase a business's products or services is referred to as its customer base. This group represents the primary source of revenue for the business. Since consumer behaviors can be effectively analyzed through market

research or previous experiences, the customer base can also be seen as the company's target market. One of the most significant advancements in the banking industry aimed at broadening consumer outreach has been the rapid growth of digital channels. Consequently, digital marketing is fundamentally transforming the operations of retail financial services organizations. This transformation is largely driven by the widespread use of mobile phones and the increase in Internet access. Furthermore, digital channels are generating vast amounts of data that can be used to profile clients, understand their needs, and target them with tailored offers in increasingly specific segments.

Clark and Dorie (2012) emphasize the necessity for banks to prioritize digital advancements, as new competitors have emerged as online firms from the start, considering analytics a vital core competency. In developed countries, banks have largely succeeded in shifting transactions away from branches and into other channels. While the situation in developing nations is slightly different, where there may be a need for more branches at times, the overall trend is likely to persist. To adapt to the decreasing number of customers visiting physical locations, banks must enhance their digital channel marketing strategies. This involves leveraging available technology and techniques effectively.

Kates and Matthew (2013) argue that digital marketing poses greater challenges for established banks operating within a heavily regulated environment. Consequently, many banks are still in the early stages of developing their digital marketing capabilities, both offline and online. However, some banks have already established the essential elements to excel in this area. Key components include the ability to provide real-time offers to customers across various channels, an enhanced utilization of analytics such as predictive analysis, and a unified real-time view of the customer (Welch & Worthington, 2010). Mcmillan and Schumaker (2011) highlighted that, unlike traditional marketing channels such as print, television, and direct mail, the adoption of digital marketing enables consistent, cost-effective, and personalized communication with customers.

2.1.7 Segmentation, Targeting, and Positioning (STP):

Segmentation: This concept suggests that a market can be divided into various groups based on a variety of characteristics, such as needs, behaviors, psychographics, and demographics.

Targeting: After segmentation, a business selects one or more segments to concentrate on, taking into account its strengths and the appeal of the market.

Positioning: This involves creating a unique and favorable perception of a brand or product in the minds of the target audience.

2.1.8 Consumer Behavior Theories

Customer behavior theory explores the decision-making processes of consumers regarding their purchasing choices. By predicting the timing and manner in which customers make purchases, this field aids marketers and businesses in capitalizing on these behaviors. Identifying the factors influencing these decisions is crucial, as is highlighting techniques for proactive manipulation of consumer behavior. The intricate field of consumer behavior aims to comprehend the motivations behind consumers' purchasing decisions. Various theories and models have been created to analyze and anticipate consumer behavior. Here are some key theories related to this area:

Theory of Planned Behavior (TPB): This concept, developed by Icek Ajzen, suggests that the most crucial factor determining whether an individual will engage in a behavior is their intention to do so. Three main elements shape these intentions: the person's attitude towards the behavior, perceived behavioral control (which refers to how easy or difficult it is to perform the behavior), and the subjective norm (the social pressure to either engage in or refrain from the behavior).

Theory of Reasoned Action (TRA): An earlier iteration of the Theory of Planned Behavior suggests that an individual's attitude toward a behavior and the perceived social norms influence their intention to participate in that action.

Maslow's Hierarchy of Needs: Abraham Maslow's thesis posits that individuals have a hierarchy of needs that ranges from basic physiological requirements, such as food and shelter, to higher-level aspirations like self-actualization. A person's position within this hierarchy influences their behavior as consumers, leading them to make purchases aimed at fulfilling their unmet needs.

Cognitive Dissonance Theory: This hypothesis, created by Leon Festinger, suggests that when individuals' attitudes or beliefs conflict with their actions, they experience discomfort known as cognitive dissonance. To reduce this dissonance, customers might change their views or justify their behaviors, potentially influencing their purchasing decisions.

Consumer Decision-Making Process: This model outlines the process a customer follows when choosing a product. Typically, it involves recognizing the problem, collecting information, considering various alternatives, making a choice, and assessing the purchase after it has been completed.

Diffusion of Innovation Theory: This hypothesis, developed by Everett Rogers, explains how new inventions or products spread throughout a community. It categorizes individuals into innovators, early adopters, early majority, late majority, and laggards based on their willingness to embrace new items.

Cultural Influence Theory: This concept highlights the significant role that culture plays in shaping consumer behavior. Cultural factors such as norms, values, and beliefs affect decision-making, product choices, and usage.

Social Identity Theory: This theory examines how an individual's social identity and self-concept influence their consumption choices. People often make purchasing decisions based on the social, ethnic, or cultural groups they identify with.

2.2 Empirical review

Simon and Thomas (2016) investigated on effect of electronic banking on customer satisfaction in selected commercial banks, Kenya. The aim of the research was to assess how electronic banking impacts customer satisfaction at first-tier banks in Nairobi Town. Descriptive statistics, correlation coefficients, and multiple regression were employed for data analysis. The findings indicated that the flexibility of internet banking significantly influences customer satisfaction, as does its ease of use. Additionally, personalized internet banking also has a substantial effect on customer satisfaction. The study concluded that the perceived usefulness of internet banking and its user-friendliness have a relatively minor impact on customer satisfaction.

Wadesango (2020) conducted research on how the performance of commercial banks is affected by digital banking services. The study aimed to examine how digital banking affects the financial performance of commercial banks in Zimbabwe. To achieve this, the Pearson correlation coefficient and multiple regression analysis were used for data evaluation. Findings revealed that during the specified period, there was an increase in the ratio of online bank transactions to total assets. Additionally, costs related to ICT, along with fees and commissions, rose, leading to a higher total asset ratio. Ultimately, the study determined that online banking transactions had a strong and positive correlation with return on assets (ROA), indicating that an increase in online transactions led to improved ROA.

