

**CUSTOMER PERCEPTION TOWARDS SERVICE DELIVERY  
OF COMMERCIAL BANKS  
(A STUDY IN SURKHET VALLEY)**

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

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## **Certification of Authorship**

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “**Customer Perception Towards Service Delivery of Commercial Banks (A Study in Surkhet Valley)**”. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor has it been proposed and presented as part of requirements for any other academic purposes.

The assistance and cooperation that I have received during this research 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

Mrs. Sita Khadka has defended research proposal entitled “**Customer Perception Towards Service Delivery of Commercial Banks (A Study in Surkhet Valley)**” 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 Prof. Dr. Puspa Raj Sharma and submit the thesis for evaluation and viva voce examination.

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## TABLE OF CONTENTS

<b>Contents</b>	<b>Page No.</b>
<i>Title</i>	<i>i</i>
<i>Certification of Authorship</i>	<i>ii</i>
<i>Report of Research Committee</i>	<i>Iii</i>
<i>Approval Sheet</i>	<i>iv</i>
<i>Acknowledgements</i>	<i>v</i>
<i>Table of Contents</i>	<i>vi</i>
<i>List of Tables</i>	<i>viii</i>
<i>List of Figures</i>	<i>ix</i>
<i>Abbreviations</i>	<i>x</i>
<i>Abstract</i>	<i>xi</i>
<b>CHAPTER I : INTRODUCTION</b>	<b>1-9</b>
1.1 Background of the study	1
1.2 Statement of the problems and research questions	4
1.3 Purposes of the study	6
1.4 Rationale of the study	6
1.5 Limitations of the study	8
1.6 Chapter plan	8
<b>CHAPTER II : REVIEW OF LITERATURE</b>	<b>10-29</b>
2.1 Theoretical review	10
2.2 Empirical review	19
2.3 Research gap	28
<b>CHAPTER III: RESEARCH METHODOLOGY</b>	<b>30-38</b>
3.1 Research design	30
3.2 Rationality of selecting sample banks and respondents	30
3.3 Population and sample	31
3.4 Sources of data	32
3.5 Data collection procedure	32
3.6 Data processing procedure	32
3.7 Conceptual framework	35

<b>CHAPTER IV : RESULTS AND DISCUSSION</b>	<b>39-60</b>
4.1 Demographic profile of respondents	39
4.2 Descriptive analysis	44
4.2.1 Security of service delivery	45
4.2.2 Behavior of the employee	46
4.2.3 Trust and reliability	48
4.2.4 Accessibility of service delivery	49
4.2.5 Customer perception	50
4.3 Inferential analysis	51
4.3.1 Correlation analysis	51
4.3.2 Regression analysis	53
4.3.3 Hypothesis testing	55
4.4 Major findings	57
4.5 Discussion	59
<b>CHAPTER V : SUMMARY AND CONCLUSION</b>	<b>61-65</b>
5.1 Summary	61
5.2 Conclusions	62
5.3 Implications	63
<b>REFERENCES</b>	<b>66-68</b>
<b>APPENDICES</b>	<b>69-74</b>

**LIST OF TABLES**

Table	Title	Page no.
4.1:	Distribution of respondent's profile	40
4.2:	Descriptive statistics of security of banking service delivery	45
4.3:	Descriptive statistics of behavior of the employee to banking service	47
4.4:	Descriptive statistics of trust and reliability banking service delivery	48
4.5:	Descriptive statistics of accessibility of service banking delivery	49
4.6:	Descriptive statistics of customer perception	50
4.7:	Correlation analysis	52
4.8:	Multiple regressions analysis	54



**LIST OF FIGURES**

Figure	Title	Page no.
4.1	: Gender group of respondents	41
4.2	: Age group of respondents	41
4.3	: Marital status of respondents	42
4.4	: Educational qualification of respondents	42
4.5	: Profession of respondents	43
4.6	: Type of banks	44
4.7	: Type of account maintaining	44

## ABBREVIATIONS

Acc	Accessibility of Banking Service Delivery
ANOVA	Analysis of Variance
ATM	Automated Teller Machine
BACS	Bankers Automated Clearing Service
Be	Behavior of the Employee to banking service Delivery
BFI	Bank and Financial Institutions
Cp	Customer Perception
E-Banking	Electronic Banking
EDI	Electronic Data Interchange
EFT	Electronic Funds Transfer
FDIC	Federal Deposit Insurance Corporation
IB	Internet Banking
ICTs	Information and Communications Technologies
IT	Information Technology
IVR	Interactive Voice Response
NBS	Nottingham Building Society
PCA	Principle Component
PDA	Personal Digital Assistant
POS	Point of Sale
Sec	Security of Banking Service Delivery
SEM	Structural Equation Mode
SMS	Short Message Service
SPSS	Statistical Package for Social Scientists
SSTs	Self Service Technologies
TAM	Technology Acceptance Model
TRe	Trust and Reliability of Banking Service Delivery

## ABSTRACT

*Customer perception refers to the process by which a customer selects, organizes and interprets information/stimuli inputs to create a meaningful picture of the brand or the service. The main objective of this study is to determine customer perception towards service delivery of Nepalese commercial banks in Surkhet valley. Moreover, the specific objectives of the study were to explore the impact of security on customer perception of commercial banks, to analyze the impact of behavior of the employee on customer perception of commercial banks, to examine the influence of trust and reliability that assure by the banks on customer perception and to determine impact of accessibility of banking activity on customer perception of commercial banks. This study consisted of 140 participants belonging to different profession. For the purpose of conducting the study, 24 item questionnaires were used. A survey was carried out using convenience sampling and the sample obtained included the respondents with different gender, age, and occupation of Surkhet Valley.*

*This study identified the four major banking service delivery attributes: accessibility, trust and reliability, behavior of the employee and security satisfy customer perception. These four service quality dimensions plays vital role in the customer perception. This study examined that the factors of banking service delivery, which have significant impact upon the level of customer perception in the context of Nepalese banking sector.*

*The results indicated that baking service providers could utilize all the factors significantly to improve the level of customer perception. The descriptive findings suggest that among various independent variables, trust and reliability has the highest mean of 4.31 with standard deviation of 0.997. Where as overall mean of behavior of the employee is 3.95, mean of security is 4.12 and mean value of accessibility is 4.21. This shows that trust and reliability has a greater influence on customer perception. The result showed that all the constructs are statistically significant at the 0.01 level. This is because the p-value 0.001 is less than alpha value i.e. 0.01. Hence, the results proved that all the independent variables including accessibility, trust and reliability, behavior of the employee and security have significant positive relationship with customer perception.*

**Key words:** *Service quality, security, perception, customers, commercial banks, trust and reliability and accessibility.*

# CHAPTER I

## INTRODUCTION

### **1.1 Background of the study**

A customer is an individual or business that purchases another company's goods or services. Customer is a party that receives or consumes goods or services and has the ability to choose between different products and suppliers. Generally customer can be defined as the individual or party that consumes goods and services offered by another party. In sales, commerce and economics, a customer (sometimes known as a client, buyer, or purchaser) is the recipient of a good, service, product or an idea -obtained from a seller, vendor or supplier via a financial exchange or transaction for money or some other valuable consideration. Customers are generally categorized into two types as intermediate customer or trade customer who is a dealer that purchases goods for re-sale and an ultimate customer who does not in turn re-sell the things bought but either passes them to the consumer or actually is the consumer. An ultimate customer may be a consumer as well, but just as equally may have purchased items for someone else to consume. An intermediate customer is not a consumer at all (Bansal, 2017).

Perception is the procedure or outcome of becoming conscious of items, unions, and events by way of the senses that comprises activities like acknowledging, viewing and discriminating (Psychology Dictionary, 2021).

Perception is the impression, awareness or consciousness about a company or its offerings. It is affected by advertising, reviews, public relations, social media, personal experiences and other channels. Thus, perception is ability to see, hear or become aware of something through the senses. Perception is one of the object studied by the science of consumer behavior and is presented as one of personal factors, which mean the closest environment of a human, including everything what is inside the person, his/her head and soul, characterizing him/her as a personality (Nair & Nair, 2013).

Customer perception refers to the process by which a customer selects, organizes and interprets information/stimuli inputs to create a meaningful picture of the brand or the product. It is a three stage process that translates raw stimuli into meaningful information .Each individual interprets the meaning of stimulus in a manner consistent with his/her own unique biases, needs and expectations. Three stages of perception are exposure, attention and interpretation. Generally it is how a customer see's a particular

brand with whatever he or she has been able to understand by watching the goods or services, its promotions, feedback etc. It is the image of that particular brand in the mind of the customer (Muyeed, 2012).

Customer perception of the quality of a service and their overall satisfaction has some observable indicators. Customers are not homogeneous in their behavioral pattern, attitude, needs and expectations. The customer perception is changing day by day. Customer perception is defined as the way that customers usually view or feel about certain services and products. It can also be related to customer satisfaction which is the expectation of the customer towards the products (Swathi, 2014).

Customer perception is an important component of our relationship with our customers. It is a mental state which results from the customer's comparison of expectations prior to a purchase with performance perceptions after a purchase. The characteristics of service also make it unique and different from goods such as Intangibility, Heterogeneity, Inseparability, Perish ability, Non-returnable and Needs-match uncertainty, Interpersonal, Personal and Psychic etc. Customer satisfaction a term frequently used in marketing. It is a measure of how products and services supplied by a company meet or surpass customer expectation. Customer satisfaction is defined as "the number of customers or percentage of total customers, whose reported experience with a firm, its products, or its services (ratings) exceeds specified satisfaction goals". Customer satisfaction is one of the most important factors in business. When it comes to commercial banks, customer satisfaction level differentiates one bank from another, thus measuring customer satisfaction is exceedingly important (Vasanthi & Gowri, 2017).

Customer satisfaction is an outcome of purchase and use resulting from the buyers' comparison of the rewards and costs of the purchase in relation to the anticipated consequences. It is also defined in terms of an emotional state that usually arises in response of evaluating a particular service. So, Quality and customer satisfaction both have long been recognized as crucial role for success and survival in today's competitive market. Considerable evidence exist in literature that supports relationship between company's performance and level of satisfaction reported by customers (Qadeer, 2013).

Service in business means an aggregation of a service engagement with one or more service acts between two or more service systems creating service outcomes. Thus, service is a valuable action, deed, or effort performed to satisfy a need or to fulfill a demand. Hence, customer service is the process to ensure customer satisfaction with a product or service. Often, customer service takes place while performing a transaction for the customer, such as making a sale or returning an item. Customer service is an important part of maintaining ongoing client relationships, which is key to continuing revenue. For this reason, many companies and banking industry have worked hard to increase their customer satisfaction levels. Although many people may work behind the scenes at a company, it is primarily the personnel that interact directly with customers that form customers' perceptions of the company as a whole (Ramanigopal & Mani, 2011).

There are some factors or variables that influence customer's perception on service quality of commercial banks of Nepal. Among several variables; security, behavior of the employee, trust and confidence, accessibility and willingness of employee are some major variables that impact on customer's perception. Security refers to financial security of banking services. It also indicates ensure confidentiality of bank account information. Security is the first and primary concern of customer. Thus, programs or services of commercial banks need higher level of security and privacy. Employee's behavior is defined as various sequences of actions carried out by employees within the bank. It refers empathy which means caring and individualized attention to customers. Easy to operate accounts & has less formality, convenient hours of operation and convenient location of service facility etc. are examples of accessibility in terms of banking services. Willingness of employee means responsiveness of employee to customer. It means willingness to help customers and provide prompt service. Thus, this is concerned with the willingness and readiness of employees to provide service to the customers (Shrestha, 2019).

However, even after offering wide range of services, there exists a gap between the services offered by banks and the expectations and perception of the customers. In this scenario, it is important that banks should go for customer segmentation and provide reliable, independent, impartial opinion and tailored treatment that customers now expect and perceive towards services of commercial banks. Hence, the study was

undertaken with an objective to know customer perception towards services provided by the commercial banks of Nepal.

The overall goal of the study is to identify the level to which customers perceive service quality currently practiced in Nepalese banking industry. This study therefore seeks to determine customer perception of service quality in the commercial banks of Surkhet Valley.

Services are economic activities that create value and provide benefits for customers at specific times and places, as a result of bringing about a desired change in or on behalf of the recipient of the service (Lovelock & Wright, 2002).

Service quality has become a primary competitive weapon for banks to achieve success in the market place with commonly undifferentiated products. The financial services industry has recently experienced changes unprecedented in its history. These changes have had an impact on both the structure of the industry and the nature of competition within it. This context has placed service quality at the epicenter of strategic competitiveness. The dilemma is that it is more challenging to manage the quality of services strategically as variation in customers may have different levels of expectations towards services (Harison, 2000).

Without good quality of services practiced, they will not be able to perform their work effectively. Therefore, Service can be simply defined as deeds, processes and performances. Many of the research on service quality have been carried out within the framework of the service quality model developed by the extensive research of Dawes (Dawes & Swailes, 1999).

This study set out to expand understanding of how consumers evaluate service quality in the context of a developing economy, an environment that differs significantly from the European and North American context that has hitherto dominated service quality research. The goal of this study was to identify the dimensions of customers-perceived service quality in the Nepali retail banking sector. The current research reinforces the fact that service quality is complex and multidimensional construct.

## **1.2 Statement of the problems and research questions**

Increment of population arise the demand and production up. Highly developed technology and globalization has made the world narrow and people can order their requirements from a distant place without leaving their room. Television broadcasting

and internet shopping have revolutionized the marketing. This development in the industrial sector and technology has provided various options to choose types of products and brands to consumers.

Today one can use the products produced in any corner of the world sitting at home and consumers have much more freedom to choose the service quality. They have options to choose service quality that they think is the best. In spite of availability of alternative service quality in the market, do the consumers stick up to any particular service quality or do they repeatedly purchase the same service quality? This is the burning issue of Nepalese consumer market (Shrestha, 2019).

In a service industry like banking, customer services hold primal significance in the context of sustained business growth. Customers have expectations when they judge whether the given banking services are satisfactory or not. In this current scenario, due to high competition in banking sectors, the perception of customers and potential customers are also divided according to the services that they want to achieve. With increased customer demands, changing of customer attitude, behavior, technological rise, changes in economic and psychographic profiles of customers etc. contribute to bring differences in nature and scope of the banking environment. Banks are thus forced to concentrate on their service quality aspects and service delivery procedures that has been determine the customer perception and satisfaction. If the customers are satisfied, it has been enhancing the customer loyalty and hence banks have been able to retain its customers. On the other hand, if customers are dissatisfied due to bad service quality, then customers has been not turn out to be loyal and they shall not recommend the bank's products to their peer groups and ultimately has been switch over to other bank. Nowadays, banks provide variety of services ranging from savings account to internet banking & mobile banking, granting loan services to insurance, locker facility to transfer money to abroad etc. The banking has therefore become very complex and requires specialized skills to manage current transformations in the global banking system (Bansal, 2017).

