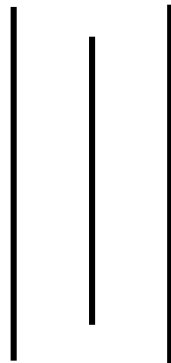


**RETAIL LENDING AND CUSTOMER SATISFACTION
OF COMMERCIAL BANKS IN NEPAL**

By
SACHINDRA SHARMA
Shanker Dev Campus
Campus Roll No. : 1221/061
T.U. Regd. No.: 7-2-227-47-2001
2nd Year Exam Symbol No.: 9790

A Thesis Submitted to:
Office of the Dean
Faculty of Management
Tribhuvan University



*In partial fulfillment of the requirement for the degree of
Master of Business Studies (MBS)*

Kathmandu, Nepal
November 2010

RECOMMENDATION

This is to certify that the thesis

Submitted by:

SACHINDRA SHARMA

Entitled:

**RETAIL LENDING AND CUSTOMER SATISFACTION
OF COMMERCIAL BANKS IN NEPAL**

*has been prepared as approved by this Department in the prescribed format of
the Faculty of Management. This thesis is forwarded for examination.*

.....
Dr. Shilu Manandhar Bajracharya
(Thesis Supervisor)

.....
Prof. Bishweshor Man Shrestha
(Head, Research Department)

.....
Krishna Prasad Acharya
(Acting Campus Chief)

VIVA-VOCE SHEET

We have conducted the viva –voce of the thesis presented

By

SACHINDRA SHARMA

Entitled:

RETAIL LENDING AND CUSTOMER SATISFACTION OF COMMERCIAL BANKS IN NEPAL

And found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirement for the degree of

Master of Business Studies (MBS)

Viva-Voce Committee

Head, Research Department

Member (Thesis Supervisor)

Member (External Expert)

DECLARATION

I hereby declare that the work reported in this thesis entitled “**Retail Lending and Customer Satisfaction of Commercial Banks in Nepal**” submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the degree of Master of Business Studies (MBS) under the supervision of **Dr. Shilu Manandhar Bajracharya** of Shanker Dev Campus, T.U.

.....

Sachindra Sharma

Shanker Dev Campus

Campus Roll No. : 1221/061

T.U. Regd. No.: 7-2-227-47-2001

2nd Year Exam Symbol No.: 9790

ACKNOWLEDGEMENT

I would express sincere thank to Tribhuvan University for granting Masters of Business Students privilege of preparing thesis. I believe this will help student to be more practicable and knowledgeable. Being student of Masters of Business Studies; I have prepared a thesis study report on the topic, “**Retail Lending and Customer Satisfaction of Commercial Banks in Nepal**”.

It is a great deal of satisfaction to complete this research work. However, this work is not a sole attempt of mine alone. A large numbers of individuals have contributed to this research work. I am very grateful to all of them for their help, advice and encouragement in completing the work. At the very outset, I would like to express my heartily gratitude to my brother Mr. Rabindra Sharma advised me to select the topic and carry out the research work. Similarly, I would like to express my indebtedness to my thesis advisor **Dr. Shilu Manandhar Bajracharya** who has significantly contributed her time in providing the valuable guidance during the study, reviewing the research work and providing valuable suggestions to complete this thesis. I am equally grateful to head of department for his co-operation.

In the same way I would like to thank the member staffs of the library of Shankar Dev Campus and T.U. Central Library for their sympathetic help with patience and clarifications. I would like to express my cordial thanks to all those teachers, friends, college staffs and staffs of banks who helped me directly or indirectly for preparing this thesis.

Sachindra Sharma

TABLE OF CONTENTS

Recommendation	
Viva Voce Sheet	
Declaration	
Acknowledgement	
Table of Contents	
List of Tables	
List of Figures	
Abbreviations	
	Page No.
CHAPTER- I	
INTRODUCTION	
1.1 General Background	1
1.1.1 Customer Satisfaction	5
1.1.2 Service Quality and Customer Satisfaction	7
1.2 Statement of the Problem	8
1.3 Objectives of the Study	10
1.4 Theoretical Framework	11
1.5 Limitations of the Study	13
1.6 Company Profile	13
1.6.1 Everest Bank Limited	13
1.6.2 Bank of Kathmandu	15
1.6.3 Kumari Bank Limited	16
1.6.4 Nabil Bank Limited	16
1.6.5 Himalayan Bank Limited	17
1.7 Chapter Division	18
CHAPTER- II	
REVIEW OF LITERATURE	
2.1 Conceptual Review	19
2.1.1 History and Development of Banking	19
2.1.2 Commercial Banks- Concept and Definitions	20
2.1.3 Salient Features of Lending Policy	21

2.1.4 Role of Commercial Bank in Economic Development	22
2.1.5 Brief Description of Retail Loan Schemes Available in Nepal	23
2.1.6 Customer Satisfaction and Retail Banking	31
2.2 Conceptual Background	33
2.2.1 Some Key Antecedents to the Formation of Overall Customer Satisfaction	34
2.3 Service Quality	35
2.3.1 Dimensions of Service Quality	36
2.3.2 Tangible Dimension of Service Quality	36
2.4 Customers Expertise	38
2.5 Customer Satisfaction in the Service Sector	40
2.6 Determinants of Customer Satisfaction in Retail Banking	45
2.6.1 Service Quality	47
2.6.2 Service Features	47
2.6.3 Customer Complaint Handling	48
<i>1.1.1.1.1 2.7 Customer Satisfaction</i>	
49	
2.7.1 Measuring Customer Satisfaction	49
2.7.1.1 Focus Groups	49
2.7.1.2 Client Advisory Groups	50
2.7.1.3 Client Surveys	50
2.7.1.4 Phone	51
2.7.1.5 Written Surveys	51
2.8 Antecedents to Perceived Service Quality: A Study of the Banking Industry	52
2.9 Conceptual Framework and Research Hypothesis	53
2.9.1 Word-of-mouth Communication and Perceived Service Quality	53
2.9.2 Comparison Shopping and Perceived Service Quality	54
2.9.3 Personal Relationships and Perceived Service Quality	55
2.9.4 Market Orientation and Perceived Service Quality	56

2.10 Review of Relevant Thesis	58
--------------------------------	----

CHAPTER- III RESEARCH METHODOLOGY

3.1 Research Design	60
3.2 Population	60
3.3 Sampling Procedures	61
3.4 Data Collection Procedures	61
3.5 Statistical Analysis	62
3.6 Data Processing Procedures	62
3.6.1 Percentage	62
3.6.2 Diagrams and Graphs	62

CHAPTER – IV PRESENTATION AND ANALYSIS OF DATA

4.1 Section One: Analysis of Prospective Customer	64
4.1.1 Respondent Profiles	65
4.1.2 Age of the Respondents	66
4.1.3 Income Level of Respondents	67
4.1.4 Awareness Level of Consumer Loans	68
4.1.5 Analysis of Mediums through which the Customers gets the Information about the Consumer Lending	69
4.1.6 Analysis of the Market Leader Bank in Entire Banking Activities	70
4.1.7 Analysis of Purpose of Taking Loans	71
4.1.8 Analysis of the Banks that Respondents Choose to take a Consumer Loans	72
4.1.9 Analysis of the Factors that Motivates the Customer to Choose the Specific Banks	73
4.1.10 Analysis of Amount the Consumer wants to take as a Loan	74
4.2 Section Two: Analysis of Existing Customers	75
4.2.1 Respondents Profile	75
4.2.2 Analysis of the Medium through which the Customer obtain the Information about the Consumer Lending	77

4.2.3 Analysis of the Bank from which the Respondent has taken the Consumer Loans and what made them to choose that Bank	79
4.2.4 Analysis of from which Bank the Respondent has taken the Consumer Loan sand what made them to choose that Bank	80
4.2.5 Analysis of Respondents' Level of Satisfaction from their Respective Bank	81
4.2.6 Analysis of Category of Consumer Loans	82
4.2.7 Analysis of whether the Consumers are Satisfied with the Loan Procedures of their Respective Banks or Not	83
4.2.8 Analysis of Difficulties while Applying for Consumer Loans	84
4.2.9 Analysis of Market Leader Bank in Term of Consumer Lending	85
4.2.10 Analysis of Service Rating by the Respondents of the Respective Bank	86
4.2.11 Responsible Factors in the Level of Satisfaction Regarding Consumer Loans	88
4.2.12 Analysis of Customers Complain Handling	89
4.2.13 Analysis of Customers Complain Hearing by the Banks	90
4.2.14 Analysis of Income Level and Amount of Loan by using Chi-square Test	91
4.3 Major Finding	92
4.3.1 Findings of Section One: Prospective Customers	92
4.3.2 Findings of Section Two: Existing Customers	93

CHAPTER – V SUMMARY, CONCLUSION AND RECCOMENDATIONS

5.1 Summary	96
5.2 Conclusions	96
5.3 Recommendations	99

Bibliography

Appendix

LIST OF TABLES

Table No.	Title	Page No.
4.1	Occupation of Respondents	65
4.2	Ages of the Respondents	66
4.3	Income Level of Respondents	67
4.4	Awareness Level of Consumer Loans	68
4.5	Mediums through which the Customers Gets the Information about the Consumer Lending	69
4.6	Market Leader Bank in Entire Banking Activities	70
4.7	Purpose of Taking Loans	71
4.8	Banks that Respondents Choose to take a Consumer Loans	72
4.9	Analysis of the Factors that Motivates the Customer to Choose the Specific Banks	73
4.10	Amount the Consumer Wants to take as a Loan	74
4.11	Occupation of the Respondents	75
4.12	Income Level of Respondents	76
4.13	Different Mediums	77
4.14	The Bank from which the Respondent has taken the Consumer Loans and what made them to choose that Bank	79
4.15	Respondents' Level of Satisfaction from their Respective Bank	81
4.16	Category of Consumer Loans	82
4.17	Whether the Consumers are Satisfied with the Loan Procedures of their Respective Banks or not	83
4.18	Difficulties while Applying for Consumer Loans	84
4.19	Market Leader Bank in Term of Consumer Lending	85
4.20	Service Rating by the Respondents of the Respective Bank	86
4.21	Responsible Factors in the Level of Satisfaction Regarding Consumer Loans	88
4.22	Customers Complain Handling	89
4.23	Customers Complain Hearing by the Banks	90
4.24	Income Level and Amount of Loan by using Chi-square Test	91