Akhter (2022) conducted a study on Bangladeshi commercial bank customers to determine the elements that influence consumers' intentions to use online banking services. The aim of this research was to identify the factors that affect the intentions of commercial bank customers in Bangladesh to utilize internet banking services. The study employed multiple regression and correlation coefficient methods for data analysis. It revealed that several factors significantly impacted the intention to use online banking services, including perceived security risk (PSR), perceived usefulness (PU), perceived ease of use (PEU), social influence (SI), and consumer innovativeness (CI). The findings suggested that to enhance users' willingness to adopt and integrate general banking services via online platforms, bank management should focus on leveraging PU, PEU, SI, and CI.

Sambaombe (2022) looked at a study that used the TRA model to analyze the impact of internet banking on customer satisfaction in commercial banks, using the Stanbic main branch as a case study (Doctoral dissertation, University of Zambia). The study aimed to assess how online banking influences customer satisfaction in commercial banks through the TRA model. It employed descriptive statistics and correlation coefficients for data analysis. Findings revealed a correlation between customer satisfaction with banking services and online banking, identified through Kendall's tau-b correlation. The study concluded that factors such as gender interaction, being male, having less than a secondary education, negative behavioral beliefs, negative attitudes, negative behavioral intentions, and non-use of internet banking negatively affected customer satisfaction.

Wuisan and Handra (2022) study focused on leveraging digital advertising to optimize online marketing strategies. The aim of this study is to explore the best strategies for utilizing online advertising to capture consumers' attention and encourage purchases. Multiple regression analysis was employed to analyze the data. The results indicate that the effectiveness of online advertising significantly influences customers' intentions to shop on the Lazada platform. Furthermore, the research concluded that the rapid advancement of the information technology sector has notably affected communities by enabling various small and large businesses to gain international recognition.

Gaire (2023) researched on internet banking tools and client satisfaction with Nepalese commercial banks. The aim of the research was to evaluate how Internet tools affect client satisfaction in Surkhet's commercial banking sector. The analysis of the data employed frequency, mean, standard deviation, and multiple regression techniques. The findings revealed a significant positive effect of Internet banking tools on client satisfaction. It was determined that internet banking, ATMs, mobile banking, and point-of-sale systems have statistically significant relationships with client satisfaction.

Dahal et al. (2023) analyzed customer's perspective on non-financial performance metrics of telecommunication companies: the emerging market case. The aim of the research was to measure non-financial performance metrics (NPMs) in the telecommunications sector from the viewpoint of customers. Data analysis involved Cronbach's alpha and multiple regression techniques. The findings revealed that non-financial performance metrics accounted for approximately 54% of the success and capabilities of telecommunications companies in Nepal. The research concluded that there is no widely accepted approach to integrating these concepts, and empirical studies in this field are scarce.

Nuseir et al. (2023) investigated the effects of digital marketing techniques on customer experience. The aim of the study was to explore contemporary digital marketing techniques and technologies and their roles across various marketing domains and activities. To improve customer experience tools, the research also examines market segmentation in the digital era. Additionally, the survey identifies the approach deemed most effective for enhancing customer experience. The research methodology involves a Systematic Literature Review (SLR), which includes identifying key publications, extracting and synthesizing relevant data, and assessing the quality of the selected works.

Meria et al. (2023) conducted study on application-based digital marketing tactics that increase consumer satisfaction. The aim of this study is to evaluate how the principles of digital marketing strategy can enhance consumer satisfaction. Utilizing a descriptive research design, the study systematically and objectively collected and analyzed data. Findings indicate that an effective digital marketing strategy includes several key components: a deep understanding of the target market and its segmentation, choosing the right marketing platform, developing engaging and relevant content, optimizing for search engines, and maintaining ongoing customer engagement and interest. The conclusion drawn from the study suggests that businesses must assess both internal and external factors to determine the most suitable digital marketing strategy, referred to as an application-based digital marketing strategy.

Zanubiya (2023) conducted study on application-based digital marketing tactics that increase consumer satisfaction. The aim of the study was to evaluate how exposure to the principles of digital marketing strategy can enhance consumer satisfaction through an application-based approach. Descriptive statistics and multiple regression were utilized to analyze the data. The findings indicated that an effective digital marketing plan comprises several key elements: a comprehensive understanding of the target market and its segmentation, the choice of suitable marketing platforms, the development of engaging and relevant content, search engine optimization, and ongoing customer engagement and interest. The study concluded that for a digital marketing strategy to be most effective, firms must assess both internal and external factors. This approach is referred to as an application-based digital marketing strategy.

Limbu (2024) examined on satisfaction levels of customers with online banking sectors in Nepal. The study aimed to comprehend consumer reactions to the e-banking services provided by commercial banks in Nepal. It employed Cronbach's alpha and descriptive statistics for data analysis. Findings highlighted the essential role of accessibility in online banking services. Additionally, dependability was recognized as a significant factor, with users appreciating accurate information, regular updates, and detailed product and service descriptions. The research concluded that ease of use is vital for customer satisfaction, with users stressing the importance of clear language and user-friendly interfaces. Furthermore, security measures were crucial in influencing customer satisfaction.

Ghimire and Agrawal (2024) researched on customer-centric digitalization in Nepalese commercial bank: perspective from bank manager. The aim of the research was to examine customer satisfaction in the commercial banks of Kathmandu Valley, Nepal. A fixed effect model was employed for the analysis. The findings revealed a mixed picture of customer satisfaction in Nepal's commercial banks, where improvements in digital services have increased satisfaction in urban areas, yet significant differences remain between urban and rural regions. The study concluded that while initiatives to assess and improve satisfaction have broadened across the country, challenges such as technological disruptions and organizational culture continue to exist.

Subedi and Bhandari (2024) examined on Online Banking Services and Customer Satisfaction in Nepalese Commercial Banks. The aim of the study was to assess customer satisfaction regarding online banking services in Nepal's commercial banks. Multiple regression analysis was employed for the data evaluation. The results reveal both the advantages and disadvantages of this shift, taking into account elements like tangibility, reliability, responsiveness, assurance, and empathy. This research enhances the understanding of how online banking is transforming customer expectations and experiences in the Nepalese banking industry, providing insights that can assist banks in improving their online services while upholding a high level of service quality.