Thus, there are various customer oriented opportunities and challenges for the banking sector in Nepal. Hence, the perception and satisfaction level of customers had been measured by the opinions & views of selected customers of Nepalese commercial banks.



The main question of this study is whether the customer satisfy or not in the context of service delivery by Nepalese commercial banks. Other research questions of this study are:

- 1) How does security provided by commercial banks impact on customer perception?
- 2) Does behaviour shown by the employee of commercial banks impact on customer perception?
- 3) What are the impacts of trust and reliability factors on customer perception?
- 4) Does accessibility in service delivery of commercial banks impact on customer perception?
- 5) What is the relationship between different factors (security, behavior of the employee, trust and reliability and accessibility) and customer perception?

### **1.3 Purposes of the study**

The main objective of this study is to determine customer perception towards service delivery of Nepalese commercial banks. Furthermore, the specific objectives of the study are:

- 1) To explore the impact of security on customer perception of commercial banks.
- 2) To analyse the impact of behaviour of the employee on customer perception of commercial banks.
- 3) To examine the influence of trust and reliability that assure by the banks on customer perception.
- 4) To determine impact of accessibility of banking activity on customer perception of commercial banks.
- 5) To analyse the relationship between different factors (security, behaviour of the employee, trust and reliability and accessibility) and customer perception.

### **1.4 Rationale of the study**

Banking services are regarded as one of the important services. Banks provide financial services to the customers. In the present world, the core issues faced by banks are on the fronts of customer's service expectations, cutting operational cost and managing competition. In the context of Nepalese commercial banks, the customers are not fully satisfied with the delivery of services especially public sector banks rather

than private sector commercial banks. The opinion of customers towards service delivery mechanism of Nepalese commercial banks is not good. Customers are requiring and demanding better services from the banks. Therefore, the banks should make the customers feel special through its quality services improving service delivery mechanism. This has been lead to customer's perception exceeding their expectations and greater customer satisfaction. So, banks need to create and develop the services which can satisfy the customer needs.

That's why, this study has its importance to provide information about customers' perception towards different products and services offered to customers by Nepalese commercial banks. Findings has been be helpful to identify those areas which should be focused more to provide better services. This has been help for banks for retaining their customers and attracts new customers. This study is very important for future researchers. It is quite a bold step to enquire into the customer perception & satisfaction in banking industry. The study also fulfills some requirements of social audit of commercial banks in terms of customer perception. The management of the sampled banks may also benefit from this study as the outcome of this study, though not very complete, raises many vital issues of the commercial banks in terms of their customers' banking service desires. Though many of the commercial banks are in state of close down, especially after the advent of flexible liberalization policy, the number of commercial banks is increasing in Nepal due to the attractive market opportunity available in the country, Nowadays, the performance of these commercial banks has come under question in terms of customer satisfaction and customer perception towards service quality and service delivery procedures.

Customer relationship management is the strongest and the most efficient approach in maintaining and creating relationship with customers. Customer relationship management is the crucial way to attract the customers and build strong personal bond with them. Development of this type of bonding drives the bank towards profitable business operation. The major significance of the study are as follows:

- The study is helpful for formulating the effective strategies in retaining the existing customers and attracts the new ones towards the bank.
- It acts an important tool for the researchers, management personnel, and policy makers related to the banking sector.

- It helps the bank to find out what the customers actually need and the steps to be taken to increase the customer satisfaction in bank.

### **1.5 Limitations of the study**

The study is made for the partial fulfillment of the requirements for the degree of Master of Business Studies (MBS). Everything existing here are of limited characters. Each and every principle, theories, formulae, role and conditions are applied within the limitations. Likewise, this study possess some limitations of own kind. The followings are the limitations of this study:

1. This study is limited to only on commercial banks of Nepal, thus the findings and results has been not be applicable for all types of organizations.
2. This study is limited to Surkhet valley (Birendranagar City of Surkhet district) of Nepal.
3. The study is confined to respondents selected only from 11 commercial banks out of 24 commercial banks in Surkhet valley. Thus, the results of the study were based upon the information provided by the sample respondents
4. This study is based on primary data. The study has taken the 140 sample size out of the total population of the study.
5. The study is mainly related with the descriptive analysis rather than analytical analysis by using primary data.

### **1.6 Chapter plan**

The study has been organized into five chapters which have been presented as follows:

#### **Chapter I: Introduction**

This chapter explains the basic concept and background of the study. It has served orientation for readers to know about the basic information of the research area, various problems of the study, objectives of the study and significance of the study. It is oriented to readers for reporting, giving them perspective that they need to understand the detailed information about upcoming chapter.

**Chapter II: Literature review**

Literature review chapter deals with the findings of previous research related to the current study. Different research work related to customer's perception towards service delivery has been discussed in order to prepare a base for the study. It includes a discussion on the conceptual framework and review of major studies and research gap.

**Chapter III: Research methodology**

This chapter explains about research methodology has been used for the study. It has cover research design, population and sample, sources of data, data analysis tools and techniques and software used.

**Chapter IV: Results and discussion**

This chapter presents all collected data in systematic manner and analysis of such data by using various tools, then presents the findings and discussion of the study.

**Chapter V: Summary and Conclusion**

This chapter finally summarizes the study in few paragraphs and tries to conclude the whole study; that is the result of the research. And finally depending upon the summary, conclusion and implication has been given.

## **CHAPTER II**

### **LITERATURE REVIEW**

Review of literature means reviewing past research studies or other relevant proposition in the related area of the study. Review of literature has vital relevance with any research work due to literature review the possibility of repetition of the study can be eliminated and another dimension can be selected for the study. The literature review helps researcher to remove or decrease limitations of existing research work or may assist to extend current study. Thus, all the past studies, their conclusions and deficiencies may be known and further research can be conducted. It is integral and mandatory processes in research works.

#### **2.1 Theoretical review**

##### **2.1.1 Bank**

The term bank is derived from either Old Italian word “Banca” or from French word “Banquet” which means a bench or a money exchange table. The basis of development of modern banking is European lenders or money changers who used to display coins of different countries in large quantities on benches or tables for lending or exchanging. Bank is an institution which accepts deposits from the public and in turn, advances loan to business personal customers. It is the financial institution which provides wide range of banking services such as saving, credit payment, remittance etc (Bansal, 2017).

A bank is the corporate body that accepts deposits and channels those deposits into lending activities. That’s why, bank is the connection between customers that have capital deficits and customers with fund surpluses. According to C.R. Crowther (1968), “Bank is an institution which collects the money from those who have it to spare and who are saving it out of their income and lends this money out to those who required it.” Prof. Kinley defines bank as, “A bank is an establishment which makes to individuals such advance of money as may be required and safely made, and to which individuals entrust money when not required by them for use.” A bank is an institution that offers various types of deposits account to its customers and makes a variety of loans services. It also provides a wide range of services like foreign trade

financing, online banking, credit cards, debit cards, ASBA services etc. Bank acts as an intermediary between the surplus sector and deficit sector by supplying surplus money from surplus sector to the deficit sector for investments and financing (Crowther, 1968).

A commercial bank is a type of financial institution that accepts deposits, offers checking account services, makes various loans, and offers basic financial products like certificates of deposit (CDs) and savings accounts to individuals and small businesses. A commercial bank is where most people do their banking, as opposed to an investment bank. Commercial bank is one which exchange money, deposits money, accepts deposits, grants loan and perform commercial banking function and which is not a bank meant of cooperative, agriculture, industry or for specific purpose (Vaidya, 1999).

In Nepal, commercial banks are 'A' class licensed institution that performs all kinds of banking business and generally finance trade and commerce. Commercial bank plays important role in the economic development of the country. Banking is like a blood running in a vein for the national economy of the country. Commercial bank is a retail bank gives basic investment products, gives business loans and accepts cash deposits (Shrestha, 2019).

In today's competitive business environment, the commercial banks are competing with others in order to become the best banks and have maximum deposits and gain trust of customers in Nepal. In this case the customer satisfaction, loyalty and retention become the major issues. The major factors that attract the customers today is high interest rates and fast as well as quality services (Devkota & Dahal, 2016).

In this continuously changing environment where competition increases every day, banks need to exploit and emphasize on the customer quality to gain a competitive advantage. Commercial banks face many challenges including the expensive high-technology, unpredictable cost of funds, competition from other banks and weakened customer loyalty. Banks play a tremendous role in the economic as well as socio-economic development of our country. Thus the importance of commercial banks in the process of economic development has been pointed out regularly by economic thinkers and policy makers of the country. Commercial banks played an important role in the Indian economy and considered as the heart of the financial structure.

Banks offer several facilities and retail services to enhance the standard of living of our people. Banking industry plays a pivotal role in the economic development and form the core of the money market in growth of country (Murugesan, 2015).

Quality is generally regarded as being a key factor in the creation of worth and influencing customer satisfaction as well as customer perception. In today's turbulent economic environment, service quality is an invaluable asset that every organization should manage to survive and gain a competitive advantage. Service quality (SQ) is a significant antecedent of customer's satisfaction and customer loyalty. It is defined as the extent to which a service meets customers' needs or expectations. It is the degree and the direction of discrepancy between customer's perception and the expectations in terms of different but relatively important dimension of service quality can affect their future behavior. Although, quality customer's service requires extra resources, time and money, it leads to customer's satisfaction that can generate positive perception about organization, keep customers happy and encourage them to purchase from that organization repeatedly (Babu, 2016).

### **2.1.2 Introduction to commercial banks of Nepal**

In Nepal, commercial banks are 'A' class licensed institution that perform all kinds of banking business and generally finance trade and commerce or related to money. Commercial bank plays role in the economic development of the country and nations. The commercial banks are those banks, which are established to accept deposits and landing a loan to the industries, individual and traders with a view to earn profit. Apart from financing, they also render services like collection of bills and cheques, safekeeping of valuables goods, financial advising etc. to their customer. According to Nepal Company Act 2031 B.S, a commercial bank refers to such type of bank which deals in money exchange accepting deposit advance loan and commercial transaction except specific banking related to co-operative agriculture industry and other objective. Basic source of funds of commercial bank are capital reserve, undistributed profit and several of deposits. Basic uses of the funds are loans advance and investment. So, the commercial bank is a financial institution which performs the functions of accepting deposits from the general public and giving loans for investment with the aim of earning profit. The two most distinctive features of a commercial bank are borrowing and lending, i.e., acceptance of deposits and lending of money to projects to earn Interest (profit). In short, banks borrow to lend. The rate

of interest offered by the banks to depositors is called the borrowing rate while the rate at which banks lend out is called lending rate (Devkota & Dahal, 2016).

A commercial bank is taken as the backbone of the nation as well as the helping right hands of the National bank. When we talk about the commercial banks of Nepal, there are altogether many banks having many branches and sub branches. Commercial bank mostly plays the role of supporting the economy by investing the huge amount through their different function they give the services (i.e. deposited, loan, ATM, advising, etc.) of various helps to the person of the nation for promoting their living standard. When people get to connect with a commercial bank, they get the chance of improving their standard of life. Commercial banks are also the moving parts of the nation that stands out in every remote to urban places for facilitating the customer by their services. In Nepal also, the government always come ahead for opening the branches in remote to an urban area. The country can only step up their growth with its help because it takes more courage and concusses about their growth.

According to bank and financial institutions act 2073 (BAFIA, 2073) function, nature capital structure of bank in Nepal, banks are classified in following types:-

- a) Central Bank
- b) Commercial Bank (Class A)
- c) Development Bank (Class B)
- d) Finance Companies (Class C)
- e) Micro Credit Development Bank (Class D)

### **Central Bank**

The central bank is an apex institution which controls, regulates and supervises the banking system and occupies a central position in the monetary banking structure of the country. The Nepal Rastra Bank (NRB) was established in Baisakh 14, 2013 B.S. as a central bank of Nepal to supervises the banks and financial institutions (licensed by the NRB) in Nepal and guides monetary policy. Nepal Rastra Bank was established in 1956 under the Nepal Rastra Bank Act, 1955, to discharge the central banking responsibilities including guiding the development of the embryonic domestic financial sector. Since inception, there has been a significant growth in both the number and the activities of the domestic financial institutions (Devkota & Dahal, 2016).



## **Commercial Bank**

A Commercial bank is a type of Bank / Financial Institution that provides services such as accepting deposits, making business loans, and offering basic investment products. Commercial bank can also refer to a bank, or a division of a large bank, which more specifically deals with deposit and loan services provided to corporations or large/middle-sized business as opposed to individual members of the public/small business – Retail banking, or Merchant banks. At present there are 27 Commercial Bank in Nepal. Generally commercial banks are two types in Nepal as public sector commercial banks and private sector commercial banks. Among 27 commercial banks, 3 banks are public sector commercial banks namely (NRB, 2078):

- Nepal Bank Limited (NBL)
- Rastriya Banijya Bank Limited (RBBL)
- Agriculture Development bank Limited (ADBL).

## **Development Bank**

In Nepal, development bank is ‘B’ class licensed bank. The bank which is established for the development of different sectors like industrial, agricultural, infrastructural etc. by imitating the modern system and methodology through financial, technical and administrative assistance is known as development bank. Development banks in Nepal are playing vital roles for the development of economy status of Nepal. Nepal has many nationalized and private banking (Shrestha, 2019).

## **Finance Companies**

Finance companies are ‘C’ class licensed institution in Nepal. In the context of Nepal, there were few insurance companies and Karmachari Sanchaya Kosh working as non-banking financial institution before enactment of Finance Company Act, 2042. Need of Finance Company Act was felt because unauthorized sector was collecting savings from the common public in the name of Upahar and Dhukuti Programmers. Considering peoples’ interest in such Programmers, benefit of mobilizing such savings in productive sector, banking sectors’ inability to carry out capital market activities and to meet consumers’ need for credit, government felt the need of finance companies and introduced Finance Company Act, 2042 (Devkota & Dahal, 2016).

### **Micro Credit Development Bank**

Micro credit development banks/ Micro finance development banks are ‘D’ class licensed institution in Nepal. In Nepal, most of the poor people lives in rural areas and have little opportunity. Micro finance (Micro Credit Development Bank) could help poor people who do not have any collateral, but has bitingness to work and a desire to do some business activities from which He /She has been acquire employment as well as income (Devkota & Dahal, 2016).

#### **2.1.3 Historical background of commercial banks in Nepal**

The history of banking was started during the civilization of Greek, Rome and Mesopotamia. As a public enterprise, banking made its first appearance in Italy in 1157 A.D, when the Bank of Venice was established. The most famous Italian bank, the Medic Bank was established in 1397 A.D. Bank of Barcelona and bank of Genoa were established in 1401 A.D and 1407 A.D respectively. Bank of England established in 1694 A.D correctly attributed to the London Goldsmiths. Bank of England was the first to begin the permanent issue of bank notes in 1695 A.D.