LIST OF FIGURES

Figure No.	Title	Page No.
4.1	Occupation of Respondent	65
4.2	Age of the Respondents	66
4.3	Pie chart showing Income level of Respondents	67
4.4	Awareness Levels of Respondents	68
4.5	Pie chart showing different mediums through which the Customers Gets the Information	69
4.6	Market Leader Bank in Entire Banking Activities	70
4.7	Types of Consumer Loans	71
4.8	Analysis of the Banks that Respondents Choose to take a Consumer Loans	72
4.9	Factors that Motivates to Choose the Specific Bank	74
4.10	Amount the Consumer wants to take as a Loan	75
4.11	Occupations of Respondents	76
4.12	Income levels of Respondents	77
4.13	Different Mediums	78
4.14	From which Bank the Respondent has taken the Consumer Loan sand what made them to choose that Bank	80
4.15	Category of Consumer Loans	82
4.16	Bar Diagram	85
4.17	Market Leader Bank	86
4.18	Service Rating of the Banks	87
4.19	Factors in Level of Satisfaction	88
4.20	Bar Diagram Showing Customers Complaining Rate	90
4.21	Customers Complain Handling	91

ABBREVIATIONS

%	=	Percentage
&	=	And
ATM	=	Automatic Teller Machine
BOK	=	Bank of Kathmandu
CS	=	Customer Satisfaction
df	=	Degrees of Freedom
EBL	=	Everest Bank Limited
EMI	=	Equal Monthly Installment
GDP	=	Gross Domestic Product
HBL	=	Himalayan Bank Limited
HMG	=	His Majesty Government of Nepal
i.e	=	That is
INGO	=	International Non Government organization
MIS	=	Management Information System
MNC	=	Multi-national companies
NGO	=	Non-Government Organization
NPA	=	Net non-Performing Assets
SAARC	=	South Asian Association of Regional Countries
Sig	=	Significance level
WOM	=	Word-Of-Mouth

CHAPTER- I

INTRODUCTION

1.1 General Background

The main reason that the banks are established to make loans is to their customers. Banks are expected to support their local communities with an adequate supply of credit for all legitimate business and consumer financial needs and to price that credit reasonably in line with competitively determined interest rate. Indeed making loans is the principal economic function of banks to fund consumption and investments spending by businesses, individuals and units of government. How well banks perform its lending function has a great deal to do with economic health of its region, because bank loans support the growth if new businesses and jobs within the banks trade territory and promote economic vitality. Moreover, bank loans often seems to convey positive information to the market place about a borrower's credit quality, enabling a borrower to obtain more and perhaps somewhat cheaper funds from other sources.

For most banks, loans account half or more of their total assets and about half to two-third of their revenues. Moreover, risk in banking tends to be concentrated in the loan portfolio. When a bank gets into serious trouble, its problem usually springs from loans that have become uncollectible due to mismanagement, illegal manipulation of loans, misguided lending policies, or an unexpected economic downturn. A detailed analysis of the documentation and collateral for the largest loans, a review of sample of small loans, and an evaluation of the bank's loan policy should be properly monitored to ensure that it is sound and prudent in order to protect the public's funds. Thus, it becomes necessary that the funds of the bank, which has been granted as loans, into various sectors be thoroughly inspected to guarantee the protection of the bank against unforeseen risks.

In the present context, the role of money in the economy has become very important. Proper and well-planned management of money-directs, determines and enhances the health and productivity of total financial sector and performance of financial sector affects the growth of the economy. Bank collects, disperses and controls the flow of money. Banks collect the funds from public who has saving and it disperses the fund of the people who are in need of it. This way, whole infrastructure of national development, direction of economy, rate of progress and even the habit of people is being the function of the banking system. Therefore, the existence of bank is for the change in every aspect of human beings and its presence is for the enlistment of the people.

The issue of development always rests upon the mobilization of resources. Bank's function of lending ensures, required volume of capital to resources mobilization. Thus, the foundation of resources mobilization is pillared on the banks' function of lending. The primary issue of economic development is to increase the investment in productive sector. The increase in investment affects positively, every sector of economy such as employment, production, income, government, international trade etc. What roles can a bank play to assist the economic development is the main issue that the banking sector in Nepal and sector around the world is facing today.

The liberalization of economy has posed more responsibility and challenges on commercial banks. This has created new areas of probabilities and posed high degree of competition risks. The existence of bank has its root in economic development and the banks have a big role to play in fund mobilization to increase the pace of development. The liberalization of financial sector in Nepal has opened a new horizon of expectancy in banking industry. But the liberalization is not easy game to play, it demands for experts to drive it. The liberalization, without the competence driver gives to chaos and exploitation to the economy. The efficiency of liberalization is based on the economic discipline and its adherence.

The poor structure of Nepalese economy, slow pace of industrials sector, low rate of employment, majority of non-organized financial sector, lack of organized capital markets etc. have always been demanding an efficient, competent and liberalized banking industries. The existence of an ideal commercial banking system regularizes the scattered fund from public. Lending it to productive sector reduces the idle saving of the country.

If Commercial banks are successful in increasing the banking habit of people, it would have great power in multiplying the deposits by way of credit creation and this would multiply the investment more than the limit granted by the national savings. The role of commercial banks in the economy like Nepal can be judged from its contribution to a farmer to purchase a buffalo, to a big industry to establish its industrial foundations, to an exporter to produce goods to be exported and to provide a link to the economy, provide conducive trade and commerce opportunities opened up by globalization etc. , If Nepalese banks worked efficiently in pursuit of its ideologies, would be the people's hope towards prosperity and economic dynamism.

In addition, the very essence of people's hope towards the banking system is dependent on its efficiency to implement its lending and investment activities. "The two essential functions of commercial banks may best be summarized as the borrowing and lending of moneys. They borrow money by taking all kind of deposits. Then it provides this money to those who are in need of it by granting overdraft to fixed loan or by discounting bills of exchange or promissory notes. Thus, the primary function of commercial banker is that a broker renders a valuable service to the community by increasing the productive capacity of the country and thereby accelerating the pace of economic development."

The banking business has its genesis from its function of lending. Lending is the most fundamental function of a bank. The pace of time has changed the portfolio of banking business from its primary functions to other functions such

as merchant banking, credit card business, documentary credit, traveler check business etc. Nevertheless, the importance of lending in banking business is undoubtedly unchanged and remained vital as it was in early days of this business. “The classical economic function of bank and other financial intermediaries all over the world have remained virtually unchanged in modern times. What have been changed are the institutional structure, the instrument and the techniques used in performing these function.”

Lending is not only the most important function of a banker; it also determines the future of banking institutions. The quality of loan, quality of borrower and quality of securities determined the health of any banker. The efficiency of banker lies in how it multiplies the deposits of depositors. Hence, lending should be accompanied by some basic principles and practices. No banker would willingly to give loan, unless he has sufficient confidence in the borrower that it will not be necessary to seek help of court for recovery, Safety of funds, Liquidity of Funds, Purpose of loan, Security of loan, profitability, spread of loan portfolio and compliance with national interest are some of the principles that a banker would follow while granting a loan. Beside that the character of person receiving credit, the capacity of the borrower to utilize the fund, the percentage of borrower's stake in the business etc. are the basic elements which measure the quality of the borrowers and ultimately the quality of the loan.

Nepal is one of the least developed countries of the world. More than 90 % of the total population is still in the rural areas and most of them are still deprived of the physical facilities that are necessary for any human being. However, Nepal's economy is predominantly agriculture, i.e. agriculture is the backbone of Nepalese economy. More than 90 % of the population still directly or indirectly depends upon it for their livelihood. It provides employment to over 80 % of the labor force and contributes a major portion to the Total Gross Domestic Product and also is major supply of raw materials to the industries.

Agriculture accounts for about 40 % of the GDP at factor cost, and engages 76 % of the economically active population. The country's industrial sector is for its most part also based on agriculture i.e. its raw material come from agriculture and the agriculture sector provides the market for a significant portion of its output. The estimated per capita GDP for the year 2008/2009 is US \$ 400.

However, it becomes important for any institutions to carefully monitor the pattern of loan distributions to the various sectors of the country. Lending policies thus, realizes how the flow of funds to different customers should be conducted. After the banks makes a careful analysis of its individual and corporate client, the funds of the bank, are provided as loans to them either long or short-term funds. Depending on the sources and the maturity of funds the banks decides whether to give attention to its liquidity position or to lending possibilities. A good bank always adapts such techniques of lending policies where a reasonable profit can be assumed and at the same time provides maximum security to the bank and depositors by maintaining proper liquidity position.

1.1.1 Customer Satisfaction

Customer satisfaction is generally described as the full meeting of one's expectations (Oliver, 1980). Customer satisfaction is the feeling or attitude of a customer towards a product or service after it has been used. Customer satisfaction is a major outcome of marketing activity whereby it serves as a link between the various stages of consumer buying behavior. For instance, if customers are satisfied with a particular service offering after its use, then they are likely to engage in repeat purchase and try line extensions (East, 1997).

Customer satisfaction is widely recognized as a key influence in the formation of customer's future purchase intentions (Taylor and Baker, 1994). Satisfied customers are also likely to tell others about their favourable experiences and thus engage in positive word of mouth advertising (Richens, 1983, File and

Prince, 1992). This Positive word of mouth advertising is particularly useful in collectivist cultures where social life is structured in a way to improve social relationships with others in the society (See Hofstede, 1980, Hall and Hall, 1987).

On the other hand, dissatisfied customers are likely to switch brands and engage in negative word of mouth advertising. Furthermore, behaviors such as repeat purchase and word-of-mouth directly affect the viability and profitability of a firm (Dabholkar 1996).