Khin (2024) analyzed on customer satisfaction and customer loyalty at ayeyarwaddy farmers development bank. The aim of this study was to assess the quality of banking services and its impact on customer satisfaction and loyalty at 'A' bank. Multiple regression analysis was employed to evaluate the data. The findings reveal that empathy, responsiveness, and pricing significantly affect customer satisfaction to varying extents, with empathy being the most influential factor in enhancing customer satisfaction at 'A' Bank. The study concluded that customer satisfaction plays a crucial role in fostering customer loyalty. Consequently, 'A' bank stands to gain increased revenue, repeat business, a larger market share, and referrals from its loyal clientele.

Kumari and Singh (2024) analyzed an exploration of influencing factors of customer relationship management practices in the banking sector. The study aimed to assess the implementation of customer relationship management (CRM) within the banking sector by examining various CRM practices. The researcher employed Explorative Factor Analysis

(EFA) along with descriptive statistical methods, including frequency and percentage calculations. Findings revealed that the components used to measure CRM practices such as Customer Knowledge, Technology Orientation, Customer Value, Customer Trust, and Customer Retention are valid models that positively influence customer satisfaction. The research concluded that the dimension of customer trust significantly influences the other dimensions, reinforcing the overall construct. Additionally, all the proposed latent factors yielded significant results and were highly relevant.

2.3 Research gap

The study seeks to address the existing gaps in literature by analyzing the effects of e-banking as a service method on the financial sectors in Nepal. Despite the banks' attempts to implement e-banking services, various challenges must still be addressed to enhance banking operations effectively and efficiently. However, researchers have largely overlooked these e-banking issues. This research aims to contribute to the understanding of electronic banking in Nepal by building on previous studies.

The effects of e-banking on the financial performance of banks in Nepal are not clearly understood, and many individuals do not realize that these institutions provide convenience through e-banking. This report also presents suggestions for enhancing electronic banking services in the country. The aim of this study is to address this knowledge gap. It seeks to identify the elements that may influence customers' willingness to adopt digital banking in Nepal. Additionally, the study explores key factors that affect a user's choice to utilize digital banking services in the country.

Chapter III

Research Methodology

This section aims to clarify the research methodology implemented to achieve the study's objectives. It examines the research process related to the impact of ABC on customer satisfaction within commercial banks in Nepal. This chapter includes details about the research design, data sources, questionnaire development, data collection methods, population and sampling techniques, instrumentation, reliability testing, instrument administration, and data analysis plan. The main purpose of this chapter is to emphasize the methods and procedures employed to obtain the most precise results aligned with the research topic's objectives. The design and methods have been tailored to fit the descriptive nature of the research.

3.1 Research design

The study utilized a descriptive research design aimed at fact-finding and gathering sufficient information on the key issues related to the variables. Systematic research was conducted to derive findings. It is characterized as descriptive since it outlines data and attributes of the population under investigation, relying solely on statistics without any manipulation. This research focused on a survey design to analyze customers' responses to alternative banking channels offered by commercial banks.

3.1 Population, sample, and sampling design

The research aims to explore the connection between alternative banking channels and customer satisfaction in Nepal's commercial banks. The study focuses on customers of these banks who utilize alternative banking options, including internet banking, mobile banking, ATMs, and POS banking. A judgmental sampling method was employed to gather responses from approximately 200 individuals using these alternative banking methods; however, only 188 responses were received and used as the sample for the study.

In this study, a judgmental sampling technique was employed to select respondents. This method involves the researcher using their discretion to choose participants from the population. Researchers typically believe that, by exercising good judgment, they can obtain a representative sample while also saving time and resources.

3.2 Nature and sources of data

The research utilized primary data, which was gathered from respondents through a structured questionnaire. The outcomes of this study were derived from the primary survey. Data collection involved creating a questionnaire that was then distributed to bank customers. Consequently, the findings rely entirely on the information and facts provided by the sampled respondents. The study employed data collection instruments, such as questionnaires, to ensure the acquisition of quality and reliable data.

3.3 Data collection instrument and procedure

This study aims to explore respondents' views on how alternative banking channels impact customer satisfaction in commercial banks. A structured questionnaire was employed to gather the necessary information from customers of commercial banks in Nepal. The questionnaire was developed and shared through various social media platforms, including Facebook, Viber, WhatsApp, and Gmail, to collect responses from these customers.

The structural questionnaire was created to gather information about customer satisfaction. The initial section focuses on demographic details, including gender, age, education, marital status, and monthly income. This segment is utilized for descriptive analysis of the respondents. In a similar manner, the second section aims to evaluate how various factors influence customer satisfaction. The questionnaire primarily consists of multiple-choice questions and Likert scale questions, which employ a common rating scale that asks respondents to express their level of agreement or disagreement with a series of statements. The survey comprises 30 questions, each utilizing a five-point Likert scale that ranges from “Strongly Disagree” to “Strongly Agree,” with 1 indicating “Strongly Disagree” and 5 representing “Strongly Agree.”

The second part of the questionnaire includes a range of statements about ATMs, POS, mobile banking, and internet banking. These factors were employed to assess customer satisfaction in commercial banks. This approach was chosen to investigate and comprehend the nature, extent, and types of relationships observed between various alternative banking channels and customer satisfaction in Nepalese commercial banks.

For the data analysis, the SPSS tool was utilized to tabulate and assess the valid responses. Initially, a comprehensive data file was created, followed by defining the variables and their

labels, along with inserting their values. Data entry was facilitated through a user-friendly menu of SPSS-operated commands. Various statistical methods, including frequencies, percentages, means, standard deviations, correlations, and regressions, were employed in this study to evaluate the impact of alternative banking channels on customer satisfaction in commercial banks in Nepal. Additionally, Microsoft Excel was used to calculate average scores and to assist in the data collection process and table creation as needed.