In the context of Nepal, historical documents show that there some basic bank operations in practice during the period of 8 th century. During the period of 8 th century, Gunakamdev had borrowed money to reconstruct the Kantipur. “Nepal Sambhat” was introduced by Shankhadhar Shankhwa, a merchant of kantipur in 879 or 880 A.D. after paying the debt. Nepal has proven history of money and coins from period of Lichhivi as “monnak”, the coin issued by the king Mandev is available. In the 11thcentury, the coins “Mahendra Malli” were used during Malla Regime. King Prithivi Narayan shah established “Kaushi Toshi Khana” as a banking agency. Tejartha Adda was established in1933 B.S. by Rana Prime Minister Ranodweep Singh for distribution of loan to the people in security of gold and other valuables.

Nepal Bank Ltd. is the first bank of Nepal. In 1994 Kartik 30, establishment of Nepal Bank Limited, with the Imperial Bank of India came into existence under “Nepal Bank Act 1993 B.S.” as the first commercial bank of Nepal. Accordingly, the Nepal Rastra Bank was established in 2013 Baikash 12 B.S. (1956 A.D) as the central bank of Nepal under ‘Nepal Rastra Bank Act 1955 A.D’. Similarly Rastriya Banijya Bank was established in 2020 Magh 10 B.S. as the second commercial bank of Nepal. Similarly, Agriculture Development Bank was established in 2024 Magh 7 B.S. Some

years after, the first privately owned commercial bank, Nabil Bank limited was established in the year 2041-03-29 BS. Seven more commercial banks were added in a decade after 2041 B.S. Only four commercial banks were established from the period of 2051 B.S. to 2063 B.S. There are mainly two reasons for it. In this time period the country saw the sluggish economic growth due to the Maoist insurgency. The second reason being the reluctance on issuing license by the regulatory body, the Nepal Rastra Bank (NRB). After the Maoist insurgency came to an end in the year 2063 B.S., at least one commercial bank was established every year till last year. The banking industry, like other sector, saw growth in the absence of ongoing conflict. However, this sector was also not immune from poor governance, corruptions and scandals. The government owned banks were the most effected ones due to direct political interference in the banking activities. Now again the number of commercial banks are set to decline due to the monetary policy of this fiscal year which requires commercial banks to have paid up capital of at least Rs. 8 Arab by the end of Ashad 2074 B.S. As of Falgun 2078 B.S, numbers of banks and financial institutions in Nepal are as follows (NRB, 2078):

#### Number of Banks and Financial Institutions in Nepal

Category	A class	B class	C class	D class	Total branches
Total	27	19	21	76	10187

(Source: Report of Nepal Rastra Bank (NRB), Ashad 2078 B.S.)

#### **2.1.4 Services delivered by commercial banks in Nepal**

Customer service is the process of ensuring customer satisfaction with a product or service. Thus, customer service is an important part of maintaining ongoing client relationships, which is key to continuing revenue. For this reason, many commercial banks have worked hard to increase their customer satisfaction levels. Although many people may work behind the scenes at a company, it is primarily the personnel that interacts directly with customers that form customers' perceptions of the company as a whole. General commercial banks delivered the following services to customers as:

**i) Accepting deposit-** the primary function of bank is to accept deposit from savers.

**ii) Advancing of loans-** commercial bank is a profit oriented business organization. So banks have to advance loans to customers and generate interest from them as profit (Shrestha, 2019).

**iii) Discounting of Bill of Exchange-** Bill of exchange is a negotiable instrument, which is accepted by the debtor, drawn upon him/her by the creditor and agrees to pay the amount mentioned on maturity. Discounting bill of exchange is another function of modern commercial bank. Under this, banks purchase bill of exchange from holder in discount after making some marginal deduction in the form of commission. The banks pay the deducted value to the holders when traders discount it into bank.

**iv) Payment of cheque-** Banks provide cheque pads to the account holders. Account holders can draw cheque upon bank to pay money. Banks pay for cheques of customers after formal verification and official procedures.

**v) Remittance-**Remittance is a system, through which cash fund is transferred from one place to another. Banks provide the facilities of remittance to the customers and earn some service charge.

**vi) Collection and payment of credit instruments-**In modern business, different types of credit instruments such as bill of exchange, promissory notes, cheques etc. are used. Banks deal with such instruments. Modern banks collect and pay different types of credit instruments as the representative of the customers.

**vii) Foreign Currency Exchange-** Banks deal with foreign currencies. As the requirement of customers, banks exchange foreign currencies with local currencies, which is essential to settle down the dues in the international trade.

**viii) Consultancy-** Modern commercial banks are large organizations. They can expand their function to consultancy business. In this function, banks hire financial, legal and market experts, who provide advices to customers in regarding investment, industry, trade, income, tax etc.

**ix) Bank Guarantee-** Customers are provided the facility of bank guarantee by modern commercial banks. When customers have to deposit certain fund in governmental offices or courts for specific purpose, bank can present itself as the guarantee for the customer, instead of depositing fund by customers (Shrestha, 2019).

**x) Credit cards-**Credit cards are instruments that afford their holders to purchase goods where the credit card provider immediately pays for the purchase, and the card holder promises to repay the amount over a period of time along with interest.

**xi) ATMs services-**ATMs are a substitute for human bank tellers in managing basic functions like withdrawals, deposits, and account inquiries. ATMs have other major advantages like 24-hour availability, easy to locate, and dismissal of labor cost.

**xii) Corporate banking-**Corporate banking attends to a wide range of clients ranging from small to mid-sized local businesses. They offer services like equipment lending, trade finance, loans, & treasury and cash management services.

**xiii) Mobile banking/internet banking-** Mobile banking is a service provided by a bank or other financial institution that allows its customers to conduct financial transactions remotely using a mobile device such as a smartphone or tablet. Unlike the related internet banking it uses software, usually called an app, provided by the financial institution for the purpose. Mobile banking is usually available on a 24-hour basis. Mobile banking is dependent on the availability of an internet or data connection to the mobile device (Gerrard & Cunningham, 2003).

**xiv) DEMAT Account-** An account that is used to hold shares and securities in electronic format is called a Demat account. The full form of Demat account is a dematerialized account. During online trading, the purpose of a Demat account is to hold shares that have been bought or dematerialized (converted from physical to electronic shares), thus making share trading easy for the users (Shrestha, 2019).

**xv) C-ASBA Service-** ASBA (Applications Supported by Blocked Amount) is a system for applying Public Offering of securities. In this system, applied amount is blocked in applicant's account until shares are allotted. Applicant's account is debited only for the shares allotted to the applicant and rest amount is released thereafter. Centralized – Account Supported by Blocked Amount (C-ASBA) has become compulsory from 11/11/2014 as per the requirement of SEBON to apply for any issue (IPO/FPO/Rights/Mutual funds) going forward. The main benefit of this service is that your bank account, DMAT account and personal information is already linked and verified. Hence, applying for and issuance of any issue becomes quicker and easier (Devkota & Dahal, 2016).

Encryption technology is the most common feature at all bank sites to secure information privacy, supplemented by a combination of different unique identifiers, for instance, a password and key. Thus, a combination of smart card and biometric recognition using fingerprints offers a more secure and easier access control for computers than the password method. Customers have doubts about the trust ability of the e-bank's privacy policies; trust has striking influence on user's willingness to engage in online exchanges of money and personal sensitive information. Privacy is an important dimension that may affect users' intention to adopt e-based transaction systems (Gerrard & Cunningham, 2003).

## **2.2 Empirical review**

It consists of review of journal & article and review of previous thesis.

### **2.2.1 Review of journal and article**

The study on the “customer perception towards service delivery of commercial banks of Nepal: A study on commercial banks in Surkhet valley” reveals the fact that customer’s expectation, satisfaction and perception for quality services is the prime things for commercial banks in this scenario.

Ramanigopal & Mani (2011) studied research article entitled “Customer’s perception towards service quality of the commercial banks in Coimbatore city” published in ‘Asian Journal of Business and Economics’ focused to determine customer’s perception towards service quality of commercial banks. The study concluded that taking the banking industry to the heights of international excellence has been require a combination of new technologies, better and quicker processing of credit, appraisal, product diversification, internal control, and human resource.

Jebran (2012) studied on Consumer’s Perception on General Banking Activities of Commercial Banks: A Study in the Banking Context of Bangladesh. The objective of study was to cope up with the competitive and highly regulated banking sector that every bank is trying to put their focus on satisfying its customers. As a result consumers’ need is required to be found out. This research focuses on the issues to find out consumers’ perception on general banking activities of a commercial bank. The paper provides an understanding of different factors that affect consumer perception on general activities of a bank. Here 3 factors are generated with the help

of factor analysis. This sort of research is also helpful to find out consumer's perception in different industries and organizations.

Muyeed (2012) conducted on the topic "Customer Perception on Service Quality in Retail Banking in Developing Countries - A Case Study" in 'International Journal of Marketing Studies' evaluated customer perception towards service quality in retail banking. The main aim of the study was to evaluate the service quality in retail banking in the developing countries in general, and Bangladesh in particular. The study indicates that customers' perception vary according to the nature of service. The study found that measurement of customer satisfaction with surveys or focus groups gives direction to the banks for efforts and valuable inputs for improvement. In this case, the highest customers' perceptions reach in prompt and accuracy in transactions followed by safety of customers' investments and keep confidentiality of account and transactions. Thus, the study concluded that the banks need to consider the weak areas in order to meet customer requirement.

Hui (2013) conducted study on Customer Perception on Service Quality of Commercial Banks: A case study in Penang, Malaysia. The objective of study was to identify customer's perception on the service quality dimensions in commercial banks in Butterworth, Penang. In this study three commercial banks are chosen to be analyzed. These banks are Public Bank, CIMB Bank and Maybank that is located only in Butterworth. The results show that the most important service quality practice on customer's overall satisfaction is responsiveness as it is perceived as a dominant service quality. The results also reveal that the service quality dimension (independent variables) of attentive, flexibility, communication, friendliness and responsiveness are positively and significantly influencing the dependent variables (customer's perception). Thus, this present research concluded that service quality is the basic and also most important factor that influences the overall customer perception in preferring the services of Banks. This finding reinforces the need for banks managers to place an emphasis on the start with improving service quality in order to attract more customers in future.

Nair & Nair (2013) in their study on, "A Study on customer perception on service quality in commercial banks: an empirical study" the perceived level of service quality is far less than the desired levels. Their studies concluded that customer perception for service quality is not good as the expected and desired level. It means

customers were dissatisfied with service quality of commercial banks. They suggested that, with better understanding of customers perceptions, banks can determine the actions required to meet the customer's needs. They can identify their own strengths and weaknesses, where they stand in comparison to their competitors, chart out path for further progress and improvement. This implies that, customer satisfaction measurement helps to promote an increased focus on customer outcomes and stimulate improvements in the work practices and processes used within the bank.

Rahman, Chowdhury & Kabir (2013) studied entitled "Customer Perceptions and Expectations Regarding Service Qualities in Government owned Commercial Banks of Chittagong City: A Study on Janata Bank Limited, Bangladesh" focused to explore customer perceptions and expectations regarding service qualities in the Govt. owned commercial banks of Bangladesh. From the study, researchers found that maximum customer is dissatisfied with the perception level in all dimensions of service quality. On the other hand, in expectation level, customers expect more in Assurance, Responsiveness and Empathy. On the basis of age group, almost all the age group is dissatisfied with the services that are currently served by the bank but in the expectation level, the young age group of 20-29 years and 30-39 years expect more service standards than from other age groups. Paired sample test shows a gap between customer perceptions and the customer expectations regarding Assurance, Empathy, Tangibility and Responsiveness but no gap in Reliability. Thus, the study concluded that the bank should concentrate more on to improve service standards in courtesy, ability of employees inspire trust & confidence of the customer, their willingness to help & provide prompt services, need few more in caring and individualized attention to retain and close the gap with the customers.

Vasanthi & Gowri (2013) conducted research article entitled "Study on Customer Perception towards Service Quality Attributes of Public Sectors Banks and Private Sectors Banks" published in 'International Journal of Scientific and Research Publications' analyzed customer perception towards public and private sector banks. The prime objective of the study was to analyze customer perception towards Service Quality Attributes (SQA) between Public Sectors Banks and Private Sectors Banks. The major findings of the study were; public sector banks (PSBs) have not found any significant relationship among dimensions. But private sector banks (RSBs) have found technology has significant relationship with transactional and procedural



service qualities. Another instance shows that there is a significant difference found on technical, transactional and procedural service qualities between PSBs and RSBs. Hence, the total service quality has found significant difference between PSBs and RSBs. The next analysis was to test the contribution of service qualities among selected banking sectors. In PSBs, transactional service quality has contributed highest part and in RSBs, technology service quality has contributed highest part. In general, the study concluded that technology based service quality has highest contribution over other dimensions.

Ushantha, Wijeratne, & Samantha (2014) conducted study on “Customers’ Perception on Service Quality towards Satisfaction: An Application of SERVPERF in State Sector Banks in Sri Lanka” endeavored to apply 22 item SERVPERF Scale to measure consumers’ perceived service quality in state banks and its impact on customer satisfaction in Sri Lanka. According to this study, Cronin and Taylor (1992) developed a performance based only measurement called SERVPERF for assessing service quality as a way of overcoming some criticisms encountered by SERVQUAL. SERVPERF only evaluates customer’s perception of the service delivered while SERVQUAL evaluates both customer’s expectation and perception of the service offer. The study has taken an objective to measure consumers’ perceived service quality in state banks and its impact on customer satisfaction in Sri Lanka. According to their study, the mean score values for service quality dimensions were between 3.3 and 3.9. The state banks were found to be superior in providing assurance, tangibility and reliability while good in providing responsiveness and empathy. All the dimensions of service quality indicating relatively higher performance but state banks need to improve customer perception of empathy, since it indicated the lowest measures of center score value. The results of this study indicated that there is a strong positive individual linear correlation between each service quality dimensions with the customer satisfaction. The dimension ‘reliability’ was the leading deterrent of customer satisfaction. This indicated that state banks should perform their services as promised to their customers, correctly right the first time, with error free and showing sincere interest on customers’ problem solving abilities. Moreover, they suggested that providing high quality service certainly improves customer satisfaction in state banks in Sri Lanka.

Abraham & Rayen (2015) conducted study on “A Study on Customer’s perception towards the Factors Influencing the Service Quality of Public Sector Banks in Tirunelveli District” published an article in the research journal of commerce & behavioral science; the paper focuses on the factors influencing the service quality of the public sector banks. The study found that though the banks are offering various services to its customers, the customers are experiencing difficulties while availing services from their banks. There is a significant difference among the urban, semi-urban and rural bank customers regarding their level of expectation and perception on service quality of commercial banks. Thus, study concluded that the identified factors influencing the service quality should be taken into consideration while planning the modification in their service pattern and banks have to understand the fact and deliver the right service to right customer at right time in order to generate customer’s loyalty. The highly viewed influencing variables by the urban, semi-urban and rural bank customers are “handling of customers” “grievances”, “reasonable service charges” and “reduction of transaction charges” respectively. Taking in to account the customer’s views about the variables influencing the service quality, the banks must evolve strategies to provide better service to the customers.