A recent study conducted by Levesque and McDougall (1996) confirmed and reinforced the idea that unsatisfactory customer service leads to a drop in customer satisfaction and willingness to recommend the service to a friend. This would in turn lead to an increase in the rate of switching by customers. Some key antecedents to the formation of overall customer satisfaction There can be potentially many antecedents of customer satisfaction as the dimensions underlying satisfaction judgments are global rather than specific (Taylor and Baker, 1994, Patterson and Johnson, 1993, Rust and Oliver, 1994). For instance, research on customer satisfaction has largely relied on the disconfirmation paradigm, which views satisfaction with products and brands as a Result of two cognitive variables: pre purchase expectations and disconfirmation (Churchill and Surprenant, 1982; Oliver, 1989, Yi, 1990, Peter and Olson, 1996).

According to Peter and Olson (1996, p. 509): pre-purchase expectations are beliefs about anticipated performance of the product; disconfirmation refers to the differences between pre-purchase expectations and post purchase perceptions. Hence, if the perceived performance exceed a customer's expectations (a positive disconfirmation), then the customer feels satisfied. On the other hand, if the perceived performance fall short of a customer's expectations (a negative disconfirmation), then the customer feels dissatisfied. There is a considerable amount of empirical evidence that confirms the

disconfirmation paradigm (see for instance Szymanski and Henard, 2001, Yi, 1990). For instance, in an earlier study, Churchill and Surprenant (1982) reported that disconfirmation positively affected satisfaction. That is, when customers perceived the product performing better than expected, they became more satisfied (Churchill and Surprenant, 1982).

Further empirical research supports the notion that satisfaction is caused by expectations and requires considerable cognitive effort on the part of customers (Bearden and Teel, 1983, Cadotte 1987). However, others argued that customers develop norms for product performance based on general product experiences, and these, rather than expectations for a focal brand's performance, determine the confirmation/disconfirmation process (Cadotte 1987; Woodruff 1983).

1.1.2 Service Quality and Customer Satisfaction

Service quality and the customer satisfaction are important factor to the success of the banking sectors. Quality service provides satisfaction to their customer. Customer satisfaction is a key issue to survive. Bank must continuously understand and provide what the customer wants. Communication with the customers is very important. Talk to the customers and ask them what they think of their product or service. Listen especially to what they have to say and indicate which customer-supplier relationship needs improvements. Making an inventory of customer's data, customer's complaints, and benchmarking are important opportunities to improve the customer orientation of banks. Information about the opinion of the customer regarding a product or service is of essential importance.

To realize customer satisfaction, everyone within the organization should consider continuous improvement as something normal. The banks must identify the factors which cause most of the complaints. The central questions that bank must understand are: which products or services do we provide? Who

are our customers? What do they want, what are their requirements? Is it measurable? Which critical processes need improvement? By answering these questions continuously, the customer will be better understood, and the product or service will be better in tune with the market demand.

“Bank must have customer feedback to get a pulse on how satisfied or dissatisfied their customers are. Customers typically won’t complain to the bank, if the bank doesn't receive complaints, it can still be certain some customers are silently fuming. In fact, about 96 percent of dissatisfied customers never tell the company how they feel, yet they each voice their complaint to an average of nine other people. Nevertheless, if customer’s complaints are handled well by the company, about 90 percent do stay with the company after all. Thus it's key not only to satisfy customers who take the trouble to complain but also to actively invite and get that feedback”.

1.2 Statement of the Problem

A sound banking system with wide spread branches throughout the country, availing varieties of banking services to fulfill commerce, trade industry and agriculture need of the country, is of crucial importance for Nepal.

Banks provides many facilities to its customers like granting of credits, accepting deposits and other commercial transaction. But many of the people are not fully utilizing its services. This study will find out the problem why they are not utilizing the services and its facilities provided by the bank. Many people are unaware of the services and its procedures and techniques to apply them and don’t know how effective the banking services are.

Now a days buying a home, car or any small household item such as TV, stereo, refrigerator etc. using money borrowed from a bank or a finance company has become very common to the people today. This has created a big business opportunity for finance companies. These companies are offering loans to all types of customer for all types of assets. Retail lending has become one of the key businesses for all finance companies.

Political instability and domestic conflict has a greater impact on the operation of the bank in Nepal. Due to these reasons depositors are unwilling to deposit their funds whereas the investors are also moving back to invest in such financial sectors. The constant change in regulations, policies necessitates banks to constantly adapt these changes. This situation has not only reduced the revenue of the bank but has also affected the economy of the country.

The political instability and increasing liquidity of our commercial banks is one major factor that has made consumer financing more viable. The reason for shift toward retail banking is that the big projects are unable to earn the expected returns. The concept of retail lending came into the effect to finance the individual's need. This concept is taken as another piece of pie by the banks. The consumer loan schemes are designed for the individual customers to make their lives little easier financially. The banks recognize the value of offering a complete range of services not only to corporate but also to individuals.

The banks are trying to add some new attractions to draw the customer. Competition exists in between the commercial bank in providing the lowest interest rate and better customer satisfaction in retail lending. This study is undertaken to find about the customer's viewpoint and level of the customer satisfaction regarding such customer-based loan. Today's business is becoming much more competitive and customers are regarded as their assets, so they are treated as special. The service industry is growing and becoming a major market for investors.

Service companies are trying to find ways to improve and provide superior quality service to satisfy their customers. Service quality and customer satisfaction are two of the most heavily studied concept by managers (Shemwell, Yavas, & Bigin, 1998). Satisfying customer are the greatest

resources, both short term and long term survival for the company. The characteristics of service are unique and intangible. It is difficult for the service provider to define and provide quality service. Researchers are trying to define the concept of the service quality as well as the way to measure it effectively.

In the present competitive banking environment, differentiated products are an effective method of gaining competitive advantages and customer service is one of the most important dimensions in retail banking. Customers are highly individualistic and require individualized solutions to what they perceive to be individual needs. So the banks must find the answer to these questions. Are these customer's needed being met? Are these banks gaining a competitive advantage? What is the present trend in retail loan in Nepal?

1.3 Objectives of the Study

The main objective of this study is to do the comparative study of the home loan disbursement of selected commercial bank and customer satisfaction in retail lending. The general objective of this dissertation includes visualization of the key retail lending policies, its limitation and level of customer satisfaction from the service provided by the selected commercial bank.

The objectives of the study are:

1. To identify the attitude of the customer towards the consumer financing scheme.
2. To analyze the effectiveness of consumer financing's in the market based on consumer perception
3. To analyze the level of customer satisfaction in retail lending in Nepal.
- 4. To identify the reasons/factors responsible for customer satisfaction or dissatisfaction.**
- 5. To make suitable suggestions for the future improvement.**

It is necessary for companies to continuously improve their quality to provide complete satisfaction to their customer. Understanding consumer's service

quality expectation is the key to delivering service quality. Therefore, this study focus on different service attributes that the customers think important for their comfort in the lending procedures

1.4 Theoretical Framework

In today's competitive market place it's hard to differentiate your product and service offerings from your competition. The technology available to both you and your competitors has made it easier to duplicate each other's products and services. Because of this, it's difficult to rely on features alone to differentiate your company from the competition. Excellent customer service is one of the few ways to achieve a sustainable competitive advantage.

This study will focus on the effectiveness of consumer loans in the market. In today's competitive market banks have introduces different products to the customers. This study will analyze how far banks are successful in achieving their goals in meeting their customers need and wants. It also analyzes what new innovative products and services banks can brought up to provide more customer satisfaction so that they can retain loyal customers and attract new one.

It focuses on the status and the practices of consumer loans offered by banks in these competitive markets. However, it is getting more importance of loan for the consumers for many purposes. So this study will show the impact of consumer loans and also analyze to meet the requirement of consumers with these products. Banks relation with the customers plays an important role in attracting and influencing customers towards the banks, so this study also focuses on the role of providing the better customer service to its customers.

As we enter the 21st century, business, technology, the economy, and society as a whole are changing more rapidly than at any point in history. New banks have established in Nepal, banking operation has been in keen competition. To be able to operate for going-concern, to keep developing new and maintaining

existing customers are definitely necessary. Hence, how to maintain good relationship with customers to strength their willingness to frequently communicate with bank has become very important. As banking has evolved into a more relationship- and solution-oriented industry, banks have been pressed to determine what distinguishes them from the competition.

This research, which took place among the selected commercial banks, took the actual customers, who trade with banks, in Nepal.

It has been an important task of the banker to evaluate repurchases intention in banking: relating customer relationship, service quality, brand image, and customer satisfaction to improve service quality and performance of banks. It is learn that good relationship with consumers generates customer satisfaction and repurchase intention, service quality and brand image can raise customer satisfaction. As a matter of fact, relationship between customer satisfaction and repurchase intentions was one of the strongest relationships. The research will provides practical evidences to banks.

This research contains two types of questionnaires for the two different customers' one for the existing customers and another for prospective customers. The main objectives is to find out the views of the existing customers about the loan and the services they are getting from their banks and to find out the awareness level regarding the consumer loans and their future intention and the expectation from banks of perspective customers. The collected information is divided into two sections and has analyzed.

1.5 Limitations of the Study

-) This analysis is mainly based on primary data and partially on secondary data, which has been collected and processed by the bank employees. So its reliability is questionable.
-) This report is prepared on the basis of the available data and information provided by the bank.

- J Non-availability of the plentiful literature on the subject has affected the study to some extent.
- J The study is principally based on the secondary data like websites, brochures of the company. Therefore, the conclusion of the study is fully dependent on the accuracy of the data provided by the organization. However, the primary data like interviews and observation are also used according to the need.
- J The study could not be conducted in depth due to the time limitation.

1.6 Company Profile

1.6.1 Everest Bank Limited

Everest bank ltd was established as a private sector bank as soon as Nepal has opened its door to foreign commercial bank under the liberal economic policy. In 17th November 1992, Everest bank was established as a joint venture bank and has started its operation from 18th October 1994. For the first three years it was operating under the joint venture with Union bank of India but, later it switched to the Punjab National bank.

Punjab National bank is one of the largest commercial bank of India having 109 years of banking history with more than 4400 branches and over 200 correspondents around the globe. Drawing the strength from its joint venture partner, EBL has been steadily growing in its size and operations. Today it has been successful to create its brand image as a leading private sector bank of the nation.

In the year 2008, the operating profit of EBL has gone up by 18.9 % over the last year. Despite constraint in economy the bank was able to increase its deposits by more than 25 % and advances by almost 30 % compared to the previous year. The bank recognizes the value of offering a complete range of services not only to the corporate but also to the individuals. EBL is moving

forward with a unique selling proposition of “the name you can bank upon” and has become the profit making commercial bank in Nepal.

