

**IMPACT OF ELECTRONIC BANKING SERVICES DELIVERY ON CUSTOMER
SATISFACTION IN NEPALESE PRIVATE COMMERCIAL BANKS**

A Proposal

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CHAPTER I

INTRODUCTION

1.1 Background of the study

With the advancement in the technology, one of the latest technologies adopted by bank is the e- banking (electronic banking).E-banking, one of the channels of e-banking helps bank customers to perform their financial transactions electronically over the internet through their personal computer or laptop at the time convenient to them, without having to be restricted to regular bank operating hours. E-banking is an innovative distribution channel that offers less waiting time and higher spatial convince than traditional branch banking with significantly lower cost structure than traditional delivery channels. As a results, e-banking is very attractive to banks and customers, who are adopting new technologies.

Barri Segal & Laura woods (2018) online banking has become so widespread today that customers expect accounts to include free online banking and many banks only operate on the internet, effectively decreasing overhead costs to offer more competitive rates on savings accounts and enjoy higher profit margins

Customers are the key contribution for the success and survival of any business and this is the same for banking sector also. So, need arises not to satisfy the customers but also to retain them because it may lead to increased profitability and better performance of banks. Technology is affecting the life of every individual in the present age and internet banking is one of the technologies which is faster growing in banking practice now days .Moreover, customer are shifting from traditional banking to online banking very rapidly because of various benefits such as cost and time effectiveness, Technology is affecting the life of every individual both qualitatively and quantitatively in the present age. The quick expansion of information technology has imbibed into the lives of millions of people and introduced major changes in the worldwide economic and business atmosphere. Technological development in the banking sector have speeded up communication and transactions for clients .It is defined as the provision of information or service by a bank to its customers over the of banking anytime from one's home or work internet .It is viewed as a supplemental channel used in conjunction with other channels to provide the convenience without

having to incur some of the costs associated with a branch visit like going to the branch or waiting on lines. Online banking eliminates physical and geographic boundaries and time limitations of banking services (Morawetz, K.2018).

E- banking services first emerged in the early 1990's, when credit card ,ATM and telephone banking services were three major application .During the last decade, database, information system and other technologies were applied into banking services at different levels. After the availability of internet facility, e –banking services are now conducted through a secure website operated by local banks and includes online 2 enquiry, e-payment, e-transfer etc .There are two general business models to provide online banking facilities to its customers. First one is, incumbent bank also known as “bricks and clicks” model, applying online banking as an enhancement to its traditional baking into a whole system and using e- banking as a new channel of delivering services. Whereas the another one is known as direct bank or virtual bank or internet primary bank with no branch offices but using internet, telecommunication network and wireless networking to provide banking services(Yoon,C.2010).

Banks plays a vital and dynamic part in a country's financial and economic development. With the advancement in the technology one of the latest technology adopted by the bank is the e-banking (electronic banking) (Mukherjee, 2004). E-banking is a quick spreading services that permits clients to utilize the computer to access account specific information and potentially direct exchanges from a remote area. E banking channels helps bank customers to perform their financial transactions electronically over the internet through their personal computer or laptop or mobile at the time convenient to them, without having to be restricted to regular bank operating hours. E-Banking is an innovation distribution channel that offers less waiting time and higher spatial convenience than traditional branch banking with significantly lower cost structure than traditional delivery channels. E banking reduces not only operation cost to the bank but also leads to higher level of customer satisfaction and retention. As a result, e-banking is very attraction to banks and customers who are adopting new technologies.

Electronic banking is the use of electronic means to transfer funds directly from one account to another, rather than by cheque or cash. Through reducing banks costs, electronic banking can increase bank incomes.

E-banking offers the convenience of conducting most of the banking transactions at a time that suits the customer. The customers can access funds and transfer funds between accounts, pay bills and make purchases 24 hours a day, 7 days a week (Koirala, 2019).

With the establishment of Nepal Bank Limited in 1937, banking sector and its customer had to wait for 65 years to use the E-banking services in Nepal (around 2002 A.D). Still e-banking is not yet popular among the customers who live in rural areas in Nepal. Hence, this research focuses on the Impact of Electronic Banking on Customer Satisfaction and Services Delivery of Nepalese Commercial Banking. In addition, it focuses on the future prospective of e-banking in the context of Nepalese Commercial Banks. But in the current scenario, almost every bank in Nepal has the electronic banking facility. Moreover, these banks are extending their presence in rural areas also to lure more customers by educating them with new advancement in information technology.