Singh & Gupta (2016) conducted study on “customer’s perception and satisfaction towards service of public & private sector banks” published an article in the International Journal of Management (IJM). The study made conclusions that public sector banks should work to win the confidence of salaried class and lower age group customers specially students as these banks had a better image in the eyes of customers of higher age group, businessmen and self-employed people. On the contrary, private sector banks should give much attention to the lower income group customers also because the higher income group found the services provided by these banks to be more effective. However, mobile and internet banking was a matter of concern for the public and private sector banks but the issues varied. Private sector banks need to make these services more user friendly to the level of lower income group customers, salaried class and students as well. Conversely, public sector banks have to create awareness among its customers about these services so that they feel confident in using these services. As far as reliability and cost effectiveness are concerned, public sector banks should focus on developing some mechanism for the correction of errors in service delivery and also should pay attention towards timely

refund in case of unsuccessful transactions etc. Private sector banks should be little more transparent in fee and other charges. As far as the tangibility is concerned, there are high expectations from the private sector banks in terms of well-dressed staff, attractive décor and access to account statements and other information. On the contrary, public sector banks should also attempt to be at par with private sector banks in the times to come. Both the private and public sector banks have been empathetic towards their customers because it is the need of the hour in today's competitive world.

Bhatta & Durgapal (2016) studied on "Service quality perceptions and customer satisfaction in Nepalese banking sector" in 'Indian Journal of Commerce & Management Studies' attempted to explore customer perception on service quality of Nepalese commercial banks. The study concluded that the service quality dimensions and customer satisfaction are related constructs, and service quality is an antecedent to customer satisfaction.

Bansal (2017) published article in 'International Journal of Management and Social Sciences Research' (IJMSSR) entitled "Customer Perception towards Service Quality of Commercial Banks: A Case Study of Public Sector Banks in Northern India" focused to determine customer perception in terms of service quality dimensions of public sector banks. The main objectives of the study were to study customer perceptions in terms of service quality dimensions of public sector banks and to identify the determinants of service quality which are vital to the Indian banking industry. The major findings of the study were the expectations of the bank customers are higher for each service quality dimension than the perceptions of the services offered. This means that the public sector banks are not fully successful in meeting their customer's expectations. As per the results obtained, the study concluded that the public sector bank management should emphasize more on responsiveness dimension i.e. their employees should properly respond to customer request. The bank employees should be well trained in explaining the various services which the bank provides. Also the public sector banks in India need to focus more on tangibility dimension i.e. the bank should maintain visually appealing physical facilities like counters, sufficient seating arrangement, ATM's, drinking water facility, parking space, forms and brochures, stationary available on counters.

Talukder (2018) conducted study on the topic “Customer Perception towards Banking Services Provided by Private and Public Sector Banks” in ‘International Journal of Management, Technology and Engineering.’ The purpose of this paper is to determine the customers’ perception toward the banking services with a sample size of 500 customers taken from selected commercial bank branches of selected districts of Nagaland. The overall service quality and customer satisfaction has been done by comparing the Means of all dimensions’ Mean Consideration and Mean Experience covering all the items. The study found that the banking industry is facing an unprecedented set of challenges due to rapidly changing market, new technologies, economic uncertainties, fierce competition, and more demanding customers. As banks provide identical services, it is the quality of services that play a key role in the present competitive environment. Quality of service has a positive relationship with customer satisfaction. Quality of service rendered and the level of customer satisfaction plays a crucial role in sustainability and profitability of banks. In order to face the competition in the present globalized environment, banks have to identify the customers’ needs and expectations and not only deliver quality services but should constantly improve on them. The findings of the study show that both the gender groups and all the age groups of customers have different perceptions towards the banking services. On the whole, both the gender groups and all the age groups of customers have experienced less than what they expected in the overall service quality.

Shrestha (2019) conducted study on the topic “Service Quality and Customer Satisfaction: Evidence of Nepalese Banks” in ‘NCC journal’ focused to examine customer satisfaction on service quality of Nepalese commercial banks. In the study, the main objective was to examine customer satisfaction on service quality of selected commercial banks of Nepal. The study concluded that the level of customer satisfaction of the banks on the basis of service quality can be considered satisfactory. Furthermore, the study explored the reliability dimension i.e. showing sincere interest in solving the problem and fulfillment of promises in accurate time. Under responsiveness dimension, majority portion of customers agree with employees doing supportive action towards customers. However, about half of the customers aren’t informed about different existing services of the banks. And also do not really feel the services given by the commercial banks are fast and efficient. In regarding to

assurance dimension, two questions were asked i.e. behavior of the staff and safe to deposit in the bank. Large pool of respondents is agreed on both. Among three questions under empathy, more than half of the customers disagree with the banks' staffs give assistance to fill up the deposit slip, cheque and other forms. But large portion of customer's agreed that staffs of the banks understand their problems and queries well though some of them still think individual attention given to them can improve. Under the tangible dimension, he found that majority of customers have given agreement statement i.e. convenient location of banks, availability of modern technology, availability of waiting area and rest room. In contrast, majority of customers have given disagreement on adequate availability of the parking space. And some customers still feel location of ATM counters need to be appropriate and convenient. That's why, the study shows that the customers are satisfied with service quality of Nepalese commercial banks. However, the banks need to improve their service quality in future to anticipate challenges.

### **2.2.2 Review of previous thesis**

Dubey & Verma (2013) studied on the topic, "A Study on perception of customers towards banking services: A case of SBI" analyzed customer perception towards banking services. This study concluded that service quality is the most significant determinant among the customers in SBI branches in Agra and Meerut city. This research should be carried out in order to enhance the better understanding regarding service quality dimensions and customer retention strategies also in terms of profitability and growth this study may be replicated to other areas with a large sample size so that generalized results should be obtained.

Swathi (2014) studied on the topic "A study on customer perception towards customer services with value-added services of public sector banks (with special reference to Namkkal town)" focused to identify the significant dimensions that shape customers perception towards customer services with value added service of public-sector banks and the effect of this has been result in customer's satisfaction. In the researcher view the financial institutions, especially banks, are coming up with more and more attractive offers and value added services mainly for two reasons - to keep their customers intact and to attract other banks' customers. On the basis of the analysis, the researcher has concluded that banks have to conduct much awareness programmers, friendly usage and customer relationship in order to retain the existing customers and

to attract new customers. A bank must examine its strengths and opportunities and take a competitive position in the competitive marketplace. It has been inferred from the above analysis that the banks have to concentrate on the middle age group because the usage of value added services is more upon them which has been result in future competitive success. Thus, the study overall concluded that providing better services for exploration and specialty information is more successful to keep and attract long-time usage of banking customers.

Murugesan (2015) studied on customer's perception, awareness and satisfaction towards retail banking services in Salem district. The study found that retail banking is the fastest growing sector of the banking industry by attending directly the needs of the end customers. The study entitled "A study of customer's perception awareness and satisfaction towards retail banking services in Salem district" tried to find out the customer's perception, awareness and satisfaction of customers regarding the various retail banking services in Salem district. The study concluded that the banks should orient their services customer friendly that has been make the customer relationship management easier and more effective. In addition, the study summarized that the banks should provide their retail services as simply as possible so that the difficulties faced by them and customers are not only minimized but also overcome.

Girija (2015) studied on "Customer's satisfaction and perception on the quality of services offered by private sector banks in Tirupur district" identified the perception of the customers on the various services that have been offered by the Private Sector Banks in Tirupur District and assessed their level of satisfaction on the various services and the factors that influence the satisfaction derived by the customers. The study found that private sector banks offer a superior quality of services to their customers and enhance their satisfaction. The study concluded that the private sector banks are fulfilling their customers' requirements and making their customers' dream to become true. Hence, the this study also concluded that the Indian banking services are fast developing with human touch of Private Sector banks in Tirupur District.

Babu (2016) studied on the topic "Customer perception towards service quality of retail banks in the wake of post liberalization era with reference to Ernakulum district" attempted to identify the interrelationship between service quality, customer satisfaction and customer loyalty of retail customers of public and private sector banks. For this purpose, the researcher developed service quality model by employing

eight variables namely; Tangibility, Reliability, Responsiveness, Empathy, Assurance, Accessibility, Security and Awareness. In the study, the satisfaction level of retail bank customers and its impact on customer loyalty were studied and advanced quantitative tools were employed for ascertaining the results. The results of the research revealed that there is positive correlation between service quality, customer satisfaction and customer loyalty and hence the study suggested that the bank officials need to develop long-term relationship with customers, which enhance customer satisfaction ultimately resulting in customer loyalty, by enhancing the service quality of banks.

Devkota & Dahal (2016) studied on the topic “An Empirical Study of Service Quality Dimensions on Customer Satisfaction and Customer Loyalty in Nepalese Commercial Banking Sector” aimed to identify the important factors of customer satisfaction and customer loyalty in the context of Nepalese commercial banks. In their study, the presented findings revealed that service quality dimensions such as tangibility, reliability, responsiveness, empathy and assurance have a significant impact on customer loyalty and customer satisfaction. Additionally, study also indicated that situational factors have also impact on customer satisfaction. Thus, their study concluded that service quality dimensions such as tangibility, reliability, responsiveness, empathy and assurance are the most important factors that have an impact on customer satisfaction and customer loyalty respectively.

### **2.3 Research gap**

The above mentioned studies offer limited findings and they are not exactly similar to the present research or study. In all the above review of the literature made by Shrestha (2019), Bansal (2017), Devkota & Dahal (2016), Babu (2016), Singh & Gupta (2016) , Giriya (2015), Swathi (2014), Dubey & Verma (2013), Talukder (2018) authors have made an evaluation of the customer perception towards service delivery of commercial banks. This study differs from previous study based on selection of period, banks, indicators and selection of statistical tools and techniques. The following aspects such as how the service delivery procedures of Nepalese commercial banks meet expectation, satisfaction and perception of the customers are the basic element of this study.

Customers are king for service sector organizations like banking industry. This is because, without full filling customer's needs and demands, the organization cannot achieve its goal. In present global market scenario, commercial banks face many challenges and they are in competition in delivery service to customers. The customers are searching better services and facilities. In Nepalese banking industry, mostly past and previous studies were made to measure the satisfaction level of customers from services and facilities of banks. But, this study is conducted to measure, examine and analyze customer's expectation, satisfaction and overall perception.

Majority of the researcher used service quality dimension variables such as Tangibility (includes exterior of physical facilities, equipment, written sign and signal, personnel), Reliability (focuses on how service promises are delivered), Responsiveness (focuses on how organization are willing to help customer and offer prompt services), Assurance (focuses on inspiring trust and confidence in employee while delivering services) and Empathy (focuses on providing individual attention, and caring to the customer by providing customized services, because each and every customer is unique) to measure customer's perception.

This research fills the gap and studies the perception of service delivery of commercial banks. This study is limited to Surkhet valley (Birendranagar City of Surkhet district) of Nepal. No study has been done on customer perception towards service delivery of commercial banks in Surkhet valley. The Surkhet valley is potential for expanding commercial banks' branches and commercial banks are expanding their branches in Surkhet valley. Therefore Surkhet valley has been taken as study area for customer perception towards service delivery of commercial banks. Presently, this study aims to attempt to study about customer's perception towards service delivery of commercial banks in Surkhet valley. The previous relevant literature related to customer's satisfaction and perception has just reviewed to support the study. This study tries to full fill the gap of research and explore more findings on customer's perception towards service delivery of commercial banks in Surkhet valley. So, this study has been fruitful to those interested person, scholars, students, teachers, civil society, other stakeholders, businessmen and government for academically as well as policy perspectives.



## **CHAPTER III**

### **RESEARCH METHODOLOGY**

This chapter explains the methodology employed in this study. Research methodology is the systematic method of finding solutions to a problem i.e. systematic collection, recording, analysis, interpretation and reporting of information about various facts of a phenomenon under the study. Research methodology sets out overall plan associated with a study. It provides a basic framework on which the study is based. Before presenting the analysis and interpretation of data, it is necessary that research methodology be described first. This chapter has focused on the research design and plan, population and sample of the study, nature and source of the data. It also includes sampling technique and data collection procedures along with time frame. Further this chapter specifies the major statistical tools and models to examine the relationship between variables of the interest.

#### **3.1 Research design**

This study was conducted in the context of commercial bank in Surkhet valley. The research is descriptive type because it investigates the perception of bank customers for services received from their banks. For research purpose, researchers conducted a survey through questionnaires which defined the method of data collection by primary data collection method. In order to get better response from customers about their perception and satisfaction level, this research has been mostly focused on getting response from respondents who had frequent transaction with the banks, and the main exit gate was used as data collection place. Hence, research design is a master plan specifying the methods and procedures for collecting and analyzing the needed information. Thus, the study followed descriptive as well as quantitative research design was used.

#### **3.2 Rationality of selecting sample banks and respondents**

Surkhet is the district headquarters and commercial hub of the Karnali state of the new federal republic. No study has been done on customer perception towards service delivery of commercial banks in Surkhet valley. The Surkhet valley is potential area for expanding commercial banks' branches and commercial banks are expanding their branches in Surkhet valley. Therefore Surkhet valley has been taken as study area for

customer perception towards service delivery of commercial banks. The study has captured all the customers of major banks in study area. The sample respondents represented 20% of total respondents. The selected sample seemed to represent generalize the total population. The sample banks under study are private commercial banks, government owned banks and joint venture banks operating in Nepal. So, study represents whole commercial banks operating in Nepal. Very few researches have been done in this area so researcher wanted to select this district.

### 3.3 Population and sample

Out of 27 commercial banks of Nepal, 24 commercial banks are located at Surkhet valley. Thus, the target populations of this study were all the customers who have bank account in banks. Hence, customers of some commercial banks operating in Surkhet valley were selected as the sample for the study. Convenience sampling method was used to select the sample. The selected sample seemed to represent generalize the total population. Generally, customers of commercial banks are depositors, borrowers, and others who get banking services. Out of the customers of commercial banks, 140 respondents were taken to conduct the study. The sample size has been calculated as follows: Suppose  $\sigma^2 = 81$  and researcher wanted 99% confidence interval of with  $E = 2$ ; in other words, researcher wanted 99% chance that the estimate  $\bar{x}$  will be within 2.5 of the true  $\mu$ . What minimum sample size is required? (Muyeed, 2012)

$$n = \frac{(z_{\alpha/2})^2 \sigma^2}{E^2}$$

If suppose  $\sigma^2 = 81$  and  $E$  of 2 but require a 99% confidence interval, then

$E = 2$ ,  $\sigma = 9$ ,  $\alpha = 0.01$  and  $z_{\alpha/2} = z(0.005) = 2.576$ ,

Then minimum sample size,  $6.635 \times 81 / 4 = 537.49 / 4 \approx 135$

**Table 3.1**

*Name of the commercial Bank and the sample size*

<b>Name of Banks</b>	<b>Frequency</b>	<b>Percent</b>
Bank of Kathmandu Ltd, Surkhet	9	6.42
NIC ASIA Bank Ltd, Surkhet	18	12.85
Citizens Bank Ltd, Surkhet	20	14.29
Laxmi Bank Ltd, Surkhet	8	5.71
Everest Bank Ltd, Surkhet	8	5.71
Rastriya Banijya Bank Ltd, Surkhet	14	10.0
Nepal Bank Ltd, Surkhet	8	5.71
Agriculture development Bank Ltd, Surkhet	16	11.45
SBI Bank Ltd, Surkhet	21	15.0
Machhapuchre Bank Ltd, Surkhet	10	7.15
Sunrise Bank Ltd, Surkhet	8	5.71
	<b>140</b>	<b>100</b>

### **3.4 Sources of data**

This study is focused to use primary data to meet the objective of the study. To collect primary data about customer's perception and opinion regarding Nepalese commercial bank a questionnaire survey was conducted. The questionnaire was focused on examining relationship among customer perception towards service delivery variable. In addition primary data covers respondent' perceptions regarding factors influencing customer perception in Nepalese Commercial Banking sector and to what extent bank's variable is affected by. The questionnaire contains the Likert-Scale, and multiple choices questions. The secondary data were taken from different websites, journals, articles, dissertations, etc. The secondary data were used for literature review as well as to construct questionnaire.