3.4 Method of data analysis

This section outlines the presentation of how the collected data is utilized for the study. The data analysis method is divided into three parts. The first part focuses on primary data analysis, which presents a summary of descriptive statistics related to respondents' general information, including age, gender, academic qualifications, experience, occupation, and monthly income.

The second section examines the descriptive statistics, including the mean and standard deviation, of four influencing factors: internet banking, mobile banking, ATM banking, and POS banking services, along with customer satisfaction over the specified period. Additionally, the study employs percentage frequency distribution and mean scores based on responses to Likert scale items.

The third section focused on Pearson's correlation analysis to examine the relationships among various variables related to alternative banking channels. Likewise, the fourth section addresses regression analysis and hypothesis testing using primary data.

This study seeks to investigate the relationship between alternative banking channels and customer satisfaction, using the factors associated with these channels as independent variables. Four specific factors internet banking, mobile banking, ATMs, and POS are considered as independent variables, while customer satisfaction is treated as the dependent variable.

This study employed a multiple regression model to examine how various factors related to alternative banking channels impact customer satisfaction. The specific multiple regression model utilized in this research is as follows:

$$\hat{Y} = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 \dots\dots\dots (i)$$

Where, \hat{Y} = Customer Satisfaction

X_1 = Internet Banking,

X_2 = ATM Banking,

X_3 = Mobile Banking,

X_4 = POS Banking,

α = constant and

$\beta_1, \beta_2, \beta_3, \beta_4$ are the beta coefficients of the explanatory variables to be estimated.

All the observed relationships and findings have been analyzed to draw significant conclusions about the connection between alternative banking channels and customer satisfaction.

All responses from participants are coded and organized in an SPSS worksheet. SPSS is utilized to analyze the questionnaire results and interpret the findings. Various tools, including frequency analysis, descriptive statistics, and causal-comparative methods, are employed to obtain the results. Additionally, the p-value is used to assess the significance of different statements regarding alternative banking channels like internet banking, mobile banking, ATM banking, and POS banking.

3.5 Research framework

The research framework is designed to establish a relationship between independent and dependent variables. It helps clarify concepts and organize ideas. An effective research framework reflects real phenomena in a way that is memorable and applicable. It serves as an intermediate theory that connects all elements of research, including problem definition, objectives, literature review, methodology, data collection, and analysis.

This study examined how alternative banking channels influence customer satisfaction in Nepalese commercial banks. It treated customer satisfaction as the dependent variable, while internet banking, mobile banking, ATMs, and POS services were considered independent variables.

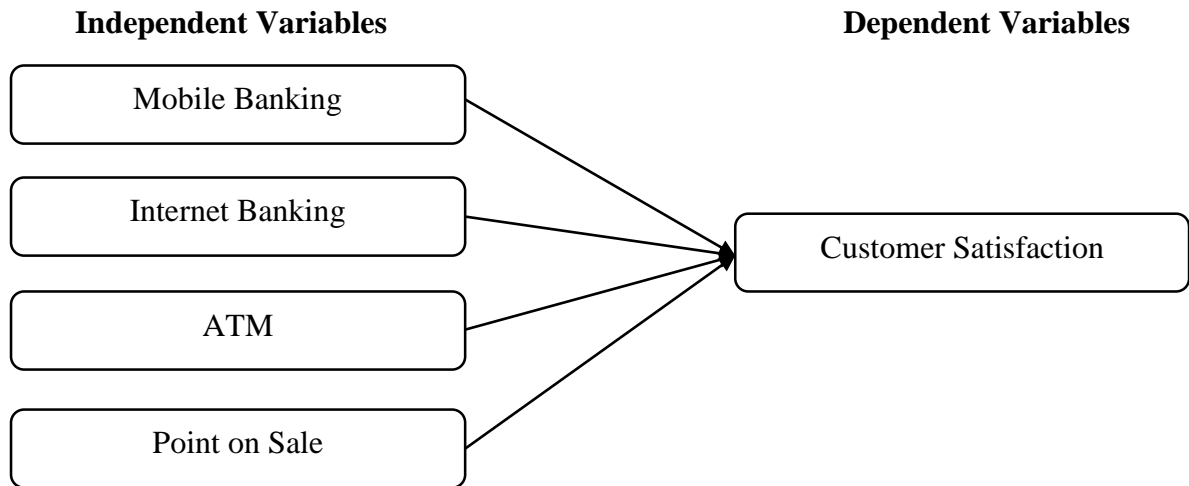


Figure 1

Research framework

Source: (Simon & Thomas, 2016)

Definitions of Variables

Customer satisfaction: Customer satisfaction serves as a fundamental benchmark for service performance and a potential measure of excellence for any business. It arises from a perceived gap between expectations and actual performance after consumption. Satisfaction is determined by how pleased customers are with products or services. Therefore, it holds significant importance for marketers, as satisfied customers are more likely to repurchase, share positive feedback, and demonstrate long-term loyalty. Research by John (2014) revealed that 35 to 40% of sales revenue for e-commerce websites comes from repeat customers. Consequently, customer satisfaction fosters loyalty, enhances market share, and supports further market expansion (Yeoh & Chan, 2011). Fornell (1992) characterized customer satisfaction as an overall evaluation made after purchase or use. It encompasses satisfaction with various product attributes, which is influenced by the performance of those attributes (Churchill & Surprenant, 1992).

E-Banking: Daniel (1999) describes Internet banking as vital services offered by banks through the Internet, enabling customers to perform transactions such as fund transfers, balance checks, and bill payments. The Basel Committee Report on Banking Supervision (1998) expands on this by stating that Internet banking includes account management, online bill payment, and financial guidance provided digitally. It serves as a way for customers to engage in banking activities through telecommunication networks. Ma (2012)

highlights privacy, reputation, and pricing as key factors affecting customer satisfaction in China's Internet banking sector. Litifi and Gharbi (2012) observe that Internet banking greatly improves e-satisfaction and e-loyalty among Tunisian consumers.