1.2 Problem statement and Research Questions

The Nepalese banking industry has transformed tremendously over the last decade. Previously the banking industry was with simple electronic like ATM and SMS alert. This made all customers of banks to personally walk to the banking hall to be able to transact simple transaction like checking accounts balances, verifying deposits and making withdrawals. This led to long queues, energy exacting and time consuming and on the whole, it was costly. However, the situation has changed in recent times due to the introduction of electronic banking services into the Nepalese banking industry by various financial institutions. Technological follow ups like the ATMs, Electronic Funds Transfer at Point of sale (EFTOPS), Internet banking, SMS alert, credit and debit cards have graced the Nepalese banking environment. They further argue that these highly economic innovations go a long way to decrease drastically the pressure on manual services to bank's customer which enhance services delivery and also improve banks profitability.

The banking industry in Nepal is highly competitive, and the combination of this with the growing sophistication of the customer have led to the adoption of technology by most commercial banks to delivery banking services. Nepal is yet a developing country: there are many ambiguities about the application of e-banking. Therefore, there is a need to understand how commercial banks are practicing e- banking and delivering the better services. The problem of the study therefore is to investigate the Electronic Banking products and services, and the extent to which they contribute to the bank's customer satisfaction and services delivery in the banking sector of Nepal. Thus, providing online facility by banks is increasingly becoming a "need to have" than a "nice to have" service.

The study aims at answering the following research question.

1. What are the facilities provided by the Nepalese Private commercial Bank under E-Banking Services?
2. Is there any impact of e-banking services delivery on customer satisfaction in Nepalese Private Commercial Banks?

1.3 Objective of the study

Understanding the link between internet banking and performance is an empirical issue. Thus, the main objective of the study rests upon the examination and analysis of e-banking services provided by commercial banks and its impact on customer satisfaction and services delivery. More over the study has specified has specified the following objectives:

1. To analyze the facilities provided by Nepalese Private commercial Bank under E-Banking services.
2. To examination the impact of e-banking service delivery on customer satisfaction in Nepalese Private Commercial Bank.

1.4 Significance of the study

The study mainly focused the commercial bank in terms of "services delivery" and "customer satisfaction". This study, contribution to knowledge and serve as source of

reference in the academia. The utilization of Information and communication technology (ICT) in the banking industry has affected services delivery as well as the bank's profits. Many banks are moving gradually from the traditional way of banking and are gradually introducing ICT into their services delivery.

At present, the commercial banks are gaining a wide popularity within and outside the country through their efficient management and professional services and playing an eminent role in the economy. E-banking is one of the main services provided by the commercial banks where the whole bank is rested upon. Study on E-banking of commercial bank carries a great significance and importance to various groups.

Most of the Nepalese people are still not aware about the e-banking or online transaction ; this study will help them to get the concept of internet services available to them. Today most of the part of world's economy depends upon financial institutions, which cannot survive without the support of IT. Therefore, this study will provide a useful feedback to the IT policy maker for the bank and becomes a useful reference for other commercial banks for the formulation of appropriate strategies. The study will be very significant to those students and scholars who wish to make further research on the subject. The outcome of this study will provide evidence for other banks to improve upon their electronic banking services so that prospective customers will have better experience with the service and hence the bank's profit will be affected through the revenue generated .It is expected and hoped that the finding of this study would contribution and the other relevant issues.

1.5 Limitations of the study

The study seeks to ascertain the impact the electronic banking services delivery on customer satisfaction in Nepalese private banks. Because of the infrastructure and level of computerization in the industry, it is clear that banks in future are going to be modern with inter connectivity facilitated by emerging technologies. Banks in future cannot survive without the support of information technology. Therefore, banks are to be prepared to exploit the opportunities that globalization and financial liberalization provides. The scope of the study will be limited to the electronic banking services provided by the commercial banks Nepal. Investigation will focus on some of the selected commercial banks of Nepal. Through there has been in operation of 27

commercial banks in Nepal, most of the banks are using e-banking, but only 5 banks has selected as sample.

The study is highly constrained to the researcher due to the fact that there is not ready data available to the subject matter. Another case in point is fact that the busy schedules of commercial bank will make study very cumbersome in that going for relevant information or data to aid the study would be stressful, and also due to the confidentiality clauses of the commercial bank, data needed is not readily availability. The administering of questionnaires to busy respondents will pose a limitation to study.

1.6 Organization of the study

The study comprises of three main sections; preliminary section, body of the report and supplementary section. The preliminary section consists of title page, certification, declaration of authenticity, acknowledgements, table of contents, list of table, list of figures, abbreviations used and abstract. The body of the report is further divided into five sections; introduction, related literature and theoretical framework, research methodology, analysis and results and summary, conclusion and implications. The final section of the report comprises of reference, appendix as questionnaire and summary of responses.

The introduction section under body of study consists of background of the study, problem statement and research questions, objective of the study, hypothesis and significance of the study, limitations and organization of the study.

The literature review section deals with the findings of previous researches related for the current study. Different research work related to e-banking services delivery, customer satisfaction and their impact are discussed in order to prepare a base for the study. Further, the chapter consists of theoretical framework defining each dependent and independent variable based on previous literature.