### **3.5 Data collection procedure**

For purpose of collection of data, researchers conduct a survey through questionnaires which defined the method of data collection by primary data collection method. Analysis is the careful study of available facts so that one can understand and draw conclusion from them on the basis of established principles and sound logic. Thus, this study is based on primary data with the help of different statistical tools.

### **3.6 Data processing procedure**

Various statistical tools like mean, standard deviation, correlation and regression analysis was used to analyze and interpret the data collected through primary source. SPSS was used for the analysis of collected data. The data were processed through tabulated frequency distribution using SPSS software. A correlation statistical technique was then used to test and establish the strength of the relationship among the variable.

Analysis is the careful study of available facts so that one can understand and draw conclusion from them on the basis of established principles and sound logic. The collected data information through primary as well as secondary sources correspondingly has been tabulated, categorized and analyzed by using appropriate statistical and financial tools. Tick mark and open- end questions are included in the questionnaires. The comparative analysis has been undertaken by using percentage, graphs and chart.

Some statistical tools are used to implicit the comparative results are as follows:

**a) Multiple Bar- diagrams and graphs**

Diagrams and graphs are visual aids which give a bird's eye view of a set of numerical data which show the information in a way that enables us to make comparison between two or more than two sets of data. Diagrams are in different types. Out of these various types of diagram one of the most important form of diagrammatic presentation of data is multiple bar diagram which is used in cases where multiple characteristics of the same set of data have to be presented and compared.

**b) Pie- diagram**

A pie- diagram is a widely used aid that is generally used for diagrammatic presentation of the values differing widely in magnitude. In this method all the given data are converted into 360 degree as the angle of a circle is 360 degree and all components of the data are presented in terms of angles that total 360 degree for one set of data.

**c) Percentage**

Percentage is one of the most useful tools for the comparison of two quantities or variables. Simply, the word percentage means per hundred. In other words, the fraction with 100 as its denominator is known as a percentage and the numerator of this fraction is known as rate of percent.

**d) Mean**

An average line which represents group of values. In other words, the quantities which are the representative of the huge mass of quantities are known as average. The most popular mean is arithmetic mean or average, which is calculating the sum of all variables divided by the number of variables. The mean is the arithmetic average of a variable.

**e) Standard deviation**

Standard deviation (S.D.) is the most popular and the most useful measure of dispersion. It indicates the ranges and size of deviance from the middle or mean. It measures the absolute dispersion. Higher the values of standard deviation higher the variability and vice versa. It is the positive square root of average sum of squares of deviations of observations from the arithmetic mean of the distribution.

### **f) Correlation analysis**

Correlation is one of the most useful statistics. In other words, correlation is the statistical tools measures the degree of relationship of one variable with another variable. Two or more variables said to be correlated if change in the one variable appears to be related or linked with the change in the other variables value. Correlation says just degree of relationship between two or more variables. It does not tell us anything about cause and effect relationship. Correlation may be positive or negative. Correlation lies between -1 & +1. When Pearson's correlation( $r$ ) is close to 1 strong relationship between two variables. This mean that change in one variable are strongly correlated with change in second variable. When correlation ( $r$ ) is close to zero then there is weak relationship between two variables.

### **g) Regression analysis**

The study aims to analyze the relationship between banking service attributes and customer perception. The determinants of banking service delivery are used as independent variables. Four different determinants are taken as independent variables namely accessibility, trust and reliability, behavior of the employee and security. Customer perception is taken as dependent variable. Multiple regression models are used in this study to analyze the relationship between the determinants of banking service delivery and their impact on customer perception. The multiple regression model used in this study is as follow:

#### **Multiple Regression Model**

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

Where,  $\hat{Y}$  = Customer perception

$X_1$  = Accessibility,

$X_2$  = Trust and Reliability,

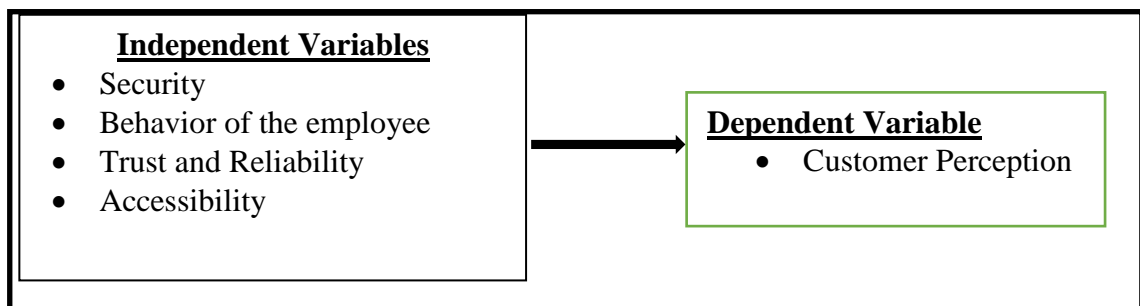
$X_3$  = Behavior of the employee,

$X_4$  = Security,  $\alpha$  = constant,  $e_i$  = Error term and  $\beta_1, \beta_2, \beta_3, \beta_4$  are the beta coefficients of the explanatory variables to be estimated. All the observed relationship and findings have been interpreted to drive at meaningful conclusions regarding the relationship between banking service delivery and customer perception.

### 3.7 Conceptual framework

A conceptual framework is an analytical tool with several variations and contexts. It is used to make conceptual distinctions and organize ideas. A conceptual framework represents the researcher's synthesis of literature on how to explain a phenomenon.

In this study, to find out the perception of customers towards service delivery of commercial banks, security, employee behavior, trust and reliability and accessibility have been taken as the independent variables and customer perception has been taken as the dependent variable. The conceptual framework of the study is as follows:



Source: Jebran J.K (2012)

#### Customer Perception

Customer perception refers to how customers view a certain products or services based on their own conclusions. These conclusions are derived from a number of factors, such as price and overall experience. It is the reality of how customers view brand, products and services. In many cases, customers form impressions, assumptions and opinions about a firm that differ substantially from how a firm views itself. Perception measure those facets of the service as actually delivered or experienced. Oliver stated that customer perception is “a comparison to excellence in service by the customer”. Customer perceptions of a service are often made after the service delivery. Customer’s perception of service encounters or “moment of truth” is the evidence of the service, image and quality of an organization. Hence, it forms the overall perception of the customer in terms of quality, satisfaction and value (Zeithmal & Bitner, 2003 )

This study is mainly focused on customer expectation, satisfaction and perception towards banking services in Surkhet valley. So, dependent variable is customer perception which depends on above listed independent variables shown in figure. As per the study there were different variables that affect the outcome of the research,

those variables which are not affected by any other variables are independent variables. While designing research there are different variables considered as independent such as

### **Security**

Security refers to freedom from danger, risk, or doubt. It involves physical safety, financial security and confidentiality. Under the security, various factors are determined to measure the customer perception. They are: Customer perception is affected by hiring on duty security guards for security purpose, utilizing surveillance cameras inside the bank and out for security purpose also affects the customer perception, using sequentially numbered bills for security and privacy impact on customer perception and customer perception is affected by establishing user identification for security and privacy.

So, security is essential and important matter for customer perception and overall expectation of customer. Security is the first and primary concern of customer that is delivered by commercial banks. Programs or services of commercial banks such as deposit, withdrawal, loan, account opening, debit/credit cards, ATM services, internet and mobile banking etc. need higher level of security and privacy. Thus, security impacts on customer perception in terms of services delivered by commercial banks in Surkhet valley. If the customers are highly satisfied with security of bank's services, then customers have positive perception towards it. If the customers unsatisfied with security concerns of banking services, then it brings negative views and perception of customers. Moreover, the banking programs are unable to meet customer's overall expectation and satisfaction.

### **Employee Behaviour**

In any commercial banking area, there is a wide variety of employees' behaviors that can occur within the workplace. Employees' behaviors are defined as various sequences of actions carried out by employees within the bank. Some of these behaviors may be positive and refer to the constructive actions of employees on behalf of the organization employees and customer's negative employees' behavior has ruined many businesses and costed employers high amount every day. It also has the consequences of driving away customers & damaging employees' morality and increasing their turnover rates. It focuses on providing individual attention, and caring

to the customer by providing customized services, because each and every customer is unique. Furthermore, employees must have willingness to resolve the problems. It means willingness of employee is to help customers and provide prompt services. It focuses on how organizations are willing to help customer and offer prompt services.

Willingness of employee also impact on customer satisfaction level and perception. It is because when customer ask to solve any banking problem by employee. Then if employee is able to solve that particular problem than, customer get higher satisfaction and customer have positive perception and vice versa. Thus, willingness to do work is important part associated with good employee behavior for the service sector organizations like banking industry.

It is when a service employee shows that s/he understands and sympathizes with the customer's situation. Some situations require more empathy than others. It is also defined as the caring, individualized attention the firm provides to its customers (Shrestha, 2019).

### **Trust and Reliability**

Trust indicates customer's belief to quality of banking services and employee's skill, knowledge and experience while reliability refers the ability to perform the promised service dependably and accurately.

It refers to the level of certainty a customer has regarding the quality of the service provided. It is defined as employee's knowledge and courtesy and the ability of the firm and its employees to inspire trust and confidence. It also refers to the dependability of the service providers and their ability to keep their promises. In other words, it means that the company delivers on its promises, service provision, problem resolution and pricing. Customers want to do business with companies that keep their promises, particularly their promises about the service outcomes and core service attributes (Shrestha, 2019).

So, trust & reliability is the another important factor which also impact on customer perception in case of service delivery of commercial banks in Surkhet valley. If customer has trust and reliability to bank's programs or services then it has been help to increase customer satisfaction as well as positive customer perception. Otherwise, lack of trust and reliability affect in customer perception towards banking services.



**Accessibility**

Accessibility means easy to approach, reach, enter, speak with, or use. Accessibility is the design of products, devices, services, or environments for customer with disabilities. Accessibility can be viewed as the "ability to access" and benefit from some system or entity. The concept focuses on enabling access for customer with disabilities, or special needs, or enabling access through the use of assistive technology. In general, this is related to easy access of customers to services which are provided by banks.

## **CHAPTER IV**

### **RESULTS AND DISCUSSION**

This chapter describes the analysis results generated from the process of data collection. It deals with the analysis and interpretation of the primary data collected through questionnaire from 140 respondents. Data were analyzed with reference to the objectives of this research as mentioned in the earlier chapter. The primary purpose of this chapter is to analyze and interpret the collected data and present the results of the questionnaire survey. The main objective of this research study will be fulfilled with the outcomes derived from the analysis of the data. The data collected from the procedure as stated in chapter three were further taken for analysis and presentation. This analysis part consists of details of the respondents' profile, descriptive analysis of respondents' answers on banking service delivery and the respective correlation among the dependent and independent variable.

The main purpose of this section is to test relationship between the attributes of customer perception and service delivery along with the presence of dependent variable which is customer perception and independent variables such as security, behavior of the employee, trust and reliability and accessibility. This section is further sub-divided into various sections. The first part deals with the respondents' profile and their demographic characteristics. The second part is descriptive analysis, which analyzes the collected data through frequency analysis and measures of central tendency. The third part analyzes the collected data through inferential analysis, which includes hypothesis testing and correlation analysis. Fourth part is regression analysis. The fifth and the final part of this chapter deals with discussion and inferences by analyzing and interpreting the collected data on attributes of customer perception and customer satisfaction in Nepalese banking industry.

#### **4.1 Demographic profile of respondents**

This section deals with the demographic analysis and interpretation of primary data collected through questionnaires. It gives an insight into the demographic characteristics of the respondents under study. In this study the respondents has been sub divided into various categories for the purpose of simplicity and they are: Gender

wise, Age wise, Occupation wise, Education level wise, marital status and type of bank

The questionnaire was distributed to both male and female respondents. The objective was to determine the percentage of distribution of respondents by gender. The frequency and percentage of the respondents is depicted in Table 4.1:

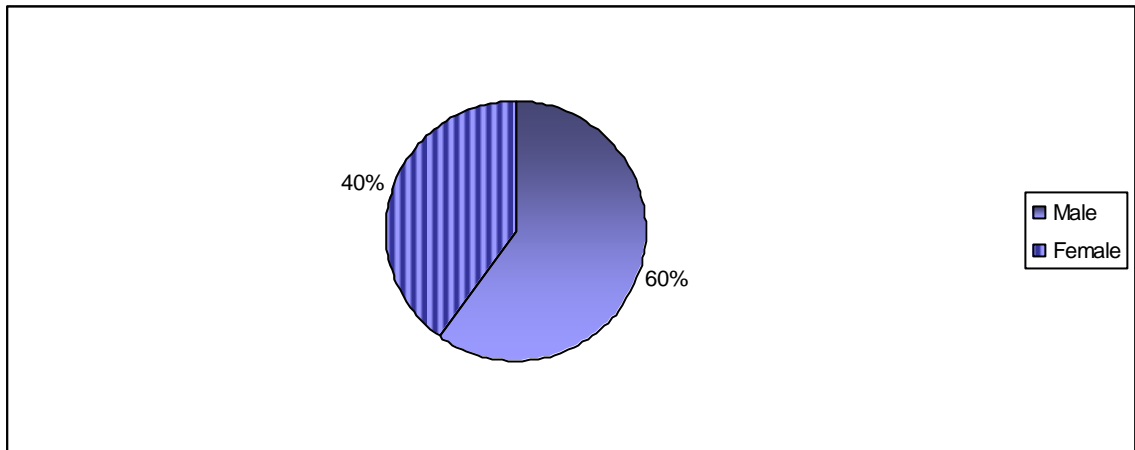
**Table 4.1**  
*Distribution of respondent's profile*

Statement	Frequency	
Age	18-25	14
	26-35	56
	36-50	36
	Above 50	34
Gender	Male	84
	Female	56
Marital status	Married	90
	Unmarried	50
Educational qualification	Under	8
	SLC	14
	SLC	40
	10+2	58
	Bachelor	20
Occupation	Student	34
	Employee	21
	Farmer	31
	Business	38
	Public-sector Bank	102
Type of account maintaining	Private-sector Bank	68
	Saving A/C	20
	Fixed deposit A/C	31
	Current A/C	21
	Other A/C	140
Total	140	

*Source; Field Survey, 2021*

Figure 4.1 shows gender distribution of the respondents. From the above figure and table, it is clear that out of total respondents, 84 were male and 56 were female.