Mobile banking: Mobile banking involves conducting financial transactions using a mobile device, such as a smartphone or tablet. These activities can range from a bank notifying a customer about potential fraud or transaction activity on their phone to more complex tasks like paying bills or transferring money internationally. The benefits of mobile banking include the convenience of accessing banking services anytime, anywhere. However, there are drawbacks, such as security risks and a more limited set of features compared to in-person or desktop banking (Akter et al., 2022).

ATM: Automated teller machines (ATMs) allow bank customers to perform transactions such as cash withdrawals, deposits, transfers, balance checks, and bill payments at any time without needing to visit a physical bank. These services are accessible 24/7. Studies show a strong link between the quality of ATM services and customer satisfaction, with key factors like location, staff responsiveness, currency condition, service speed, and ATM reliability playing important roles. Research conducted in various countries, including Bangladesh and Pakistan, supports the positive effect of ATM service quality on customer satisfaction. However, some studies, such as Shemsu (2017), indicate that customers may experience dissatisfaction with ATM services.

POS: Point of sale (POS) terminals are electronic tools that facilitate debit and credit card transactions. While cash usage has declined slightly, noncash payments rise as transaction amounts grow, largely due to improvements in Information and Communication Technology (ICT). Electronic payments streamline transactions, enabling them to take place both within and beyond bank premises. Information technology improves electronic systems, enhancing customer service, and plastic cards are used to identify customers for payment processing. Research by Lin and Sun (2009) revealed that customer satisfaction and loyalty benefit from technology acceptance and website service quality. POS technology contributes to increased sales, reduced costs, and greater profitability and customer satisfaction.

Chapter IV

Results and Discussion

4.1 Demographic study of respondents

4.1.1 Profile of respondents

Table 1

Demographics characteristics of respondents

Respondent Character	No. of Responses	Percentage
Gender		
Male	101	53.72
Female	87	46.28
Total	188	100.00
Age		
Under 25	70	37.23
26-35	88	46.81
36-45	18	9.57
46-55	8	4.26
Over 55	4	2.13
Total	188	100.00
Present Position		
Manager	35	18.62
Officer	39	20.74
Worker	84	44.68
Other	30	15.96
Total	188	100.00
Earning Per Month		
Up to Rs.25000	67	35.64
Rs.25001- Rs.50000	63	33.51
Rs.50001- Rs.75000	36	19.15
Above Rs.75000	22	11.70
Total	188	100.00

Source: Self-Opinion

Table 1 presents that out of 188 participants, 53.72 percent were male, while 46.28 percent were female, with 101 males and 87 females. The largest group of respondents, 46.81 percent, fell within the 26 to 35 age range. This was followed by 37.23 percent under the age of 25, 9.57 percent between 36 and 45 years, 4.26 percent between 46 and 55 years, and 2.13 percent over 55 years.

In terms of job roles, most respondents (44.68 percent) were workers, followed by officers at 20.74 percent, managers at 18.62 percent, and 15.96 percent held positions not specified among these categories. Regarding monthly income, the largest group earned less than Rs.25,000 (35.64 percent), followed by those earning between Rs.25,001 and Rs.50,000

(33.51 percent), Rs.50,001 to Rs.75,000 (19.15 percent), and more than Rs.75,000 (11.70 percent).

4.1.2 Banking industry experiences of respondents

The following table gives the break-up of respondents on the basis of their banking industry experience.

Table 2

Banking experience-wise distribution of respondents

Banking Experience	No. of Respondents	Percentage (%)
Up to 5 Years	31	16.49
5 Years to 10 Years	56	29.79
10 Years to 15 Years	57	30.32
15 Years to 20 Years	30	15.96
Above 20 Years	14	7.45
Total	188	100.00

Source: Primary data

From Table 2, it is evident that 31 respondents, making up 16.49% of the total sample of 188, have up to 5 years of banking experience. A total of 56 respondents, accounting for 29.79%, have between 5 to 10 years of experience, while 57 respondents, or 30.32% of the sample, have 10 to 15 years of experience. Additionally, 30 respondents, representing 15.96% of the total, have 15 to 20 years of banking experience. Moreover, it can be seen that 14 respondents, comprising 7.45% of the sample, have more than 20 years of banking experience.

4.2 Descriptive statistics

Descriptive statistics, which serve as concise informational coefficients, offer a summary of a particular dataset, whether it's a sample or a representation of an entire population. These statistics are divided into two main types: measures of central tendency and measures of variability. Central tendency includes the mean, median, and mode, while variability is measured using standard deviation, variance, and the minimum and maximum values.

Customer satisfaction

Customer satisfaction (CSAT) measures how effectively a business fulfills customer expectations through its products, services, and overall experience. It reflects how well customers receive your offerings, serving as a valuable metric for assessing the health of your business.

Table 3

Descriptive Statistics of Customer Satisfaction

Statement	Mean	Std. Deviation
I am satisfied about the E-banking services of this bank.	3.067	1.145
I feel valued as a customer by the company.	3.157	1.160
I am satisfied with the speed of service delivery.	2.950	1.114
I am satisfied about time management of this bank.	3.287	1.172
The quality of the banking service is satisfactory.	3.050	1.154

Source: SPSS Output

Table 3 presents the descriptive statistics for customer satisfaction, which is assessed through five statements. Respondents provided their answers using a five-point Likert scale. The overall mean customer satisfaction score is 2.501, with a standard deviation of 0.881.

Automated Teller Machine (ATM)

Automated teller machines (ATMs), which are electronic telecommunications devices, enable customers of financial institutions to perform various financial transactions—including cash withdrawals, deposits, fund transfers, balance inquiries, and account information inquiries—at any time without needing to interact directly with bank employees.