The third chapter discusses researcher methodology used for the study. It comprises of research design, population and sample, sources of data, instrumentation, validity test, reliability test, data analysis and software used.

The fourth chapter is analysis and result of the study. It comprises of various tables figures intended to answer the purpose and research question of the research. Finally, the last chapter deals with summary part, conclusions and implications of the study. Under, the summary part, the overall findings of the research is discussed in brief. At last, conclusions and implication were drawn out.

The References and Appendices have been given at the end of the study.

CHAPTER:II

LITERATURE REVIEW

2.1 Literature Review

Internet banking however is now use as the term for new age banking system. Singhal (2008), defined internet banking as the use of the internet deliver banking activities such as fund transfer, paying bills, viewing current and saving account balance, paying mortgage and purchasing financial instruments and certificates of deposits.

Avasthi (2000-01) Have analyzed in their study that advancement in technology are set to change the face of the banking business. Technology has transformed the delivery channels by banks in retail banking. It has additionally impacted the markets of banks. The study additionally explored the channels that the banking business and its regulator face. The revolution of information technology has brought about fundamental transformation in the banking industry. It has the most important factor for dealing with the intensifying competition and the rapid proliferation of financial innovation. Thus, the services delivery of banking industry has changed from traditional branch banking to electronic banking services.

Internet banking started with simple functions such as real time access to information about internet rate, checking account balance and computing loan eligibility. However, these services have graduated to online bill payment, transfer of funds between accounts and cash management services for corporate organizations and individuals (Khan et al., 2009).The only way to stay connected to customers at any place and any time is through internet applications, it result in high performance in the banking industry through faster delivery of information from the customer and service provider (Williamson, 2006).

Choudhury & Bharttachargee (2016) used the survey method to examine the nexus between electronic banking channels and customer loyalty. The study was based on data collected from a sample of 400 salaried employees selected through the stratified random sampling method. Electronic banking services delivery channels were evaluated based on Ease of use, usefulness, cost-saving and self control while loyalty was measured in terms of attitudinal loyalty and behavioural loyalty. The result

showed that electronic banking delivery channels have strong positive impact on customer loyalty.

Fatemeh Sakhaei (2014), to investigate services quality indexes in Internet Banking. This is an applied research study of descriptive –surveying kind. The purpose of this research is to understand the impact of services quality factors of Internet Banking on customer satisfaction in Iran .To study the relation between services quality and customer satisfaction. This study evaluated influence of service quality on customer satisfaction in Internet Banking. The study shows that the Six service quality dimensions has meaningful relationship with customer satisfaction in Internet Banking and reliability has most relation and website design has least relation to customer satisfaction.

Vadivelu Tharanikaran (2017), the study aims to assess the degree of service quality and customer satisfaction in the electronic banking context in Batticaloa district. To achieve these objectives a questionnaire was developed with item measures that capture the services quality and customer satisfaction constructs. In this study of 231 respondents and one sample t-test was performed to test the hypotheses. The findings of this study assist the bank managers, academics and practitioners to develop and implement services quality and customer satisfaction related strategies in the electronic banking.

Electronic banking (e-banking) is a banking instruments, expected to the clients, lawfully structured /designed, which allows installment of payments, exchanging transaction, cash transaction record to another, etc. Electronic banking is utilized in connection with PC and internet, regardless of the location of the participant. E-banking is a general term referred to characterize the specific banking services which include the use of electronic, internet and mobile technologies (Kim et al., 2011). E-banking system signifies a range of systems ranging from automated teller machines (ATM), electronic banking, computer banking, cable banking, online banking and most recently, smartphone banking. Such technologies are rapidly widespread in the banking sector and are used to offer better services to consumers seeking simplicity and technology- savvy and to minimize banks, operating costs.

2.2 Theoretical Framework

The research is based upon the analysis and interpretation of depended (customer satisfaction) and independent variables (Automated Teller machine (ATM), Internet and Mobile banking, Credit cards, Debits cards and Electronic Fund Transfer). Information Technologies (ITs) have changed the approaches to directing business exchanges and meeting the developing demands of customer for most associations. The presentation of ICT into the banking business has led to a potential increase in the customer base, reduction in exchange costs, improvement in the quality and timeliness of response, enhanced opportunities for developing and branding, facilitate self-services and service customization and improvement in customer correspondence and relationship (Garau, 2002). The normal types of electronic banking services basically include Mobile banking, Internet banking, Automated teller Machine (ATM), Debit Card, Credit Card, and Electronic Fund Transfer at Point of Sale (EFTPOS) etc.

Figure 2.1 Theoretical Framework of Determinants of Customer Satisfaction

2.3 Hypothesis

Based on the objectives of the, theoretical and literature review of the impact of e-banking services delivery on customer satisfaction following hypothesis are developed.