EBL pioneered in banking sector in extending various customer friendly products under retail lending like home loan, home equity loan, education loan, EBL flexi loan, EBL property plus, home equity loan, vehicle loan, loan against mortgage of immovable property, loan against life insurance policies and loans for professionals. EBL has also offered various deposits schemes like saving account: normal saving, normal premium account, fixed deposit, cumulative deposit, unfixd fixed deposit schemes, recurring deposits plan. And other banking facilities like online banking, locker, any branch banking system.

Today, there is an intense competition in the banking sector so, EBL is trying its best to retain or even uplift its goodwill and brand image in the competitive market by providing the quality services to the customers. It has also focused on the responsibilities towards the government, general public, employees, shareholders and customers. EBL is committed to the highest level of ethical and moral conduct in all its dealing with clients.

1.6.2 Bank of Kathmandu

Bank of Kathmandu Limited is a culmination of a comprehensive vision of the promoters to take the Nepalese economy to a newer realm in the global market. Each promoter of Bank of Kathmandu has successfully demonstrated leadership skills, business acumen and entrepreneurial talents in his/ her respective field.

Considering the progressing Nepalese economy attained by virtue of the liberalized open economy policy associated by potential financial hub with the given conditions like a steadily increasing tourism industry and grabbing the opportunity of export of Carpet, Handicraft and other traditional marketable products which has a promising future. It is with a view of providing better alternative and efficient banking service to the business sector. Bank of

Kathmandu (BOK) was established and commenced its operation from 2050BS onwards. Recently, there are Thirty Four Branches of BOK running their business successfully. The head office of this bank is at Kathmandu and the branch offices are at different part of country.

The Nepalese investors with collaboration with Siam Commercial Bank, Thailand established Bank of Kathmandu Ltd. as per the company act 1964 with a view to pool together the saving of the community and arrange the savings of the community for the productive use. BOK facilitates the financial needs of the business by various means. It accepts from the general public and provides advances to the customers. Apart from accepting deposits and financing them it also renders services like Bills Collection, locker facilities, etc to their valuable customer. BOK is well equipped with latest technology and software programs by virtue of it are in the state of providing efficient service to its customers.

Bank of Kathmandu is committed to providing products and services of the highest standards to its customers by understanding their requirement best suiting the market needs. In pursuit to deliver the products and services of the highest standards, Bank of Kathmandu has state-of-art technology for appropriate and efficient Management Information System (MIS) and rendering quality services, VSAT and Radio Modem for networking , SWIFT for international trade and transfer of the funds around the world, correspondent banking relationship with over 200 banks worldwide for effective and proficient execution of international trade and remittance activities, gamut of corporate and retail banking products and services and centralized banking operations for better risk management, consistent service deliveries and lowering operating cost.

1.6.3 Kumari Bank Limited

Kumari Bank Limited came into existence as part of the Nepal Rastra Bank's liberalization of the Nepalese banking industry by starting its banking operations from chaitra 21,2057 B.S(April 03, 2001). The bank has been established with the objective of providing a complete nonstop banking solution backed by state of the art infrastructure and creating value to valued customers. The mission of bank is to provide world class service to our customers at a higher satisfaction level, practice total quality management and embrace good governance and optimize our assets to achieve sound business growth.

1.6.4 Nabil Bank Limited

Nabil Bank is a leader in the financial sector in Nepal. With a network that has 19 points of representation spread across the kingdom; complimented by a network of ATMs and now NabilNet and NabilTele the ease of access of accounts and information for their customers which has never been more convenient. They are a full service bank providing an entire range of products and services, starting with deposit accounts in local and foreign currency, Visa and MasterCard denominated in rupees and dollars, Visa Electron debit cards, Personal Lending products for Auto, Home and Personal loans, Trade Finance products, Treasury services and Corporate Financing. Their aim is to be able to meet the entire gamut of financial requirements that is why they pride themselves in being 'Your Bank at Your Service'.

1.6.5 Himalayan Bank Limited

Himalaya Bank Limited (HBL) was incorporated in 1992 A.D. by the distinguished business personalities of Nepal in partnership with Employees Provident Fund and Habib Bank Limited, one of the largest commercial banks of Pakistan. Bank's operation was commenced from January 1993. It is the first commercial bank of Nepal with maximum share holding by the Nepalese private sector. Besides commercial activities, the Bank also offers industrial and merchant banking. Himalayan Bank has been rated by "Asia Week" as one

of the top 500 Banks at Asia Pacific Region in the year 2001. The “Asia Week” has also ranked Himalayan Bank at 13th position in the Asia Pacific region in the terms of return on equity.

The Bank has Thirty one branches running successfully its operation whole over the country. The bank will be aggressively opening new branches at different parts of the Country to serve its customers superiorly.

Himalayan Bank has always been committed to providing a quality service to its valued customers with a personal touch. All customers are treated with utmost courtesy as valued clients. The bank, wherever possible, offer tailor made facilities to its clients, based on the unique needs and requirements of different clients. To further extend the reliable and efficient services to its valued customers, bank has adopted the latest banking technology. This has not only helped the bank to constantly improve its service level but has also prepared the bank for future adaptation to new technology. The bank has already offered unique service such as SMS Banking, internet banking to customers and will be introducing more services like these in the near future.

1.7 Chapter Division

The Overall study conducted has been organized into five different chapters for an easy representation of the data collected. The bibliography and the appendices have been included at the end besides the chapter plan. The sequential chapter has been briefly mentioned below.

Chapter I: Introduction

General background of the bank and its marketing department, the problem statement, Objectives of the study, Limitation of the study, Theoretical Frameworks, Research Questions or Hypothesis.

Chapter II: Review of Literature

Concept and review of previous writing and studies relevant to the problem being explored, and within the frameworks of the theory structure.

Chapter III: Research Methodology

Introduction, Research Design, Population and Sampling Procedures, Data Collection Procedures, Statistical Analysis Data Processing Procedure.

Chapter IV: Presentation and Analysis of Data

The fourth chapter presents the data collected and analyzes them to achieve the research objective. At the end of the chapter, the major findings of the study will be drawn.

Chapter V: Summary, Conclusion and Recommendations

Finally, the Fifth Chapter summarizes the whole study, provides the conclusion and gives recommendation to enhance the banking system.

Besides these chapters, Bibliography and Appendices will be presented at the end of the study.

CHAPTER- II

REVIEW OF LITERATURE

2.1 Conceptual Review

2.1.1 History and Development of Banking

Banks- One of the most important financial institutions, and Banking- an essential industry; has become an integral part of every economy. Banks are the principal source of credit for millions of individuals and families and for many units of governments (schools, districts, cities, countries etc). Worldwide, banks grant more installment loans to consumers than any other financial institutions. They are amongst the most important source of short-term working capital for business and have become increasingly active in recent years in making long-term business loans for new plant and equipment.

Today banking is an industry in change, rather than being something in particular, it is continually becoming something new-offering new services, merging and consolidating into much larger and more complex business, adopting new technologies that change rapidly, and facing a new and changing set of rules to regulate and supervise the banks that serve their citizens. Thus, banking has become one of the most heavily regulated businesses in the world.

In the past bank used to accept just deposit from the public (saver) and give loans to the Public (user). The word 'bank' is originated from the Italian word "Banca" meaning a bench which means the early bankers. This bench has used because those Moneylenders in the street of major cities of Europe used benches for acceptance and lending of valuable and coins.

As per Kent: "A bank is an organization whose principal operation are concerned with the accumulation of the temporarily idle money of the general public for the purpose of advancing to the other for expenditure".

The first bankers probably used their own capital to fund their activities, but it wasn't long before the idea of attracting deposits and securing temporary loans from wealthy customers became an important source of bank funding. Loans were then made to merchant, shippers, and landowners at rates of interest as low as 6 percent per annum to as high as 48 percent a month for the riskiest ventures. Most of the early banks of any size were Greek in origin.

2.1.2 Commercial Banks- Concept and Definitions

Although bank can be categorized into different types on the basis of its functions, objectives, the word "*BANK*" is synonymous with the commercial banks. Commercial banks perform functions similar to those of saving institutions and credit unions; that is they accept deposits (liabilities) and make loans (assets). However they differ in their composition of assets and liabilities, which are much more varied. Commercial banks liabilities include several types of non-deposits source of funds, while their loans are broader in range, including consumer, commercial and real estate loans. Commercial banking activity is also regulated separately from the activities of saving institutions and credit unions. Within the banking industry the structure and composition of assets and liabilities also vary significantly across banks of different assets size.

"A Commercial Bank is the bank which exchange money, accepts deposit, grants loans and performs banking function". (Commercial Banking Act 2031) Principally, commercial banks accept deposits and provide loans, primarily to business firms thereby facilitating the transfer of funds in the economy

"A bank is a business organization that receives and holds deposits and funds from other makes loans and extends credits and transfer fund by written order depositors". The Encyclopedia Americana, vol.3, Grolier Incorporated, 1984. The basic sources of fund for commercial bank are capital (fund from shareholders), reserve (retained earning) and various types of deposits. Basic uses of fund are loans, advances and investments.

2.1.3 Salient Features of Lending Policy

Liquidity

It is a prime factor that should be kept in mind while disbursing any loans and advances. Because people deposit money in the bank with the view of that the bank will repay their money whenever it is needed to them. So, in order to maintain the confidence to the depositors, banks must be prepared with sufficient degree of liquidity of its assets. Liquidity means the capacity of the bank to pay cash against deposits. Liquidity of assets generally to the cash or any assets that can be converted into cash immediately.

Profitability

The bank's main aim is to earn profit as far as possible. While granting loans and advances or investment, it is highly influenced by the profit margin, it is likely to generate from such assets in the future. One of the main reasons for the ambition of profit by the banks is, it has to cover all the expenses of the organization and also make some payments in the form of dividends to its shareholders, who have invested their capital for the operation of the bank.