Table 4

Descriptive Statistics of ATM

Statement	Mean	Std. Deviation
The ATM makes cash withdrawal very convenient.	3.122	1.169
There is less queuing the ATM.	3.145	1.159
Transaction on the ATM is secured	2.980	1.119
ATM does not share my personal information with others.	3.322	1.169

Transaction on the ATM is reliable.	3.100	1.146
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Source: SPSS Output

Table 4 presents the descriptive statistics for ATM services, which are assessed through five statements. Respondents provided their answers using a five-point Likert scale. The average score for ATM services is 2.336, with a standard deviation of 0.884.

Internet Banking

Bank customers and clients of other financial institutions can perform various financial transactions through the institution's website using internet banking, which is also referred to as online banking, e-banking, or virtual banking.

Table 5

Descriptive Statistics of Internet Banking

Statement	Mean	Std. Deviation
Transaction via internet banking secured and reliable.	3.457	1.047
Internet banking saves me time compared to visiting a bank branch.	3.035	1.037
Internet banking does not share my personal information with others.	3.337	1.150
Statement can be requested through internet banking.	3.305	1.179
I find it convenient to pay bills and transfer funds using internet banking.	3.360	1.113

Source: SPSS Output

Table 5 presents the descriptive statistics for internet banking services. Five statements were employed to assess the variables, and each respondent provided their answers using a five-point Likert scale. The overall mean for internet banking services is 3.207, with a standard deviation of 1.182.

Mobile Banking

Wireless applications and SMS technology enable access to mobile banking, which offers many benefits. For instance, these convenient and cost-effective services have addressed the challenge of not being able to visit physical branches.

Table 6

Descriptive Statistics of Mobile Banking

Statement	Mean	Std. Deviation
Mobile banking makes banking very convenient.	3.152	1.178
Transaction on mobile banking is secured.	3.372	1.165
Mobile banking is easy to use.	2.920	1.123
Transactions on mobile banking is reliable.	3.465	1.186
Mobile banking does not share my persona information.	3.165	1.198

Source: SPSS Output

Table 6 presents the descriptive statistics for mobile banking services, measured using five statements. Respondents provided their answers on a five-point Likert scale. The average score for mobile banking services is 2.424, with a standard deviation of 0.848.

Point on Scale

A "point on a scale" signifies a particular position or value within a range used to assess or evaluate a specific characteristic or quality. Scales are frequently employed in assessments, surveys, or measurements and may be numerical (e.g., 1 to 10), descriptive (e.g., poor to excellent), or categorical (e.g., strongly disagree to strongly agree). Each point reflects a unique level, degree, or intensity of the measured trait, facilitating comparisons and interpretations in line with the scale's framework.

Table 7

Descriptive Statistics of Pont on Scale

Statement	Mean	Std. Deviation
It processes transactions quickly and efficiently.	3.012	1.102
It helps reduce checkout times for customers.	2.922	1.147
The POS system accurately tracks sales and inventory.	2.895	1.132
It provides detailed and useful sales reports.	3.160	1.112
This system enhances the overall customer service experience.	3.200	1.263

Source: SPSS Output

Table 7 presents the descriptive statistics for debit card services, which are assessed using five statements. Respondents provided their answers using a five-point Likert scale. The overall mean score for debit card services is 2.447, with a standard deviation of 0.815.

Table 8

Overall Descriptive Statistics of Factors of Customer Satisfaction

Statement	Mean	Std. Deviation
ATM	3.103	1.149
Internet Banking	3.134	1.152
Mobile Banking	3.299	1.105
Point on Scale	3.215	1.170

Source: SPSS Output

Table 8 presents descriptive statistics for the factors influencing customer satisfaction. Five statements were utilized to gauge the variables, with respondents providing their answers on a five-point Likert scale. The overall mean for the customer satisfaction factor is 2.584, exceeding 2, with a standard deviation of 0.609. This indicates a strong level of organizational performance regarding customer satisfaction.

4.2.1 Relationship between factors of Satisfaction

The respondents revealed the effectiveness of customer satisfaction using a single sample t-test. This study considered six variables internet banking, mobile banking, and a point scale as the main factors influencing customer satisfaction.

Table 9

Correlation between Dependent and Independent Variables

Variables	ATM	IB	MB	POS	CS
ATM	1				
Internet Banking	.402**	1			
P-Value	.000				
Mobile Banking	.250**	.446**	1		
P-Value	.001	.000			
Point on Scale	.375**	.658**	.373**	1	
P-Value	.000	.000	.000		
Satisfaction	.274**	.420**	.805**	.356**	1
P-Value	.000	.000	.000	.000	

Source: SPSS Output

Table 9 indicates a significant correlation between effective character and satisfaction. Various factors exhibit this significant correlation. Initially, ATM usage shows a positive significant relationship with a coefficient of 0.402. In contrast, the relationship between internet banking and customer satisfaction is insignificant, with a negative coefficient of -0.021. Additionally, a strong positive correlation is observed at the 1% significance level,

particularly with mobile banking and customer satisfaction ($r = 0.446$, $p\text{-value} = 0.000$). Likewise, the point on the scale demonstrates a positively correlated significant relationship with satisfaction.

4.2.2 Regression analysis

This section examines how ATM, mobile banking, internet banking, and point-of-sale systems affect customer satisfaction.

Table 10

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.765a	.585	.581	.42371

a. Predictors: (Constant), ATM, MB, IB, POS

The coefficient of determination (R^2) values in the model summary are 0.585, indicating that 58.50% of the variance in the dependent variable, customer satisfaction, is explained by the independent variables: ATM, internet banking, mobile banking, and point on scale. This reflects the overall impact of all independent variables on the dependent variable.

Table 11

ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	10.548	3	2.110	12.986	.000b
	Residual	64.009	184	.162		
	Total	74.558	187			

a. Dependent Variable: CSV

b. Predictors: (Constant), ATM, MB, IB, POS

The results presented in Table 11 indicate that the F-static was 12.986. At a 5% level of confidence, this F-static value was substantial. Since each predictor variable—ATM, internet banking, mobile banking, and point on scale—accounts for the variation in customer satisfaction, the overall model was deemed significant.