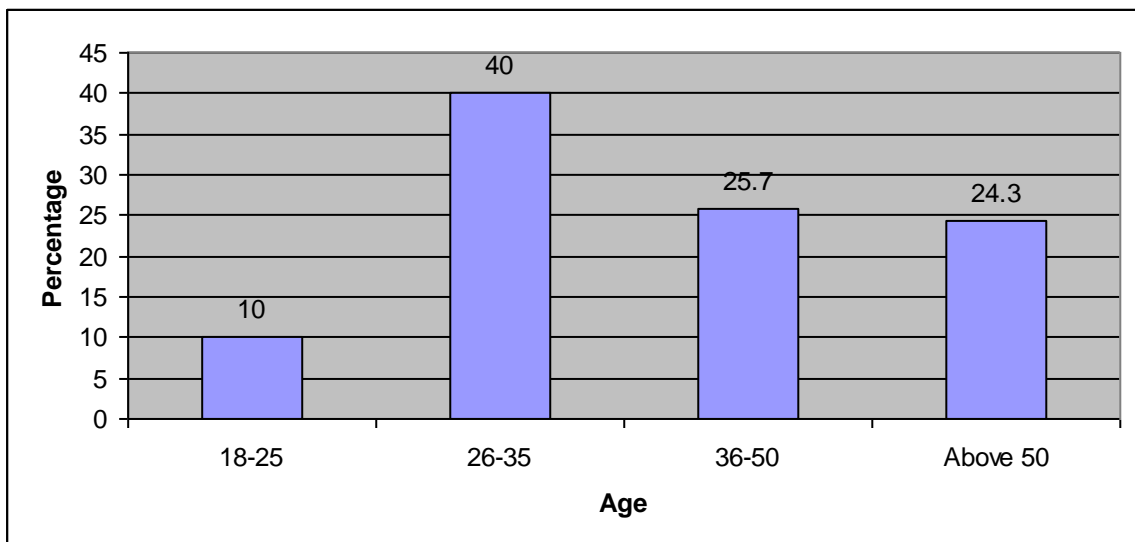
Hence, respondents comprised of 60 percent male and 40 percent female. This concluded that male respondents were more than female.



**Figure 4.1**

*Gender group of respondents*

The questionnaire was distributed to respondents of different age groups. This was to determine the percentage distribution of the age groups of people who responded to the given questionnaire, as shown in Table 4.1 and Figure 4.2.

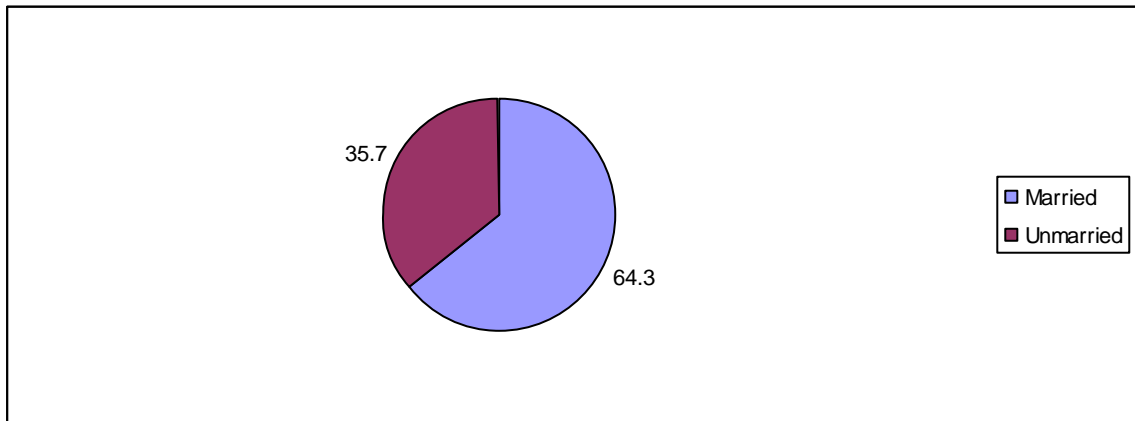


**Figure 4.2**

*Age group of respondents*

Figure 4.2 and Table 4.1 show age distribution of the respondents, where majority of the respondents fall under the age group of 26-35. From the above figure and table it is clear that 10% respondents were under the age group of 18-25, 40% respondents were of age group 26-35, 25.7% respondents were of age group 36-50, and 24.3% respondents were under the age group of above 50. Hence, this result shows that the

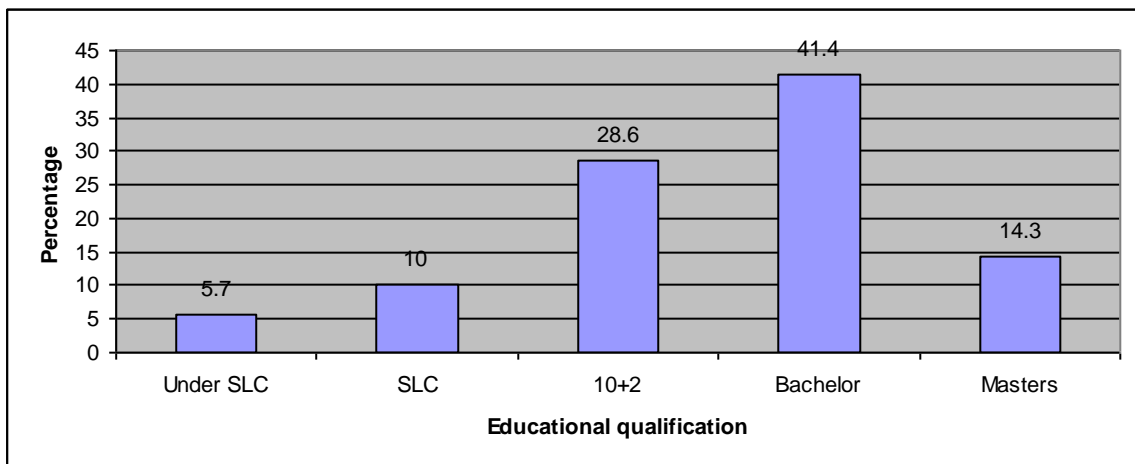
majority of people using banking service fall within the age group of 26-35, which falls in the category of the youth.



**Figure 4.3**

*Marital status of respondents*

Figure 4.3 and Table 4.1 show marital status distribution of the respondents, where majority of the respondents fall under the married group. Out of total respondents, 64.3% of the respondents were married and 35.7% were unmarried. This concluded that married respondents were more than unmarried. The questionnaire was distributed to respondents having different levels of academic experience. The educational qualification of respondents is shown in Table 4.1 and Figure 4.4.



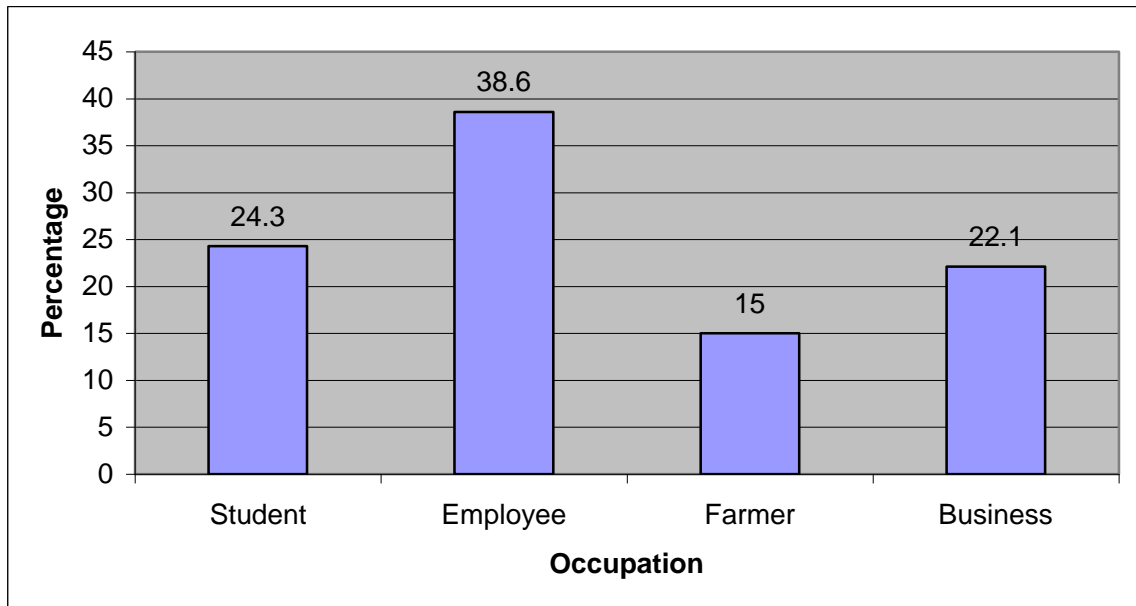
**Figure 4.4**

*Educational qualification of respondents*

Figure 4.4 and Table 4.1 depict educational qualification of the respondents. It shows that 5.7 percent of the respondents were under SLC level, 10 percent of the respondents were in the SLC level, 28.6 percent of the respondents were in 10+2 level, 41.4 percent of the respondents were in Bachelor level and 14.3 percent of the

respondents were in Masters Level. Therefore, this result shows that the majority of the banking users have a qualification Bachelor degree.

The questionnaire was distributed to respondents working in different fields. The profession of respondents is shown in Table 4.1 and Figure 4.5.

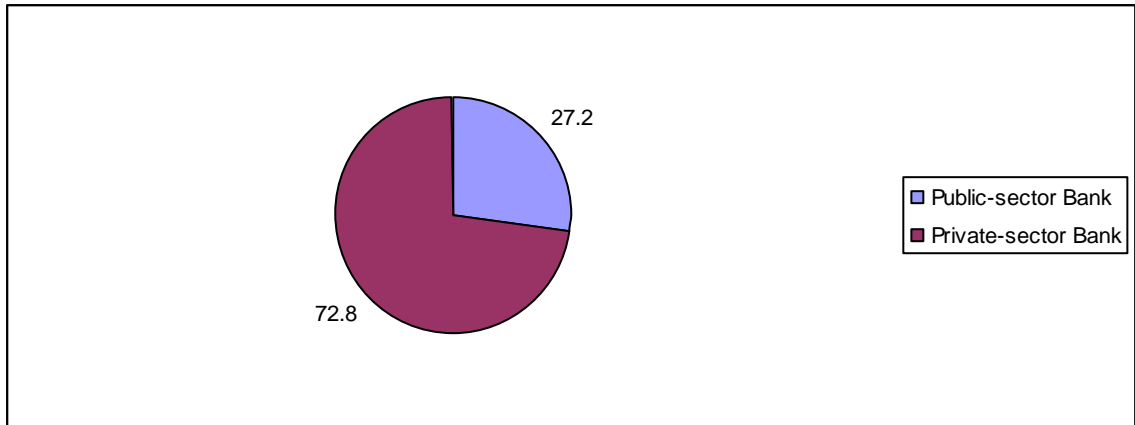


**Figure 4.5**

*Profession of respondents*

Table 4.1 and Figure 4.5 depict the distribution of respondents based on profession such as student, farmer, employee, and business. More than one-third (38.6%) of the respondents were employee as their main occupation, 22.1% respondents were business, 15% respondents were farmers and among the total respondents 24.3% were students as their main occupation. It shows that majority of the respondents i.e. 38.6 percent belong to farmers.

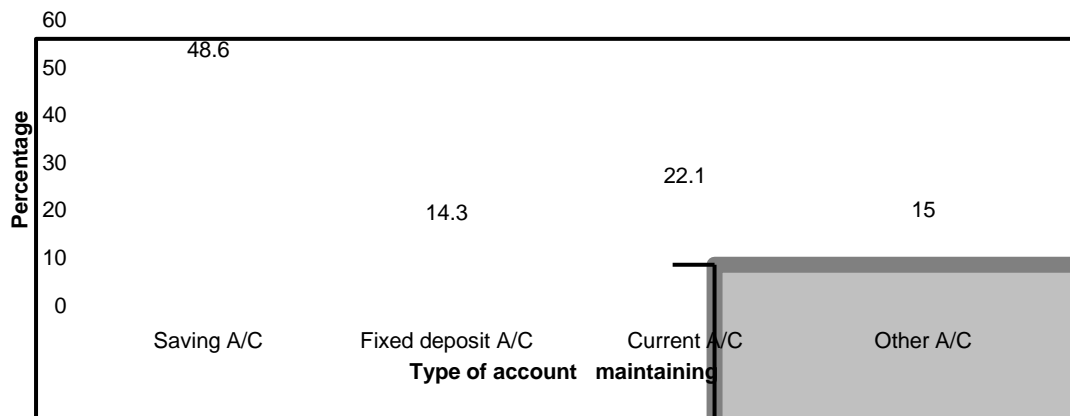
Out of total respondents, 72.8% of the respondents were involved private sector banks and 27.2% were involved in public sector banks for their transaction. This concluded that private sector bank involvements of respondents were more than public sector bank.



**Figure 4.6**

*Type of banks*

Out of total respondents, 48.6% of the respondents had maintained saving account in banks for transaction, 14.3% of the respondents had maintained fixed deposit account, 22.1% of the respondents had maintained current account and 15% of the respondents had maintained other account banks for their transaction. This concluded that most of the respondents had maintained saving account more than other account for transaction purpose.



**Figure 4.7**

*Type of account maintaining*

#### 4.2 Descriptive analysis

In order to present descriptive scores for each of the variables used in the survey, descriptive analyses were performed. Descriptive statistics summarizes the sample and observations that have been made. In this study, descriptive analysis incorporates the calculation of statistical measures such as mean and standard deviation. A total of 24 items (questions) with particular mean score were obtained as output. As five-point

Likert scale was used for each question ranging from ‘Strongly Disagree’ to ‘Strongly Agree’; coded by 1 representing ‘Strongly Disagree’, 2 representing ‘Disagree’, 3 representing ‘Neutral’, 4 representing ‘Agree’ and 5 representing ‘Strongly Agree’. These values are used to analyze the data with respect to frequencies and aggregation relating to research questions and variables.