Safety and Security

The bank deals on other's people money because banker's funds comprise mainly the deposit and borrowing money from numerous customers. A bank can survive only as long as it is able to enjoy confidence of the people in order to satisfy its stakeholders. So a bank should be very much conscious in investing activities of its funds. The bank should never invest its funds in those securities, which are too volatile, since a little difference may cause the great loss. A bank can use the MAST formula regarding the safety and security of investment. Where as MAST stands for:

M = Marketable

A = Ascertainable

S = Stability

T = Transferability

Suitability

The need of loan for customer must be for suitable purpose. The bank should know that the way a customer needs loan or it is for appropriate purpose or not. If a borrower misuse the loan granted by the bank, he/she will never be able to repay the loan, which posses heavy bad debts to the bank.

Diversification

Thorough diversification of loan, risk can be minimized and return can be maximized. Diversification of loan refers the investment in different areas and sectors. When something grows wrong in one particular sector or in the field, it can be recovered from the other sectors or areas. Thus, for such benefits, a bank must diversify its investment on different sector.

2.1.4 Role of Commercial Bank in Economic Development

A well- developed banking system is a necessary pre-condition for economic development in a modern economy. Besides providing financial resources for the growth of industrialization, banks can also influence the directions in which these resources are to be utilized. In a modern economy, banks are to be considered not merely as dealers in money but also the leaders in development. They are not only the storehouses of the country's wealth but also utilize resources necessary for economic development. It is the growth of commercial banking in 18th and 19th centuries that facilitated the occurrence industrial revolution.

The main objective of commercial banks is to mobilize idle resources for productive use after collecting them from different places. It brings about greater mobility of resources to meet the emerging necessity of the economy. There are various roles played by a commercial bank for the development of any economy, which are capital formation, encouragement to entrepreneurial innovations, influencing economic activity, promotion of trade and industry, development of agriculture and other neglected sectors.

The major problem in almost all underdeveloped countries like Nepal is lack of capital formation and other proper mobilization. In such countries, commercial banks should act as a development bank. Nepal is a small and poor country but she has sufficient natural resource. To utilize those resources capital is required. Commercial banks gather monetary resources from different areas in the form of deposits and provide loan to investing areas like industry, agriculture etc. Therefore, the fate of the country is greatly determined by the active role of commercial banks. Banks provides facilities to their customers by providing loans, remitting funds, purchase and sale of bills and other market information. These services help to run the business and other economic activities rapidly as well as smoothly which ultimately helps in economic development.

2.1.5 Brief Description of Retail Loan Schemes Available in Nepal

Retail lending has been identified as one such opportunity where banks can generate good business. Now under this retail loan schemes there are different types of loan facilities. Such loan schemes definitely have made the higher middle class families life easier. The bank provides various types of loans to the individuals according to their purposes. The main objective of the loan is to enable, enrich and beautify the lives of the customers and to make their dream come true. The brief description of different types of the retail loan is given below:

Home Loan

In order to meet the need of home seeker, banks have launched schemes for Housing Finance for individuals for construction/ acquisition/ purchase of house flat allocated by the private builders of Development Authorities and also for carrying out repair/renovation/addition/alteration to the house/flat. For example, you may go to the bank with a certificate from your employer about your monthly salary and apply for a loan for a car, a refrigerator or even a

house. The bank will buy the car or house, which you can enjoy, and you go on paying for it every month of your salary. Till now, Nepalese have been saving money all their lives to buy a house. But because of inflation, they find their saving always falling short of what is required to pay for a house. Bank finance helps such people. They can own a house now and keep on enjoying it while they also go on paying for it.

Eligibility

-) Individual in permanent service or having their own business.
-) Gross income along with that of spouse should be at least double of the income.

Amount of Loan

-) Need based, minimum Rs. 2 lakhs depending upon the project cost and repaying capacity of the borrower.
-) For repairs /renovation and for addition /alteration, the maximum amount of loan shall not exceed Rs 10 lakhs and 5 lakhs respectively.

Security

-) Mortgage of the property.
-) Where mortgage cannot be created immediately in situation like house/flat is being purchased/allotted by the private builders and titled deed are executed in favor of purchaser only after completion of constructions and possession/making full payment of the cost of house/flat. A stamp tripartite agreement shall be executed amongst private builders, development authorities, borrowers and the bank before release of the loan.
-) Personal guarantee of person acceptable to the bank shall be obtained.

Repayment Period

-) In equal monthly installment \a maximum up to 20 years.
-) Repayment of loan with interest shall not ordinarily extend beyond the age of 65 years of borrower.

Home Equity Loan

-) Banks provide the home equity loan for the following purpose
-) For outright purchase of new house
-) For addition/construction/over the existing house
-) For purchase of vehicles
-) For education Purpose
-) For business overdraft
-) For personal OD/TL (for purchase and expenses etc)

Eligibility

-) Existing home loan borrowers whose past repayment a behavior is satisfactory and the amount is running regular and whose income level has increased.
-) Age of the applicant should not exceed 57 years.

Amount of Loan

-) Minimum amount of loan is Rs 2.00lakhs and maximum amount is Rs 15.00 lakhs.
-) 90% of the home equity value or required amount of loan which ever is lower.

Security

-) Existing home property to be extended

Loan against Mortgage of Immovable Property

Eligibility and Purpose

-) Finance against mortgage of immovable property situated in the urban centers of Kathmandu, Lalitpur, Bhaktapur and other cities for meeting business and personal needs.

Amount of Loan

-) 20%of net monthly income
-) Minimum loan amount –Rs 5 lakhs.
-) Maximum loan amount-Rs 40 lakhs
-) Income of spouse can be taken into consideration for determining income.

Security

-) Registered mortgage of non encumbered house, commercial and industrial property in the name of the bank and possession of the borrower. The property should be of value equal to 150% of the loan amount in case of term loan and 200% in case of overdraft facility.
-) Security offered to be mortgaged exclusively against this facility to the bank.

Repayment Period

-) Term loan-in maximum 60 EMI (Equal monthly installment), it should not exceed 50% of monthly income.
-) Overdraft-overdraft facility shall be renewed/reviewed annually.

Insurance

The property shall be insured against fire, riots, terrorism and wherever requires against other appropriate hazards such as earthquake, flood etc. by the borrower for the value of the property with the agreed bank's clauses.

Property Plus Scheme Loan

Eligibility and Purpose

-) Finance is available for property owners for meeting the business and personal needs against future lease rental having their properties situated in the urban areas of Kathmandu, Pokhara, Birgunj, Biratnagar and who have let out such properties to government, semi government, banks, financial institution, MNC's, NGO, INGO and embassies.

Amount of Loan

-) Maximum 80% of the future lease rentals which should not exceed the amount of rent receivable, within unexpired period of deed/lease deed or 3years, whichever is less.

Security

-) Assignment of lease rentals
-) Registered mortgage of immovable property of 125.00% of the proposed loan.
-) Personal guarantee of the borrower /mortgage provider.

Repayment Period

-) In maximum 36 monthly installments or remaining period of lease whichever is earlier.

Vehicle Loan**Eligibility and Purpose**

-) Individual and business concerns can raise loan to purchase new vehicle.

Amount of Loan

-) Individuals-subject to ceiling of 20 times of the net monthly income.
-) Business concerns-corporate/non corporate need based.

Security

-) Registration of vehicle in bank's name with comprehensive insurance for full value of vehicle
-) Personal guarantee of the borrower along with the guarantee of spouse or third party guarantee acceptable to the bank.
-) Down Payment Receipt from Dealer (Equity Payment by the Borrower)
-) In Case of Tractor Registered Mortgaged of Land and Building if Debt Equity Ratio is more than 60:40.

Educational Loan

There are many meritorious and deserving students aspiring to continue their further studies but may not have the means to achieve. Through banks, it ensures that their dreams do not remain unfulfilled due to lack of funds. This

scheme provides the right answer for students who wish to pursue higher studies in Nepal or abroad, but do not have the means to do so. The criteria for availing the loan and repaying it are given below. At a glance, it will tell you how easily you can avail the loan and repay it on easy installment basis.

Eligibility

-) Nepali national between 16-30 years.
-) For post graduate and higher studies, upper age limit 35 years.
-) Applicants' guardian should not be below 21 years.
-) Student should have scored at least 55% in their last qualifying examination.
-) Parents should have regular source of income.
-) Employing person intending to improve educational qualification and or to receive training.

Purpose

-) Admission fees/monthly fees/examination fees.
-) Books and stationeries.
-) Instrument required for course undertaken by borrowing scholar.
-) Boarding and lodging expenses if students putting up in recognized boarding house where charges are standardized and can be paid to management of boarding house on behalf of boarders.

Amount of Loan

-) For students of Nepal including SAARC countries-Rs 10 lakhs.
-) For students in abroad-Rs 15 lakhs.

Security

-) Personal guarantee of parents.
-) Collateral securities equivalent to 100% of loan amount acceptable to bank.

Repayment Period

-) 1 year after completion of studies or one month after getting employed which ever is earlier.
-) Principal amount shall be paid in 48 monthly installments.

Professional Loan**Eligibility**

-) Professionals or self employed persons registered with HMG or HMG recognized authorities and engaged in respective professions such as medical practitioners, architects, engineers, chartered accountants.

Purpose

-) Purchase of equipments and furnishing of office premises.
-) Working capital requirement.

Security

-) Collateral security acceptable to the bank
-) Personal guarantee of the borrower/director in case of limited company.

Repayment Period

-) In maximum 5 years (including moratorium period of maximum 6 months).

Medical Loan

-) The medical loan is provided to meet the need of individual to meet the medical expenses.

Eligibility

-) Individual applying for medical loan must submit a doctor's letter of recommendation. The concerned bank must recommend the doctor.

-) If the applicant is going abroad, the besides a letter of recommendation form local doctor approved by bank, the patient must furnish visa and confirmed tickets.
-) The applicant must insure himself as per the guidelines of the bank.
-) The applicant for the medical loan must submit suitable collateral.
-) The applicant should submit evidence of a reliable source of income.

Bank receives different types of loan proposals from customer. Such customer can range from individual persons to private firms and corporate bodies. Bank has to go through certain policy and procedures before approving the loan proposal. Approving authority of the bank will accept it after being convinced that loan will be repaid with interest within the stipulated times.