Table 12

Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Constant	2.269	.345		6.578	.000
ATM	.374	.051	.347	7.399	.000
Mobile Banking	-.002	.055	-.001	-.030	.047
Internet Banking	-.102	.043	-.110	-2.354	.019
Point on Scale	2.269	.345	.554	6.578	.000

a. Dependent Variable: Customer Satisfaction

Source: SPSS Output

Table 12 presents the multiple correlation coefficient ($R = 0.765$; $R\text{-square} = 0.585$), indicating that 58.50% of the variation in customer satisfaction can be accounted for by six variables, including ATM, mobile banking, internet banking, and points on the scale. The ANOVA results for the regression model reveal ($F = 12.986$; $p\text{-value} = 0.000$), demonstrating a significant linear relationship between ATM, internet banking, mobile banking, and points on the scale with customer satisfaction at a 5% level of significance.

4.3 Discussions

The primary aim of this study was to examine the current state of commercial banks regarding E-Banking in Nepal. The results reveal descriptive statistics related to customer satisfaction. Specifically, the overall standard deviation for credit card services is lower compared to other services, aligning with the results from Akhter (2022) and Meria et al. (2023), while contradicting the findings of Vadivelu Tharanikaran (2017). This discrepancy can be attributed to customers at various banks perceiving credit card services as a way to bypass long queues in banking halls and as a solution for navigating the heavy city traffic to reach a commercial bank.

The second aim of the study was to investigate the relationship between ATM, mobile banking, internet banking, point of sale, and customer satisfaction at Nepalese commercial banks. The findings indicate a significant positive relationship between ATMs and customer satisfaction, whereas the correlation between internet banking and customer satisfaction is insignificant and has a negative coefficient. These results align with those of Hossain (2021) and Wuisan and Handra (2022). Furthermore, a strong positive correlation was found with mobile banking, significant at the 1% level, as well as a positive correlation

between point of sale and customer satisfaction. Additionally, the results support the conclusions of Choudhury and Bhattachargee (2016) but contradict the findings of Wadesango (2020).

The third objective involves evaluating how ATM, mobile banking, internet banking, and point-of-sale systems affect customer satisfaction in Nepalese commercial banks. ATM usage has a notably positive impact on customer satisfaction, aligning with the findings of Nuseir et al. (2023), though Sambaombe (2022) did not support this conclusion. In addition, internet banking shows a positive but insignificant relationship with customer satisfaction, consistent with the results reported by Choudhury and Bharttachee (2016). Similarly, point-of-sale systems were also found to have a positive yet insignificant effect on customer satisfaction. Furthermore, mobile banking exhibits a negative and insignificant relationship with customer satisfaction, echoing the findings of Wadesango (2020).

Building on the discussion, the regression results from this study indicated that customer satisfaction is influenced by six variables: ATM, mobile banking, internet banking, and point on scale. The ANOVA for the regression model demonstrates a linear relationship, highlighting the significance of ATM, mobile banking, and point on scale in relation to customer satisfaction.

Chapter V

Summary and Conclusion

This chapter presents a concluding summary of the entire thesis. It elaborates on the key findings derived from the study in an objective manner. Additionally, the conclusions and implications for future research are also addressed in this chapter.

5.1 Summary

To collect data for the study, the researcher directly administered a standardized questionnaire to each participant. The aim of the study was to identify the factors influencing an organization's success in commercial banks. The results from regression analysis indicated that ATMs, Internet banking, mobile banking, and customer satisfaction ratings were the most significant factors. In addition to in-person visits, Google Docs was utilized as one of the electronic methods for data collection. After gathering the data, statistical tools were employed for analysis. Regression analysis and coefficient correlation analysis were used to evaluate the responses. To conduct the study, a questionnaire was developed that included questions reflecting the identified variables and measured the financial channels and satisfaction levels of the specific respondents in Nepal. The main objectives of this study are to assess how independent variables like ATMs, Internet banking, mobile banking, and point on scale influence customer satisfaction. It also aims to explore the relationship between these independent variables and the dependent variables, as well as to comprehend the factors contributing to customer satisfaction. To achieve this, the research utilizes descriptive statistics, focusing on regression analysis and correlation. These analyses are conducted using SPSS version 23 to evaluate the relationship and impact of the independent variables on the dependent variables.

The research employed both causal and descriptive designs. The study focused on all customers of commercial banks. A combination of simple random sampling and judgmental purposive sampling was utilized to choose the sample of commercial banks, while a conventional sampling method was applied to select the respondents. The sample included 188 participants, from whom quantitative data were gathered.

To gather information, the researcher employed a well-structured questionnaire that was divided into seven sections. The first section focused on the demographic details of the respondents. The second section addressed the interpersonal services provided by the financial institution. The third section pertained to the institution's ATMs. The fourth section examined mobile banking services, while the fifth concentrated on internet banking. The sixth section aimed to assess customer satisfaction with banking services. Finally, the last section was intended to gather suggestions for enhancing customer satisfaction. A five-point Likert scale was utilized to evaluate customer experience and satisfaction.

5.2 Conclusion

The research examined how e-banking services are delivered within the banking sector. Additionally, it assessed how these electronic banking services affect customer satisfaction in private commercial banks in Nepal. The descriptive analysis revealed that most current banking users are aged 31 to 40, with females comprising the majority of users. Furthermore, salaried individuals and students represent the largest segments, while those with diplomas or higher make up most of the user base. It was also noted that banks do not maintain a comprehensive and standardized record of customer profiles for easy reference. The findings indicate a correlation between demographic factors and customer satisfaction in e-banking compared to traditional banking. The study specifically concluded that ATM, internet banking services, mobile banking services, and point-of-sale services had no significant effect on customer satisfaction. Additionally, the results indicated that CCS exhibited the lowest variation at 0.807, while ATM showed the highest variation at 0.848. In summary, e-banking services positively influence customer satisfaction, reduce waiting times for banking services, and enhance customers' ability to manage their account activities.