#### 4.2.1 Security of service delivery

Security refers to freedom from danger, risk, or doubt. It involves physical safety, financial security and confidentiality. Under the security, various factors are determined to measure the customer perception. They are: Customer perception is affected by hiring on duty security guards for security purpose, utilizing surveillance cameras inside the bank and out for security purpose also affects the customer perception, using sequentially numbered bills for security and privacy impact on customer perception and customer perception is affected by establishing user identification for security and privacy. Security of banking service delivery is the one of the independent variable of this research. Descriptive study of each questions drafted and overall descriptive study on this variable is shown below:

**Table 4.2**

*Descriptive statistics of security of banking service delivery*

Code	Statements	N	Mean	Std. Deviation
Sec1	I feel safe in my transactions with my bank.	140	3.74	1.243
Sec 2	My bank maintains the high security and confidentially of my account information.	140	4.22	1.110
Sec 3	I feel safe using Internet banking and mobile banking.	140	4.45	1.075
Sec 4	My bank's office layout and branch layout is safe.	140	3.92	1.215
Sec 5	I feel safe using locker facility of my bank.	140	4.24	1.344
Security of service delivery		140	4.12	1.102

*Source: Field Survey, 2021*



The results in Table 4.2 show the descriptive statistics of an individual item and as a whole of security sub-factor. There are five statements used to measure security of banking service delivery. Each of the 140 respondents submitted their responses in the five-point Likert scale. The Table shows that the items have a mean value ranging from 3.74 to 4.45. Among the five statements, the statement with code "Sec1" has scored the lowest mean of 3.74 with standard deviation of 1.243 and statement with code "Sec3" has scored the highest mean of 4.45 with a standard deviation of 1.075. The highest mean of 4.45 indicates that it is the most agreed statement, stating, "I feel safe using Internet banking and mobile banking". Lowest mean of 3.74 shows that respondents are less agreed by the statement "I feel safe in my transactions with my bank.". Additionally, the table shows that "Sec5" has the highest standard deviation of 1.344 whereas "Sec3" has the lowest standard deviation of 1.075. This means respondents have more deviation with the statement "I feel safe using locker facility of my bank."

#### **4.2.2 Behavior of the employee**

In any commercial banking area, there is a wide variety of employees' behaviors that can occur within the workplace. Employees' behaviors are defined as various sequences of actions carried out by employees within the bank. Some of these behaviors may be positive and refer to the constructive actions of employees on behalf of the organization employees and customer's negative employees' behavior has ruined many businesses and costed employers high amount every day. It also has the consequences of driving away customers & damaging employees' morality and increasing their turnover rates. It focuses on providing individual attention, and caring to the customer by providing customized services, because each and every customer is unique. Furthermore, employees must have willingness to resolve the problems. It means willingness of employee is to help customers and provide prompt services. It focuses on how organizations are willing to help customer and offer prompt services. Behavior of the employee to banking service delivery is another independent variable of this research. Descriptive study of each questions drafted and overall descriptive study on this variable is shown below:

**Table 4.3***Descriptive statistics of behavior of the employee to banking service*

Code	Statements	N	Mean	Std. Deviation
Be1	Bank employees are responding to customer's needs and queries promptly.	140	4.02	1.104
Be2	Employees of my bank are polite and supportive.	140	3.89	1.220
Be3	Bank employees always inform to their customers about change of fee details immediately.	140	4.15	1.314
Be4	Bank employees never feel tired to respond to customer's request.	140	4.32	1.080
Be5	Bank employees always approaching the customers friendly.	140	3.42	1.187
Behavior of the employee to service delivery		140	3.95	1.173

*Source: Field Survey, 2021*

The results in Table 4.3 show the descriptive statistics of an individual item and as a whole of behavior of the employee sub-factor. The Table show that the items have a mean value ranging from 3.42 to 4.32 i.e. the response is positive. Among the five statements, the statement with code "Be5" has scored the lowest mean of 3.42 with a standard deviation of 1.187 and statement with code "Be4" has scored the highest mean of 4.32 with the lowest standard deviation of 1.080. The highest mean of 4.32 indicates that it is the most agreed statement, stating, "Bank employees never feel tired to respond to customer's request". Lowest mean of 3.42 shows that respondents are less agreed by the statement "Bank employees always approaching the customers friendly". Additionally, the table shows that "Be3" has the highest standard deviation of 1.314 whereas "Be4" has the lowest standard deviation of 1.080. This means respondents have more deviation with the statement "Bank employees always inform to their customers about change of fee details immediately".

#### **4.2.3 Trust and reliability**

Trust indicates customer's belief to quality of banking services and employee's skill, knowledge and experience while reliability refers the ability to perform the promised service dependably and accurately. It refers to the level of certainty a customer has

regarding the quality of the service provided. It is defined as employee's knowledge and courtesy and the ability of the firm and its employees to inspire trust and confidence. It also refers to the dependability of the service providers and their ability to keep their promises. Trust and reliability of service delivery is another independent variable of this research. Descriptive study of each questions drafted and overall descriptive study on this variable is shown below:

**Table 4.4**

*Descriptive statistics of trust and reliability banking service delivery*

Code	Statements	N	Mean	Std. Deviation
TRe1	My bank is providing its services as advertised.	140	4.61	0.967
TRe 2	Loan process and settlement procedures are so clear.	140	4.56	1.393
TRe 3	Banks provide timely and efficient service.	140	4.78	1.080
TRe 4	Banks maintain error free records.	140	3.52	0.942
TRe 5	All the information provided by the bank are transparent in nature.	140	4.26	0.975
Trust and reliability of service delivery		140	4.31	0.997

*Source: Field Survey, 2021*

The results in Table 4.4 show descriptive statistics of an individual item and as a whole of trust and reliability of banking service delivery sub-factor. There are five statements used to measure the reliability of banking service delivery. Each of the 140 respondents submitted their responses in the five-point Likert scale. The Table show that the items have a mean value ranging from 3.52 to 4.78 i.e. the response is positive. Among the five statements, the statement with code "TRe4" has scored the lowest mean of 3.52 with a standard deviation of 0.942 and statement with code "TRe3" has scored the highest mean of 4.78 with standard deviation of 1.080. The highest mean of 4.78 indicates that it is the most agreed statement, stating "Banks provide timely and efficient service" and the lowest mean of 3.52 shows that respondents are less agreed by the statement "Banks maintain error free records." Additionally, the table shows that "TRe2" has the highest standard deviation of 1.393

whereas “TRe4” has the lowest standard deviation of 0.942 . This means respondents have more deviation with the statement “Loan process and settlement procedures are so clear”.

#### 4.2.4 Accessibility of service delivery

Accessibility means easy to approach, reach, enter, speak with, or use. Accessibility is the design of products, devices, services, or environments for customer with disabilities. Accessibility can be viewed as the "ability to access" and benefit from some system or entity. Accessibility of service delivery is one of the independent variables of this research. Descriptive study of each question drafted and overall descriptive study on this variable is shown below:

**Table 4.5**

*Descriptive statistics of accessibility of banking service delivery*

Code	Statements	N	Mean	Std. Deviation
Acc1	I can open my bank account & demat accounts online.	140	4.17	1.262
Acc2	There is easy procedure to operate accounts and less formality in my bank.	140	4.10	1.250
Acc3	I can use internet banking & mobile banking for online payments at any time.	140	4.13	1.290
Acc4	I can access different products of my bank very easily.	140	4.15	1.255
Acc5	Vehicle Parking facilities are available in my bank	140	4.40	1.254
Accessibility of service delivery		140	4.21	1.082

*Source; Field Survey, 2021*

The results in Table 4.5 show descriptive statistics of an individual item and as a whole of accessibility sub-factor. There are five statements used to measure the accessibility of banking service delivery. Each of the 140 respondents submitted their responses in the five-point Likert scale. The Table show that the items have a mean value ranging from 4.10 to 4.40 i.e. the response is positive. The Table shows that “

Acc5” has the highest mean and “Acc2” has the lowest. The highest mean of 4.40 indicates that it is the most agreed statement, stating, “Vehicle Parking facilities are available in my bank”. Lowest mean of 4.10 shows that respondents are less agreed by the statement “There is easy procedure to operate accounts and less formality in my bank”. Additionally, the Table shows that “ Acc3” has the highest standard deviation whereas “Acc2” has the lowest standard deviation. This means respondents have more deviation with the statement “I can use internet banking & mobile banking for online payments at any time.”

#### 4.2.5 Customer perception

Customer perception refers to how customers view a certain products or services based on their own conclusions. These conclusions are derived from a number of factors, such as price and overall experience. It is the reality of how customers view brand, products and services. Customer perception is the dependent variable of this research. Descriptive study of each questions drafted and overall descriptive study on this variable is shown below:

**Table 4.6**

*Descriptive statistics of customer perception*

Code	Statements	N	Mean	Std. Deviation
Cp1	Say positive things about the Bank to other people.	140	4.17	0.969
Cp 2	Encourage friends and relatives to do business with Bank.	140	4.41	0.948
Cp 3	Intend to continue doing business with Bank.	140	4.27	0.921
Cp 4	Have strong preference on this Bank.	140	3.98	0.993
Customer Perception		140	4.20	0.946

*Source: Field Survey, 2021*

The results in Table 4.6 show the descriptive statistics of an individual item and as a whole of customer perception. There are four statements used to measure Customer perception on banking service delivery. Each of the 140 respondents submitted their responses in the five-point Likert scale. The Table shows that the items have a mean value ranging from 3.98 to 4.41. Among the four statements, the statement with code

"Cp4" has scored the lowest mean of 3.98 with standard deviation of 0.993 and statement with code "Cp2" has scored the highest mean of 4.41 with a standard deviation of 0.921. The highest mean of 4.41 indicates that it is the most agreed statement, stating, "Encourage friends and relatives to do business with Bank". Lowest mean of 3.98 shows that respondents are less agreed by the statement "Have strong preference on this Bank". Additionally, the table shows that "Cp4" has the highest standard deviation of 0.993 whereas "Cp3" has the lowest standard deviation of 0.921. This means respondents have more deviation with the statement "Have strong preference on this Bank."

### **4.3 Inferential analysis**

The purpose of this section is to present the method for analyzing the empirical results, test the hypothesis set, built in previous chapter. Inferential statistics are procedures used that allow researchers to infer or generalize observations made with samples to the larger population from which they were selected. It enables use of one or more samples of observations to infer values of a population. Inferential analysis test hypotheses to determine if observed differences between groups or variables are real or occur simply by chance. It produces new information by making predictions and generalizations based on samples. This section consists of two analysis tools which are:

#### **4.3.1 Correlation analysis**

Pearson Correlation analysis is used to determine the relation between various independent and dependent variables associated with the research. It measures the linear correlation between any two variables. This analysis was carried out for variables having simple multi option answers. Correlation matrix was computed to assess the extent or degree of relationship in between the research variables. A positive correlation reveals that the direction of the relationship is positive with one increasing in reaction to the other's increase. Meanwhile, a negative correlation reveals an inverse of the above; an increase in one when the other decreases. Correlations Analysis between variables was studied to find relations among them. Pearson's correlations analysis was carried out for variables having simple multi option answers. Correlation matrix was computed to assess the extent or degree of

relationship in between the research variables. Correlation between Independent and Dependent variables is shown in Table 4.7.

**Table 4.7**

*Correlation analysis*

	Accessibility	Trust and Reliability	Behavior of the employee	Security	Customer Perception
Accessibility	1				
Trust and Reliability	.459**	1			
Behavior of the employee	.531**	.648**	1		
Security	.420**	.577**	.688**	1	
Customer perception	.554**	.644**	.533**	.479**	1

\*\* Correlation is significant at the 0.01 level (2-tailed).

*Sources: Field Survey, 2021*

#### **4.3.1.1 Relationship between Accessibility and Customer Perception**

The Pearson Correlation coefficient between the independent variable accessibility of banking service delivery attributes and dependent variable Customer perception is 0.554, which implies that the two variables are positively correlated. The positive coefficient of correlation is 0.554 at 1 percent significant level.

#### **4.3.1.2 Relationship between trust and Reliability and Customer perception**

The Pearson Correlation coefficient between the independent variable trust and reliability of banking service delivery and dependent variable Customer perception is 0.664, which implies that the two variables are positively correlated. The positive coefficient of correlation is 0.664 at 1 percent significant level.

#### **4.3.1.3 Relationship between Behavior of the employee and Customer perception**

The Pearson Correlation coefficient between the independent variable Behavior of the employee of banking service delivery and dependent variable Customer perception is

0.533, which implies that the two variables are positively correlated. The positive coefficient of correlation is 0.533 at 1 percent significant level.

#### **4.3.1.4 Relationship between Security and Customer perception**

The Pearson Correlation coefficient between the independent variable security of banking service delivery and dependent variable Customer perception is 0.479, which implies that the two variables are positively correlated. The positive coefficient of correlation is 0.479 at 1 percent significant level.

#### **4.3.2 Regression analysis**

The general purpose of multiple regressions is to learn more about the relationship between several independent or predictor variables and a dependent or criterion variable. In statistical modeling, regression analysis is a statistical process for estimating the relationships among variables. It includes many techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables. A correlation analysis can only tell whether or not a strong relationship exists between two variables. But even if a correlation coefficient indicates that a strong relationship exists between two variables, the exact shape of the relationship between the two variables cannot be determined. In this case, regression analysis provides more information about the slope of the relationship. It is used to describe the nature of a relationship and to make predictions.

This section determines which independent variable explains variability in the outcome, how much variability in dependent variable is explained by independent variables and dependent variable, and which variables are significant (over other variables) in explaining the variability of the dependent variable. Multiple regressions were used to explore the impact of independent variables on dependent variable.

#### **Multiple Regression Model**

$$\hat{Y} = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e_i.$$

Where,

$\hat{Y}$  = Customer perception (Dependent variable)



X1 = Accessibility of banking service delivery

X2= Trust and reliability of banking service delivery

X3=Behavior of the employee of banking service delivery

X4= Security of banking service delivery

$\alpha$  = Constant

$e_i$  = Error term

$\beta_1, \beta_2, \beta_3$  &  $\beta_4$  are the beta coefficients of the explanatory variables

**Table 4.8**

*Multiple regressions analysis*

Dependable variables: Customer Perception	
$\hat{Y} = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e_t$	
Variables	Coefficients
(Constant)	0.464 (0.232)
Factor 1: Accessibility	0.503 (0.000)
Factor 2: Trust and Reliability	0.488 (0.001)
Factor 3: Behavior of the employee	0.510 (0.000)
Factor 4: Security	0.678 (0.000)
F-value	33.849 (0.000)
$R^2$	66.40
Adjusted $R^2$	66.10

*Note: The numbers in the parentheses are the p-values.*

Model summary indicates the R-square also known as coefficient of determination which can help in explaining variance. The value of R-square as evident from Table is 0.664 which means 66.4 percent variation in Customer perception is explained by accessibility of banking service delivery, trust and reliability of banking service delivery, behavior of the employee of banking service delivery, security of banking service delivery. This shows moderate relationship between all variables of banking service delivery and customer perception. Model summary also indicates the standard error of the estimate of 0.33849 which shows the variability of the observed value of customer perception from regression line is 0.33849 units. However, the remaining 33.6 percent (100 percent-66.4 percent) is still unexplained in this research. In other

words, there are other additional variables of banking service delivery that are important in explaining customer perception, that have not been considered in this research.