2.1.6 Customer Satisfaction and Retail Banking

Retail Banking refers to the mobilization of deposits by the banks mainly from individual and lending to small business and in retail loan markets. Retail banking consists of large volume of low value transaction. Retail banking liabilities are mostly related to various types of deposits accounts and the loan portfolio is dominated by the consumer loans.

Retail banking requires maintaining the good customer relation. The bank has to consider the factors that are required for the customer satisfaction. Most of the banks offer the same range of service with similar facilities and technology, the level of customer service matters the most in bringing in more business. In retail banking, each product to be offered to the customers needs to be well defined, easily serviceable and potentially profitable so as to provide the complete customer satisfaction.

Customer Satisfaction is an important theoretical as well as practical issue for most marketers and consumer researchers. Customer satisfaction can be considered the essence of success in today's highly competitive world of

business. Thus, the significance of Customer satisfaction and customer retention in strategy development for a “market oriented” and “customer focused” firm cannot be underestimated. (Kohli and Jaworski, 1990) “Customer satisfaction is increasingly becoming a corporate goal as more and more companies strive for quality in their products and services (Bitner and Hubbert, 1994).

However, others have reported that it is the service quality that appears to be the causal antecedent of customer satisfaction (Anderson and Sullivan, 1993; Cronin and Taylor, 1992; Oliver, 1993; Taylor and Baker, 1994). This conflicting empirical evidence highlights the need for the research reported here as the direction of the causal link between satisfaction and service quality is likely to lead to different customer behaviors outcomes, which in turn could have important managerial relevance. Previous services literature also highlights the multi dimensionality of service quality, and in doing so focuses on two of its overriding dimensions (Levesque and McDougall, 1996; Gronroos, 1984; McDougall and Levesque, 1994; Parasuraman 1991). The first dimension includes the core or outcome aspects (contractual) of the service (e.g. reliability) and the second one includes the relational or process aspects (customer employee relationship) of the service (e.g. tangibles, responsiveness, assurance and empathy (see for instance, Parasuraman 1991).

A review of the literature also suggests that expectations for service quality are likely to be based on perceptions of excellence, whereas satisfaction judgments are likely to be based on a broad range of non-quality issues (Taylor and Baker, 1994; Patterson and Johnson, 1993; Rust and Oliver, 1994).

More specifically, there can be potentially many antecedents of customer satisfaction, including service quality, which is probably due to the fact that the dimensions underlying satisfaction judgments are global rather than specific (Rust and Oliver, 1994). Some widely reported determinants of customer

satisfaction include service quality, expectations, disconfirmation, performance, desires, affect and equity. However, a review of the literature indicates that formation of performance expectations during product or service evaluation can be moderated by customers' expertise (Bettman, 1970; Fishbein, 1963; Fishbein and Ajzen, 1975; Rosenberg, 1950).

2.2 Conceptual Background

Customer satisfaction is generally described as the full meeting of one's expectations. Customer satisfaction is the feeling or attitude of a customer towards a product or service after it has been used. Customer satisfaction is a major outcome of marketing activity whereby it serves as a link between the various stages of consumer buying behaviors.

For instance, if customers are satisfied with a particular service offering after its use, then they are likely to engage in repeat purchase and try line extensions. Customer satisfaction is widely recognized as a key influence in the formation of customers' future purchase intentions. Satisfied customers are also likely to tell others about their favorable experiences and thus engage in positive word of mouth advertising. This positive word of mouth advertising is particularly useful in collectivist Middle Eastern cultures like that of Abu Dhabi where social life is structured in a way to improve social relationships with others in the society. Dissatisfied customers, on the other hand, are likely to switch brands and engage in negative word of mouth advertising.

Furthermore, behaviors such as repeat purchase and word-of-mouth directly affect the viability and profitability of a firm. A recent study conducted by Levesque and McDougall (1996) confirmed and reinforced the idea that unsatisfactory customer service leads to a drop in customer satisfaction and willingness to recommend the service to a friend. This would in turn lead to an increase in the rate of switching by customers.

2.2.1 Some Key Antecedents to the Formation of Overall Customer Satisfaction

There can be potentially many antecedents of customer satisfaction as the dimensions underlying satisfaction judgments are global rather than specific (Taylor and Baker, 1994; Patterson and Johnson, 1993; Rust and Oliver, 1994). For instance, research on customer satisfaction has largely relied on the disconfirmation paradigm, which views satisfaction with products and brands as a result of two cognitive variables: pre-purchase expectations and disconfirmation

According to Peter and Olson (1996, p. 509): pre-purchase expectations are beliefs about anticipated performance of the product; disconfirmation refers to the differences between pre-purchase expectations and post-purchase perceptions. Hence, if the perceived performance exceed a customer's expectations (a positive disconfirmation), then the customer feels satisfied. On the other hand, if the perceived performance fall short of a customer's expectations (a negative disconfirmation), then the customer feels dissatisfied. There is a considerable amount of empirical evidence that confirms the disconfirmation paradigm.

For instance, in an earlier study, Churchill and Surprenant (1982) reported that disconfirmation positively affected satisfaction. That is, when customers perceived the product performing better than expected, they became more satisfied (Churchill and Surprenant, 1982).

Further empirical research supports the notion that satisfaction is caused by expectations and requires considerable cognitive effort on the part of customers. However, others argued that customers develop norms for product performance based on general product experiences, and these, rather than expectations for a focal brand's performance, determine the confirmation/disconfirmation process

More recent work argued that in addition to the cognitive components, satisfaction judgments are also dependent upon affective components as both coexistent make independent contributions to the satisfaction judgments. Also, some have recently demonstrated a positive relationship between equity and satisfaction whereby equity is viewed as a: Fairness, rightness or deservingness judgment that consumers make in reference to what others receive

2.3 Service Quality

Research on customer satisfaction is often closely associated with the measurement of service while satisfaction is a feeling or an attitude of a customer towards a service after it has been used, service quality is simply: Customers' overall impression of the relative inferiority/superiority of the organization and its services (Bitner and Hubbert, 1994: 77).

In this context, some argue that both service quality and satisfaction are: Best conceptualized as unique constructs that should not be treated as equivalents in models of consumer decision-making (Taylor and Aker, 1994: 165). Hence, many have attempted to establish the nature of the relationship between service quality and customer satisfaction.

Among the many attempts, some have proposed a causal link between customer satisfaction and service quality, due to the fact that satisfaction is viewed as experiential or occurring at the transactional level, whereas service quality is viewed to be an attitude at a global level

For instance, Bitner (1990) explored the service quality and satisfaction judgments of 145 travelers at an international airport. Her findings suggest that satisfaction judgments are antecedents of service quality. However, the current paper follows a substantial amount of research which has proposed a causal link between service quality and customer satisfaction. This is due to the fact

that customers can and do evaluate service quality at the transactional level and customer satisfaction may be quite meaningful at the global level

2.3.1 Dimensions of Service Quality

A review of the literature, however, suggests that service quality is not a uni-dimensional construct. Rather, service quality incorporates a number of dimensions such as reliability, tangibles, responsiveness, assurance and empathy (Carman, 1990; Gronroos, 1984; Lewis, 1993; Bitran and Lojo, 1993; McDougall and Levesque, 1994; Parasuraman 1985; 1988).

Although the number and composition of service quality dimensions are likely to be dependent on service settings (see for instance Brown 1993; Carman, 1990), one can argue that there are two overriding dimensions of service quality (Levesque and McDougall, 1996; Gronroos, 1984; McDougall and Levesque, 1994; Parasuraman 1991). The first one refers to the core aspects of the service (e.g. reliability) and the second one refers to the relational or process aspects of the service (e.g. tangibles, responsiveness, assurance and empathy). This is due to the fact that reliability is mainly concerned with the outcome of service, whereas tangibles, responsiveness, assurance and empathy are concerned with the service delivery process. In this context, we propose that both the core and relational dimensions of service quality are likely to be antecedents of customer satisfaction.

2.3.2 Tangible Dimension of Service Quality

Due to the intangible nature of services, it is often difficult for customers to understand services. Customers thus make inferences about the service quality on the basis of tangibles (the buildings, the physical layout etc.) that surround the service environment (Bitner, 1990). Support for this argument comes from empirical evidence suggesting that the tangible and physical surroundings of the service environment can have a significant impact on customers' affective responses and their behavioral intentions Dabholkar (1996) reported similar

findings that the tangible aspects of department stores do influence customers' perceptions of service quality.

Furthermore, the exploration of the use of evaluative criteria in forming performance expectations has had a major impact on the study of consumer behaviour (Bettman, 1970; Fishbein, 1963; Fishbein and Ajzen, 1975; Rosenberg, 1950). The evaluative criteria can include attributes like price, brand Perceptions, quality, comfort and design (Grapentine, 1995; Lee and Lou, 1996; Monroe and Dodds, 1988; Myers and Shocker, 1981).

In the context of services, a substantial amount of research has looked into the criteria adopted by customers in forming performance expectations (see for example, Anderson 1976; Tan and Chua, 1986; Laroche and Taylor, 1988; Erol and El-Bdour, 1989; Erol 1990; Denton and Chan, 1991; Kaynak 1991; Khazeh and Decker, 1992; Levesque and McDougall, 1996; Mittal, 1999). Findings suggest that convenient location is a critical factor influencing the formation of performance expectations by customers. A convenient bank location means customers can easily do business with their banks on a regular basis (Levesque and McDougall, 1996).

Accessibility is also a related factor, which, while acting together with convenience, enables customers to deal with their banks more easily (Levesque and McDougall, 1996). For the purpose of current study, convenience and accessibility are treated as part of the tangible dimension of service quality. In this context, we propose that the tangible dimension of service quality is also likely to be an important antecedent of customer satisfaction.

2.4 Customers Expertise

The studies have suggested that the effect of evaluative criteria in forming performance expectations can be moderated by factors like consumer

individual differences (such as age, gender, education, occupation) and by customers' expertise (Bettman, Park and Oliver, 1980).

In a landmark article on customer expertise, Alba and Hutchinson (1987) identified two major and distinctive components of customer expertise: expertise and familiarity. They defined expertise as "the ability to perform product related tasks successfully", whereas familiarity was defined as: The number of product related experiences that have been accumulated by the consumer (Alba and Hutchinson, 1980: 411). More specifically, expertise or product class knowledge represents: The understanding of the attributes in a product or service class, and knowledge about how various alternatives stack up on these alternatives (Sheth, 1999: 533). Thus, some customers may be more expert than others and may be more likely to evaluate service quality and satisfaction judgments rationally at the cognitive level.