Hypothesis 1: There is significant impact of ATM services on customer satisfaction in Nepalese private commercial bank.

Hypothesis 2: There is significant impact of Electronic Fund Transfer services on customer satisfaction in Nepalese private commercial bank.

Hypothesis 3: There is significant impact of Internet Banking services on customer satisfaction in Nepalese commercial bank.

Hypothesis 4: There is significant impact of Mobile Banking services on customer satisfaction in Nepalese private commercial bank.

Hypothesis 5: There is significant impact of Credit Card services on customer satisfaction in Nepalese private commercial bank.

Hypothesis 6: There is significant impact of Debit Card services on customer satisfaction in Nepalese private commercial bank.

CHAPTER III

RESEARCH METHODOLOGY

The chapter discusses, in detail, the methodology the researcher adopted in undertaking this research. It provides a description of methods and reasons for their adoption during the data gathering process of the study. This chapter begins with the research design of the study followed by the population and sample, data collection, data collection techniques, validity test, reliability test, data analysis and software used.

3.1 Research Design

Research design is the framework or method through which a research is conducted as a way of providing answers to the formulated questions of the research and to accomplish the goal of the study (Bryman & Bell, 2015). A research design is an overall plan for connecting the conceptual research problems to the empirical research. Research design involves and highlights the methodological rigor and appropriateness of intellectual design for conducting research.

The study is based on descriptive and casual research design. To describe the components of e-banking services descriptive design is used. Similarly, casual design helps to determine the relationship between dependent (customer satisfaction) and independent variable (e-banking services). Further casual research design is used to examine the impact of e-banking services delivery on customer satisfaction of banking industry in Nepal. As per Sekaran & Bougie (2013) a descriptive study is undertaken in order to ascertain and able to describe the characteristics of value of interest.

The study used quantitative method for data collection for the purpose of analysis. Mainly structured questionnaire survey was used to generate response based on which statistical analysis is done to test hypothesis.

3.2 Population and Sample

The population is a collection of elements out of which samples are selected for a study (Rubin and Babbie 2016). The sample is a subset of a larger population,

selected by the researcher to participate in a research project. For this study all 27 commercial banks operating in Nepal are the total population.

The sample is selected from the total population. The purpose of sampling is to reduce expenses in term of money, effort and time. A total of 120 respondents were taken in this study and all of them were banking customer, among them only 80 were valid and that was taken for the study. These customers were selected using simple sampling technique. The sampling technique for the study followed non- probabilistic sampling technique i.e. convenience sampling.

Survey questions were manually distributed at different places in Kathmandu Valley to generate responses from varied response group. In this study, the participants were approached as they enter the banking hall for business and they agreed to participate in answering the questions on the questionnaire.

3.3 Sources of Data

Primary sources of data were used to collect and analyze the impact of e- banking services and customer satisfaction.

3.3.1 Primary Sources of data Collection

The study research is based on the primary source of data for research questions. Primary data are the first hand data collected by the researcher to test the working of hypothesis and then used as evidence to support a researcher's claim. For the purpose of primary data the researcher used questionnaire method to collect the data. The respondents were requested to fill the questionnaire and were made fully aware about for what purpose the research was being carried out and the main objective of the study. This method of collecting data made a better understanding of customer regarding e-banking services and customer satisfaction of banking industry in Nepal. The questionnaire were distributed and collected during any flexible time of respondent and researcher.

3.4 Data Collection Techniques

Data collection is a process of gathering information from identified respondents to answer the research questions. This study was mainly based on the primary data. Primary data source includes observations, experiments, social surveys like questionnaires and interviews. Questionnaire method is used in this research to get information from the respondents.

3.5 Data Analysis

The frequency table that reports the percentage of each of the categories and frequency that are easy to understand and interpret were used. Other than the descriptive analysis, correlation and regression analysis were conducted to validate the hypothesis.

3.5.1 Descriptive Analysis

Descriptive statistics were used to explain the demographic characteristics of the respondents along with e-banking services and customer satisfaction. Frequencies, percentages, mean and standard deviation was calculated to describe the variables.

3.5.2 Correlation Analysis

The correlation coefficient was used to depict the association of e-banking services and customer satisfaction.

3.5.3 Regression Analysis

To examine the impact of e-banking services and customer satisfaction regression model was used. The model is specified as:

$$Y = \beta_0 + \beta_1 (\text{ATM}) + \beta_2 (\text{Internet Banking Services}) + \beta_3 (\text{Mobile Banking Services}) + \beta_4 (\text{Credit Card Services}) + \beta_5 (\text{Debit Card services}) + \beta_6 (\text{Electronic Fund Transfer Services}) + e_i$$

Where,

Y=Customer Satisfaction

Regression Coefficient = $\beta_1 + \beta_2 + \beta_3 + \beta_4 + \beta_5 + \beta_6$

Error term = e_i

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