Based on ANOVA, the p-value is 0.00 which is lesser than alpha value 0.01. Therefore, the model is a good predictor of the relationship between the dependent and independent variables. As a result, the independent variables (Accessibility, trust and reliability, behavior of the employee and Security) are significant in explaining the variance in Customer perception. Taking four dimensions of banking service delivery i.e. accessibility, trust and reliability, behavior of the employee and security as independent variable (X1, X2, X3, X4,) and Customer perception as the dependent variable, the model is constructed with equation as below:

$$\hat{Y} = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e_i$$

Based on the coefficients, the regression equation for customer perception can be written as:

$$\hat{Y} = .464 + 0.503X_1 + 0.488X_2 + 0.510X_3 + 0.678X_4$$

Regression coefficient of accessibility, trust and reliability, behavior of the employee and Security are 0.503, 0.488, 0.510 and 0.678 respectively.

### 4.3.3 Hypothesis testing

Hypothesis testing is the use of statistics to determine the probability that a given hypothesis is true. Hypothesis testing is done using inferential analysis. Inferential analysis test hypotheses to determine if observed differences between groups or variables are real or occur simply by chance. The best way to determine whether a statistical hypothesis is true would be to examine the entire population. Since that is often impractical, researchers typically examine a random sample from the population. If sample data are not consistent with the statistical hypothesis, the hypothesis is rejected.

Four alternative hypotheses were drawn for the purpose of identifying relationship between dependent and independent variables in this study. Each hypothesis is tested on the basis of the Pearson's correlation coefficient. Test on each of these hypotheses is discussed below:

#### **Hypothesis 1**

H1: There is no significant relationship between accessibility of banking service delivery and Customer perception.

The correlation analysis shows that there is a positive correlation between accessibility of banking service delivery and Customer perception. The correlation is significant at 1percent Where p-value is less than alpha i.e.  $0.000 < 0.01$ . Hence, the alternative hypothesis (H1) is not accepted

### **Hypothesis 2**

H2: There is no significant relationship between trust and reliability of banking service delivery and Customer perception.

The correlation analysis shows that there is a positive correlation between trust and reliability of banking service delivery and Customer perception. The correlation is significant at 1percent where p-value is less than alpha i.e.  $0.001 < 0.01$ . Hence the alternative hypothesis (H2) is not accepted

### **Hypothesis 3**

H3: There is no significant relationship between behavior of the employee of banking service delivery and customer perception.

The correlation analysis shows that there is a positive correlation between behavior of the employee of banking service delivery and customer perception. The correlation is significant at 1percent where p-value is less than alpha i.e.  $0.000 < 0.01$ . Hence the alternative hypothesis (H3) is not accepted

### **Hypothesis 4**

H4: There is no significant relationship between Security of banking service delivery and customer perception.

The correlation analysis shows that there is a positive correlation between security of banking service delivery and customer perception. The correlation is significant at 1percent where p-value is less than alpha i.e.  $0.000 < 0.01$ . Hence, the alternative hypothesis (H4) is not accepted.

### **Hypothesis 5**

H5: There is no significant relationship between banking service attributes and Customer perception.

The correlation analysis shows that there is a positive correlation between banking service attributes and customer perception. Hence, the alternative hypothesis (H5) is not accepted.

### **Hypothesis 6**

H6: There is no significant impact of banking service attributes on the perception of customers.

The correlation analysis and regression analysis shows that there is a positive correlation between security of banking service delivery and Customer perception. The p-value is less than alpha i.e.  $0.000 < 0.01$ . Hence, the alternative hypothesis (H6) is not accepted.

From the above analyses, it can be concluded that all the independent variables have a significant positive relationship with Customer perception. However, among all the independent variables the independent variable ‘trust and reliability’ has the highest correlation coefficient. Therefore, it can be concluded that trust and reliability has a greater impact on customer perception.

### **4.4 Major findings**

A survey was conducted in Surkhet valley to find out the influence of different independent variables, used in research, on customer perception. The research was done with the sample size of 140 representing the population size. The descriptive statistics study and the hypothesis test were conducted and the final result was presented. The results obtained from descriptive statistics for the dependent variable and independent variables are summarized as below:

1. Majority of the respondents (customer) are male (60%), Age group of 26 to 35 years (40%), married (64.3%) and occupation employee (38.6%).
2. The overall average mean value of accessibility is 4.21, which show that respondents agree that accessibility is an important factor of banking service delivery that affects level of customer perception.
3. The overall mean of trust and reliability is 4.31, which show that the respondents give importance to trust and reliability and it influences customer perception.

4. The overall mean of behavior of the employee is 3.95, which show that respondents agree that behavior of the employee is an important factor of banking service delivery that affects customer perception.
5. The overall mean of security is 4.12 which shows that respondents highly consider that security is an important factor which affects in customer perception
6. The aggregate mean of customer perception is 4.20, which show that the level of customer perception with banking service delivery attributes is good.
7. The correlation coefficient analysis shows that the relationship between dependent variable and independent variables is positive, which indicates that banking service delivery attributes, influence customer perception.
8. The descriptive findings suggest that among various independent variables, trust and reliability has the highest mean of 4.31 with standard deviation of 0.997. This shows that trust and reliability has a greater influence on customer perception. Similarly, the dependent variable, customer perception has a mean of 4.20 and standard deviation of 0.946. This shows that level of customer perception with banking service delivery of Nepalese bank is good. Standard deviations of some variables are below the level of 1.00 and some are above 1.00 which depicts that there is variation in responses of the respondents. Research hypotheses were formulated and tested to test the impact of four dimensions of banking service (accessibility, trust and reliability, behavior of the employee and security) on customer perception.
9. The significance of the hypothesis between the variable are also analyzed from the significant value drawn from the sample. The correlation results were used to answer the research hypotheses. The result showed that all the constructs are statistically significant at the 0.01 level. This is because the p-value 0.001 is less than alpha value i.e. 0.01. Hence, the results proved that all the independent variables including accessibility, trust and reliability, behavior of the employee and security have a significant positive relationship with customer perception.
10. The findings of inferential analysis show that there is positive and influential relationship between independent variables and dependent variable. The

significance value is less than the alpha value (i.e.  $0.000 < 0.01$ ), which indicate that there is a significant impact of banking service attribute on perception of customer.

11. This relationship is one that can help banking service delivery providers to improve their service and sustain more number of customers. Understanding how various factors of banking service contribute to customer perception provides the service provider with insight for developing and sustaining highly motivated customers.

#### **4.5 Discussion**

This study identified the four major banking service delivery attributes; accessibility, trust and reliability, behavior of the employee and security satisfy customer perception. These four service quality dimensions play vital role in the customer perception. Jebran (2012) studied on Consumer's Perception on General Banking Activities of Commercial Banks found that a relationship between service delivery factors & customer perception does exist which is similar to present study. Hui (2013) conducted study on Customer Perception on Service Quality of Commercial Banks: A case study in Penang, Malaysia. The results also reveal that the service quality dimensions (independent variables) of attentive, flexibility, communication, friendliness and responsiveness are positively and significantly influencing the dependent variables (customer's perception). Present study is consistent with this study.

This study identified that the banking attributes, accessibility, trust and reliability, behavior of the employee and security; influence the customer to use the banking service delivery through perception. Hence, the present study slightly differs from Nair & Nair (2013) that revealed there are some service quality determinants that are predominantly satisfy and others that are predominantly dissatisfy with the main sources of satisfaction being attentiveness, responsiveness, care and friendliness. The main sources of dissatisfaction are integrity, trust and reliability, responsiveness, availability and functionality, which is dissimilar to present study.

The results indicated that banking service providers could utilize all the factors significantly to improve the level of customer perception. Banks should re-evaluate all four variables that highly affect customer perception and should initiate and re-

construct their strategies accordingly to sustain in the extremely competitive business environment. These variables are actually acting as customer feedback for banking service delivery, what exactly they feel and what they need. This study acts as an important part for evaluating and enhancing their performance, which is similar to Jebran (2012).

## **CHAPTER V**

### **SUMMARY AND CONCLUSIONS**

This chapter summarizes the research process and result of the study. The entire chapter is summarized in three sections. The first one summarizes the study and general overview about research, the second section derives the conclusion of the study and the third section delivers the implications.

#### **5.1 Summary**

The main objective of this study is to determine customer perception towards service delivery of Nepalese commercial banks. Moreover, the specific objectives of the study were to explore the impact of security on customer perception of commercial banks, to analyze the impact of behavior of the employee on customer perception of commercial banks, to examine the influence of trust and reliability that assure by the banks on customer perception and to determine impact of accessibility of banking activity on customer perception of commercial banks.

This study consisted of 140 participants belonging to different background. For the purpose of conducting the study, 24 item questionnaires were used. A survey was carried out using convenience sampling and the sample obtained included the respondents with different gender, age, and work background of Surkhet Valley.

Different materials were reviewed to build up the conceptual framework and to find out the clear destination of the research work. Concept of banking service, attributes, advantages and challenges of banking service in Nepal, models of customer perception reviewed as conceptual review. Various studies related to banking service delivery of various people have been reviewed and their ideas have been explained. Based on the literature review four major determinants of banking service was derived i.e. accessibility, trust and reliability, behavior of the employee and security. A theoretical model was then developed taking into account the prescribed variables and perceived relationships among them. The hypotheses were then developed from the study of the literature. In order to determine the survey result, different statistical tests have been performed. At first, descriptive analysis was done to determine the average value and standard deviation of each variable under each hypothesis. There were at



least 4 to 5 questions or variables to measure each hypothesis. Respondents answered on a five-point Likert scale ranging from 'Strongly Disagree' to 'Strongly Agree'.

The findings from this research document the relationship between banking service delivery and customer perception, as documented in the literature. The descriptive statistics study and the hypothesis test were conducted and the final result was presented.

The descriptive findings suggest that among various independent variables, trust and reliability has the highest mean of 4.31 with standard deviation of 0.997. This shows that trust and reliability has a greater influence on customer perception. Similarly, the dependent variable, customer perception has a mean of 4.20 and standard deviation of 0.946. This shows that level of customer perception with banking service of Nepalese bank is good.

Research hypotheses were formulated and tested to test the impact of four dimensions of banking service (accessibility, trust and reliability, behavior of the employee and security) on customer perception. The significance of the hypothesis between the variable are also analyzed from the significant value drawn from the sample. The correlation results were used to answer the research hypotheses. The result showed that all the constructs are statistically significant at the 0.01 level. This is because the p-value 0.001 is less than alpha value i.e. 0.01. Hence, the results proved that all the independent variables including accessibility, trust and reliability, behavior of the employee and security have a significant positive relationship with customer perception.

## **5.2 Conclusions**

The main purpose of this study is to determine customer perception towards service delivery of Nepalese commercial banks. This study also helps to examine the relationship between those attributes and customer perception. In addition, this study helps to examine the impact of banking service delivery quality dimensions on customer perception.

This study identified the four major banking service delivery attributes; accessibility, trust and reliability, behavior of the employee and security satisfy customer perception. These four service quality dimensions plays vital role in the customer perception. This study examined that the factors of banking service delivery, which

have significant impact upon the level of customer perception in the context of Nepalese banking sector. Upon examining the factors of banking service delivery, it has been found that a relationship between the factors and customer perception does exist.

This study identified that the banking attributes, accessibility, trust and reliability, behavior of the employee and security; influence the customer to use the banking service delivery through perception. The results indicated that banking service providers could utilize all the factors significantly to improve the level of customer perception. In addition, the research findings help the banks in re-drafting/re-considering their managerial strategies as how to get better performance to increase the customer perception level and stand out in the highly competitive business. Banks should re-evaluate all four variables that highly affect customer perception and should initiate and re-construct their strategies accordingly to sustain in the extremely competitive business environment. These variables are actually acting as customer feedback for banking service delivery, what exactly they feel and what they need. This study acts as an important part for evaluating and enhancing their performance.

### **5.3 Implications**

This research paper is of great importance specially for banking industry in Surkhet valley. Based on the research findings of this study, the following recommendations are prescribed to serve as a guideline for future research work of similar nature:

1. The data collection for this study was conducted in a single location i.e. Surkhet valley (Birendranagar City of Surkhet district). This highlights the necessity to extend this research to a larger and geographically more diversified sample of consumers.
2. With knowing, the factors of banking enable the banks to cope the problems of customers and ultimately help to customize their banking products and services delivery to cater their needs.
3. This study focuses on overall banking service delivery and the impact on customer perception. However, future research can focus upon level of consumer satisfaction in relation to different groups banking users. This will have better understanding about behavior of consumers, variables associated

with banking service as well as the impact on perception level of consumers while using banking service.

4. The study contributes to the general body of empirical evidence about banking service and the behavior of the users and tries to explain this phenomenon with respect to Nepalese society. However, the study does have certain methodological limitations. First of all, this study uses sample only from Birendranagar City of Surkhet district, thus results might not be generalizable.
5. Moreover, for this study, convenience sampling technique was used which has certain drawbacks. Results generated from such sampling might not be the true representative of the target population. All this raises a new agenda for future researches. Any researcher examining a similar topic in future has to investigate these parameters and should try to conduct a large-scale survey to make the results more representative and generalizable.
6. The findings of this research study will help banks to increase their sales through banking service. However, the results of this study might not be exhaustive and further research still needs to be done to validate the findings.
7. For the central bank this research may be a guideline to set their plans and policies about the banking product.
8. The research will also provide valuable information to the commercial bank, government bodies, institution, researcher, students, and individual in Nepal.

### **Recommendations for Future Researchers**

This study will be very useful to those researchers who want to understand and carry out research regarding concept of service quality and its impact on customer satisfaction. This result is basically from “A” class financial institution and Surkhet valley of Nepal. Thus, the future study may incorporate other financial sectors such as development banks, insurance finance companies, micro-finance companies and other places of Nepal.

1. The study is hugely based on primary data and opinion of respondents but further research can be carried out with extensive observation, interviews with concerned study group.

2. The sample size and time period taken for the study is limited so future study can be carried out by taking large sample size for longer time period. The model used in this study is limited on averaging and regression of data but further research could be carried out with using various advance statistical tools to make research even useful and more valid.
3. The study is limited to 11 branches of commercial Bank because of financial and time constraint hence further research may be required to gain more clear picture regarding impact of service quality on customer satisfaction.
4. This research have considered security, employee behavior, trust and reliability and accessibility dimensions as method of measuring customer perception but further research may be carried out by various other dimensions and variables to measure service quality.
5. For the purpose of this study, a quantitative approach was adopted to identify level of perception towards banking service. Although the use of quantitative methods is considered valuable in examining relationships between variables, it is considered to be weak when trying to explore the reasons for the relationships. As a result, using qualitative along with quantitative methods is recommended in future studies, to further examine relationships among the variables.

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