For instance, in an earlier work, Gronroos (1982) argued that while evaluating the quality of a service, customers compare the service they expect with perceptions of the services they actually receive. Hence it is significant for service providers to consistently meet or exceed customer expectations. Gaps can exist, however, between the service provider's perception of quality and customers' perception of service quality (Parasuraman 1985; Bojanic, 1991; Patterson and Johnson, 1993). Obviously, the focus of service providers' strategy is to narrow or close the gaps by developing proper communication programmed to facilitate customers' understanding of and perceptions about service quality.

Research in consumer behaviors has, however, established that customers' expertise facilitates their learning of new and more complex types of information. For instance, a number of researchers have compared the information processing activities of more knowledgeable (expert) customers with those of less knowledgeable customers (novice).

Findings indicate that experts have superior ability about learning new information about an offering, as compared to novice customers (Johnson and Russo, 1984; Brucks, 1985; Alba and Hutchinson, 1987). Also, expert customers are likely to have developed skills in distinguishing between important and unimportant information, as well as between relevant and irrelevant information (Albaband Hutchinson, 1987). Generally, expert customers are likely to have a superior knowledge of existing alternatives; they are also likely to have a superior ability to encode new information and to discriminate between relevant and irrelevant information (Johnson and Russo, 1984; Alba and Hutchinson, 1987). Due to their knowledge and abilities, one could argue that expert customers in comparison with novice customers are very likely to have high expectations from service providers.

Hence, as per the disconfirmation paradigm, the differences between pre-purchase expectations and post-purchase perceptions are likely to be at a highest level for expert customers. However, despite this, no study to the best of our knowledge has looked into the role played by customers' expertise in the formation process leading to overall customer satisfaction.

On the basis of the review of the literature, a number of research questions can be raised. For instance, within the retail banking sector:

- J What is the role of the core, relational and tangible dimension of service quality in the formation process leading to overall customer satisfaction?
- J What is the role of customer expertise in moderating the effects of various dimensions of service quality in the formation process leading to overall customer's satisfaction?
- J What is the role of consumer individual differences such as demographics and factors such as ethnic background or length of stay in moderating the effect of service quality in the formation process leading to overall customer satisfaction?

Answers to these questions should be of help to the bank marketers and consumer researchers in any marketplace.

2.5 Customer Satisfaction in the Service Sector

Customer satisfaction by Asian Productivity Organization, Tokyo (2000) is relevant book in the study of customer satisfaction. Some of the findings can be analyzed as:

- J Information technology new has a key role in supporting efforts to increase customer satisfaction. It is a key to gather important data, which will provide facts for decision makers. These data will be translated into useful format to facilitate sound strategic and operational decision-making. Automatic certain tanks can make customer service ever free.
- J Development a corporate culture to institutionalize customer satisfaction is necessary. This is made possible though formulating a clear and simple corporate mission and a set of core values. Financing and education play an important role in developing this customer-focused culture.

Total Customer Satisfaction Services System and Its Best Practices

This article was written by **Hang-Yung Liu** of National Sun yatsen University of China (2000) published in the journal of Asian productivity Organization.

Customer satisfaction is a function of performance relative to the customer's expectations. When a lot has been promised and more is being delivered, this will always create satisfied customer. For sales people this means that they only should promise what they know you are able to deliver. For management, this means that when performing a customer satisfaction survey, they should measure their performance relative to the customer expectation. It should be remembered that it is the customer's perception that ultimately counts. The management's view on its service is interesting but irrelevant to serving customers. It is how customers feel that really counts.

A customer service is philosophy in which all employees feel and act accountable for creating satisfied customer. Everyone in the organization is responsible for and works to exceed the customer's expectations. Serving customers is unique opportunity for employees. Few jobs in any organization carry such as impact as an employee does who is creating satisfied customers. The treatment of the customer is more powerful than all of the advertising dollars in budget. Advertising only draws customers to an organization. It is the organization's performance that brings them back or chases them away.

Measurement of Service Productivity and Customer Satisfaction by *Sharon Wei Phin Chang* of Singapore productivity and standard board, Singapore published in the journal named total customer satisfaction in service sector by APO in 2000.

In these complementary productivity measurement systems, monitoring customer satisfaction is a consistently key process. This is because productivity is not just about efficiency in production, but also about hoe quality and service are incorporated into market prices. A fundamental tenet of quality management is that the supplier, but the customer does not define quality. Hence, a focus on quality in measurement is crucial, especially in the new economy where most goods and services embody a great deal of knowledge, and goods and services are highly differentiated unfortunately, the value of improved or reduced quality is not easily captured.

Horner Dee Leu of Chung Yang Christian University, China defines the marketing concept in terms of customer satisfaction.

There are five competing concepts under which organization can choose to conduct their marketing activities. The production concept, the product concept, the selling concept, the marketing concept, and the social marketing

concept. Clearly, marketing activities should be carried out through a well-thought-out philosophy of efficient, effective, and socially responsible marketing.

The marketing concept stresses that the key for achieving organization goals consists of being more effective than competitors in integrating marketing activities towards exterminating and satisfying the needs and wants of target marketing. The marketing concepts rest on four pillars: (1) target market; (2) customer needs; (3) integrated marketing; and (4) profitability through customer satisfaction.

He further analyzed the importance of customer satisfaction as “Confronting the service quality and customer satisfaction oriented era, the emphasis of customer requirement, service interests and customer satisfaction become the key value proposition of business strategic management”. Among them, customer satisfaction is the core value of marketing conception. It originated from” Customer Satisfaction” conducted by AT& T, ‘Moment of Truth’ adopted by a North European airline company, and ‘Benchmark of Customer Satisfaction’ carried out by American Vehicle Field. More over, Japanese enterprises value the worth of customer satisfaction and make the year of 1992 as the year of customer satisfaction (CS).

The reasons that caused this fashioned trend are the changes in consumption. In the ‘Rational Consumption age’ customers pay attention on function and prices. The criterion is between good and bad. Coming after it is the ‘Perceptual Consumption Age’ customers stress design and usage, and the criteria are between ‘like’ and ‘dislike’. The present ‘Touched Consumption Age’ focuses on satisfaction and joyfulness; therefore, ‘satisfaction’ and ‘unsatisfaction’ is the key point.

Customer satisfaction has a great impact on business management. It is illustrated as following:

- J Muller (1991) thinks that the emphasis on the traditional product quality no longer has advantageous superiority. Customer satisfaction will be the only competition weapon. Having high customer satisfaction will obtain continuous competitive superiority. In addition, customer satisfaction affects the business image and has a positive impact on brand and reputation. According to Rapp & Collins (1991), most of the businesses are alert on the importance of establishing a database for present and potential customers.
- J Customer Satisfaction could enhance the profit ratio of a company: high customer satisfaction is the benchmark to win. The research conducted by Fornell & Wernerfelt (1998) has shown that an effective process of customer complaints and customer satisfaction can affect the business profit ratio.
- J Customer Satisfaction is the key issue of researching consumption behavior and influences the success of a company for the reasons that it directly affects the loyalty and reputation. High loyalties will move high transfer obstacles. Satisfied customer will purchase products again, talk about it with friends, neglects other products and buy related products.
- J Fornell (1992) regards the customer satisfaction barometer as the benchmark for national economics. It indicates that the economical performance of citizen welfare, public policies and consumption groups make customer satisfaction the goal of consumer welfare.

Relationship marketing has been widely practiced in the corporate/commercial banking industry in Singapore as a means to secure continued business relationships. An example cited involved Citibank's emphasis on the critical role of permanent contacts and longstanding relationships contributing to the bank's good performances (Cleveland and Huertas, 1985).

Fairness (equity) is another variable contributing to satisfaction. Within the banking industry, corporate customer expects banks to include

competent professional services and fair deals in terms of pricing or credit facility advance basis. Therefore, fairness as a form of industry best practice and corporate business etiquette is expected to be a significant factor contributing to satisfaction.

Guanxi (Chinese business relationships) the phrase *guanxi* in the Chinese language is subjected to various interpretations. At the basic interpersonal level, it refers to the existence of particularistic ties between two or more individuals (Tsui and Farh, 1997). *Guanxi* is developed with ingenuity, creativity, supplementing by flexibility and cultivated through a person's network of connections.

1.1.1.1.1.1 Disconfirmation Paradigm

At the business-to-business level in the Singapore context, the disconfirmation paradigm is still the predominant paradigm influencing the customer satisfaction process. The influence and importance of performance in the disconfirmation paradigm could be summarized from two perspectives: Performance, an integral and incidental variable influencing disconfirmation, together with expectation and relationship marketing accounted for 67 per cent of the variance of disconfirmation. The direct impact of performance together with disconfirmation and relationship marketing accounted for 85 per cent of the variance in satisfaction.

Managerial Implications

The findings of this research have significant managerial implications for corporate practitioners in the banking or banking related service industries in Singapore.

) The structural equation modeling analysis established relationship marketing as a pure relational construct consisting of trust and

relationship commitment that is consistent with Morgan and Hunt's (1994) commitment-trust theory of relationship marketing.

- J The managers need to be aware of the direct and indirect impact of relationship marketing on satisfaction. With relationship marketing exerting both a direct impact on satisfaction and indirectly through disconfirmation, its importance in the satisfaction process is significant.
- J Achieving corporate-customer satisfaction is important as it leads to future continued repurchase intention.
- J Guanxi has an indirect impact on satisfaction through expectation. It should be also noted that good performance leads to better guanxi between exchange partners.
- J There is no evidence that fairness has a significant impact on satisfaction despite a positive association with performance.

2.6 Determinants of Customer Satisfaction in Retail Banking

“Determinants of customer satisfaction in retail banking” by Terrence Levesque, Associate Professor, and Gordon H.G. McDougall Professors (1996). This article is appropriate in the study of customer satisfaction and retail lending. Some of the conclusion can be scrutinized as:

The researchers have pointed out that, customer satisfaction and retention are critical for retail banks, and investigates the major determinants of customer satisfaction and future intentions in the retail bank sector. Identifies the determinants that include service quality dimensions (e.g. getting it right the first time), service features (e.g. competitive interest rates), service problems, service recovery and products used. Finding in particular, that service problems and the bank’s service recovery ability have a major impact on customer satisfaction and intentions to switch.