Moreover, it can be concluded that employees of financial institutions in Kathmandu have a moderate level of satisfaction with ATM services, as well as with the complaint handling and problem-solving processes. However, they express greater satisfaction with interpersonal services and mobile banking options. Furthermore, obtaining an ATM card is a significant source of dissatisfaction for these staff members. There is also a gentle recommendation for employees to improve the quality of banking services provided by financial institutions in Kathmandu. Customers also suggest enhancing the standard of ATM services to incorporate additional necessities.

5.3 Implications

The study's results provide valuable insights for bankers, customers, academicians, and researchers in related fields. The findings revealed that ATM services, internet banking, mobile banking, and point-of-sale services had a statistically insignificant effect on customer satisfaction.

Electronic banking services have emerged as a key strategy in banking worldwide. Despite their numerous benefits, several challenges impede optimal use for both customers and banks. The issues related to e-banking adoption are extensive enough that no single study can uncover all of them. Given this situation, the researcher suggests that resources should be allocated to replicate the study in other banks, as the current findings revealed a range of challenges and benefits associated with electronic banking services.

Bankers need to determine which consumers are more responsive to the satisfaction provided by e-banking services based on their demographic characteristics. Additionally, banks should aim to broaden their user base across various factors, including gender, age, education, and occupation. Expanding e-banking services is essential to reduce the number of clients visiting bank branches and to gain a financial edge, especially since the yearly rental expenses of maintaining a bank hall are now considerably higher than those for purchasing an ATM. Rather than merely distributing cards, banks ought to organize formal training sessions for their customers to enhance their understanding of e-banking and ensure they are informed about any associated fees for using these services. The banks need to go beyond merely promising 24/7 availability and instead ensure that services are consistently operational, free from interruptions caused by network issues, power outages, or other technical difficulties. They should enhance their efforts to boost customer satisfaction beyond its current status and carry out surveys to empirically assess customer satisfaction levels.

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QUESTIONNAIRE

Survey questionnaire on using Alternative Financial Channels and Customer Satisfaction in Nepalese Financial Institutions

Dear Respondent,

I am a student of Shanker Dev College Affiliated to Tribhuvan University, pursuing a Master's in Business Studies. The questionnaire is intended to help the researcher get information on the impact of alternative financial channels on customer satisfaction. The purpose of the study is purely academic and information given will be treated with the highest degree of confidence. You have been selected as a key respondent for this study. Kindly, complete the questionnaire to enable the researcher complete the study. Please tick the answer which represents your opinion on the subject.

I appreciate your participation in this effort.

Thank you,

Puja Regmi

Section A: Demography of respondents

1. Please select your gender

Male Female

2. Please select your age (in years)

Under 25 26-35 36-45 46-55 Over 55

4. Please select your job position

Manager Officer Worker Other

5. Earning Per Months

Up to Rs.25000 Rs250001 to 50000 Rs.50001 to 75000 above Rs.75001

6. Banking Experience

- Up to 5 years 5 to 10 years 10-15 Years 15-20 Years Above 20 years

Section B:

Using Alternative Financial Channels and Customer Satisfaction in Nepalese Financial Institutions

Please mark a tick in an appropriate response that best describes your view and perception towards performance and the satisfaction. [1- Strongly Disagree, 2- Disagree, 3- Neutral, 4- Agree, 5- Strongly Agree]

1. Customer Satisfaction

S.N.	Statement	1	2	3	4	5
A	I am satisfied about the E-banking services of this bank.					
B	I feel valued as a customer by the company.					
C	I am satisfied with the speed of service delivery.					
D	I am satisfied about time management of this bank.					
E	The quality of the banking service is satisfactory.					

2. ATM (Automated Teller Machine)

S.N.	Statement	1	2	3	4	5
A	The ATM makes cash withdrawal very convenient.					
B	There is less queuing the ATM.					
C	Transaction on the ATM is secured					
D	ATM does not share my personal information with others.					
E	Transaction on the ATM is reliable.					

3. Internet Banking

S.N.	Statement	1	2	3	4	5
A	Transaction via internet banking secured and reliable.					
B	Internet banking saves me time compared to visiting a bank branch.					
C	Internet banking does not share my personal information with others.					
D	Statement can be requested through internet banking.					
E	I find it convenient to pay bills and transfer funds using internet banking.					

4. Mobile banking

S.N.	Statement	1	2	3	4	5
A	Mobile banking makes banking very convenient.					
B	Transaction on mobile banking is secured.					
C	Mobile banking is easy to use.					
D	Transactions on mobile banking is reliable.					
E	Mobile banking does not share my persona information.					

5. Point on Scale

S.N.	Statement	1	2	3	4	5
A	It processes transactions quickly and efficiently.					
B	It helps reduce checkout times for customers.					
C	The POS system accurately tracks sales and inventory.					
D	It provides detailed and useful sales reports.					
E	This system enhances the overall customer service experience.					

Thank You!

USING ALTERNATIVE FINANCIAL CHANNELS AND CUSTOM...

By: PUJA REGMI

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Abstract Digital banking services play

a crucial role in enabling **commercial banks to** create **and** provide innovative **products and services** while also adapting **and** restructuring **their** internal **processes**

in response to external changes.

This study aimed **to** evaluate **the** effectiveness **of digital banking** strategies among **commercial banks in**

Nepal. A descriptive and causal research design was utilized, focusing on the 20

commercial banks operating in the country. **Primary data** was **collected through self-administered questionnaires**

, and descriptive statistics were employed for data analysis. The study assessed the performance and impact of digital banking strategies using regression analysis. The findings indicated a significant positive relationship between ATM services and overall performance, while consumer satisfaction showed a weak correlation with internet banking. Notably, a strong positive correlation was found at the 1% significance level, particularly

between mobile banking and customer satisfaction . Additionally, **a significant positive** correlation exists **between** satisfaction **and**

the point scale.