The rewards to firms that establish a loyal customer base have been well documented (Armstrong and Symonds, 1991; Heskett 1994; Reichheld and

Sasser, 1990). In general, increased loyalty leads to lower costs of servicing the firm's customers, reduced marketing expenditures, increased business from the existing customer base and greater profits. These rewards are particularly true in the retail-banking sector. By increasing loyalty, a retail bank:

- J **Reduces its servicing costs (i.e. accounts do not have to be opened or closed, and credit ratings do not have to be established);**
- J **Gains knowledge of the financial affairs and needs of its customers (thereby allowing effective and efficient targeting); and**
- J Has an opportunity to cross-sell existing and new products and services.

In one case, a retail bank that increased its customer retention rates by 5 percent increased its profits by 85 per cent (Reichheld and Sasser, 1990). Improving customer satisfaction, and thereby retention rates, can come from a variety of activities available to the firm.

The Existing evidence suggests that major gains in customer satisfaction are likely to come from improvements in:

- J Service quality
- J Service features and
- J Customer complaint handling

2.6.1 Service Quality

Not surprisingly, there are strong linkages between service quality dimensions (e.g. courteous service providers) and overall customer satisfaction (Anderson and Sullivan, 1993). However, there has been considerable debate as to the basic dimensions of service quality (see Cronin and Taylor, 1992, for reviews), the measurement of these dimensions (Parasuraman, 1993; Smith, 1995; Teas, 1993), and the components of customer satisfaction (Hausknecht, 1990).

Empirical evidence and theoretical arguments suggest that there may be two overriding dimensions to service quality; the core or outcome aspects

(contractual) of the service, and the relational or process aspects (customer employee relationship) of the service (Grönroos,1985; McDougall and Levesque, 1994;Morgan and Piercy, 1992; Parasuraman,1991).While the number of underlying dimensions has been shown to vary with the service setting, it appears reasonable to suggest that the service core and relational dimensions will emerge in nearly all cases as they form the basis for the service.

2.6.2 Service Features

Customer satisfaction is also related to the service offering. With retail banking, the convenience and competitiveness of the provider's offerings can be expected to affect a customer's overall satisfaction and ongoing patronage. Research has shown that location is a major determinant of bank choice (Anderson,1976; Laroche and Taylor, 1988; Thwaites and Vere, 1995). Underlying location are the customer benefits of convenience and accessibility, which are enabling factors that make it easy for the customer to do business with the bank. The bank's ability to deliver these benefits on an ongoing basis to its existing clientele will probably impact on customer satisfaction.

Another determinant of bank choice is competitive interest rates (Laroche and Taylor, 1988). While differences in rates, either savings or borrowings, are likely to be minimal between competing banks, customers are concerned that they are getting competitive rates on savings or loans because of the impact on their financial situation. Again, customer satisfaction is likely to be influenced by the perceived competitiveness of the bank's interest rates.

2.6.3 Customer Complaint Handling

A major reason why customers switch service providers is unsatisfactory problem resolution .When customers face a problem, they may respond by exiting (switching to a new supplier), voicing (attempting to remedy the

problem by complaining) or loyalty (staying with the supplier anticipating that “things will get better”) (Hirschman, 1970).

Given that customers of retail banks have relatively high switching costs, it is likely that a dissatisfying experience will evoke a passive reaction (no complaint) or a complaint. Given that the customer complains, the bank’s response can lead to customer states ranging from dissatisfaction to satisfaction.

In fact, subjective evidence suggests that when the service provider accepts responsibility and resolves the problem, the customer becomes “bonded” to the organization. When customers complain, they give the firm a chance to rectify the problem and, interestingly, if the firm recovers successfully, to increase loyalty and profits (Fornell and Wernerfelt, 1987). Thus, customer complaint handling can have an influence on customer satisfaction and retention.

1.1.1.1.2 2.7 Customer Satisfaction

While customer retention is the goal of the service provider, surrogate measures are typically used owing to the constraints involved in longitudinal studies. These measures relate to attitudes or future intentions towards the service provider. There is sufficient evidence to suggest that customer satisfaction can and should be viewed as an attitude. For example, in retail banking there is an ongoing relationship between the service provider and the customer here, customer satisfaction is based on an evaluation of multiple interactions. For this investigation, satisfaction is considered as a composite of overall customer attitudes towards the service provider that incorporates a number of measures.

Three frequently used measures are overall service quality, meeting expectations and customer satisfaction (Hausknecht, 1990 Jones and Sasser, 1995). Also, typical measures of future intentions are recommending the

service to a friend and propensity to switch (Heskett 1994). While there are some problems with using either customer satisfaction or future intention measures to capture a future behavior, the inclusion of multiple behaviors reduces the problem.

2.7.1 Measuring Customer Satisfaction

There are several ways to gather input from customers. The simplest way to find out how customers feel and what they want is to ask them. If the organization has only 20 clients, it can talk to each one personally. The advantage of this approach is that you'll get a personal "feel" for each customer. The disadvantage is that they will gather different information from each customer depending on how the conversation goes.

2.7.1.1 Focus Groups

Focus groups are good ways to get informal input from a group of customers or prospects. They can bring in 5-10 customers or prospects and ask them questions or have them react to material. They can pay a professional facilitator and videotape the whole session, or just lead an informal discussion themselves. In either case, they have a chance to gather ideas about customer needs, reactions to their company, suggestions for new services, and so forth. In addition to individual responses, they get ideas that develop as the group reacts to each other's responses.

2.7.1.2 Client Advisory Groups

One way to get regular input from customers is to put together an advisory group. This can act like a focus group, but is set up to provide input over time. They may pay members, or simply buy them dinner every quarter. If they create a good group, members may also enjoy meeting and interacting with each other.

There are many benefits to such groups. They collect a source of input from the customer viewpoint. They provide a sounding board for specific questions. They enhance their relationship with good customers who become more committed to their success. And they can move relationships with prospects ahead.

Advisory boards are a much-underused way to improve customer service, develop new services, and encourage repeat business. Even the smallest businesses can use them effectively.

2.7.1.3 Client Surveys

Customer surveys with standardized questions insure that they will collect the same information from everyone. The simplest possible survey is described in the book *Marketing Your Services: For People Who Hate to Sell*. The author recommends a three-item survey, simply asking "What did/do you like about working with me?", "What did/do you dislike about it?", and "Is there anything else you can tell me that would help me provide better service?". Such a brief survey can help open a dialog, but to collect more detailed information, they need to ask more questions.

Remember that few of your clients will be interested in "filling out a questionnaire". It's work for them without much reward. By casting any survey as an attempt to find out "how we can serve you better" -- in other words as an attempt to improve customer service --their clients will feel less put upon. And, as will be discussed further, if you are sincere about making great service a center point of their firm, their staff will also feel good about collecting information.

Even for a big survey, they should contact their most important clients personally. They might do that before contacting others. Ask for their suggestions. This way, their input can help them determine what type of questions to ask others. And their big accounts might be flattered to be asked to

help set the agenda. Have a conversation, not an interrogation. Don't make them feel like they're filling out a survey.

2.7.1.4 Phone

Up to about 10 minutes of questions can be done on the phone. By speaking directly with people, they have the flexibility to talk with them. Again, this is more desirable than a questionnaire, especially with larger clients. But, of course, it takes more of their time.

2.7.1.5 Written Surveys

On a longer survey, here are a few of the possible dimensions they could measure:

-) Quality of service
-) Speed of service
-) Pricing
-) Complaints or problems
-) Trust in their firm members
-) Closeness of relationship with contacts in their firm
-) Types of other services needed
-) Their positioning in clients' minds

If someone is just starting a business, he\she may want to gather information about their expected competitors. This can help them position themselves while they're making initial contact with prospective clients.

They should involve their staff and clients in designing a questionnaire. The odds are that once they start discussing questions with staff and clients, they will come up with more than they should ask. If they have a big client list and lots of questions to ask, split their survey. Ask half the questions to half their clients and half to the other. To get more sophisticated, randomly assign clients to versions of the questionnaire and

have a few questions that overlap both groups, which will give them an estimate of similarity between the halves (reliability). They can also share some of the results back with clients, which allow them to discuss important issues further.

2.8 Antecedents to Perceived Service Quality: A Study of the Banking Industry

Service quality is now considered a critical success factor that affects an organization's competitiveness. Furthermore, service quality is considered an essential determinant that allows an organization to differentiate itself from the competition and therefore gain a sustainable competitive advantage. Hence, service quality is at the forefront of both the marketing literature in general, and the services marketing literature in particular (Jensen and Manolis, 1996; Lassar, 2001).

A review of the relevant literature reveals that the principal focus of service quality research has been twofold. First, the identification of service quality dimensions was of primary interest to researchers (Parasuraman, 1985: 91). Second, the development of measurement instruments of service quality was the focus of subsequent research efforts.

Next, the agenda on service quality was very quickly enhanced by examining its consequences, such as customer retention, attraction of new customers through word of mouth advertising, increases in productivity, improvements in market share, reduction in Staff turnover and operating costs, improvements in employee morale, financial performance and profitability. More specifically, consumers' perceptions of service quality are influenced by factors such as communications from salespeople and social referents, various types of information collected, and the credence consumers develop towards a service organization (Bowen, 2000; Kangis and Passa, 1997).

2.9 Conceptual Framework and Research Hypothesis

The major hypothesis underlying this study is that perceived service quality is a function of factors pertaining to both the service provider and the buyer of the service. With regard to the former, according to our conceptualization of perceived service quality, the provider's degree of market orientation is expected to impact the user's perception of the quality of the service.

Individuals also have their own mechanisms for forming quality standards and quality anticipations which, in turn, influence how they conceive the level of quality they are offered. In the following paragraphs, we elaborate in detail the impact of each factor on perceived service quality and specific research hypothesis are developed.

2.9.1 Word-of-mouth Communication and Perceived Service Quality

Word-of-mouth (WOM) communication is undoubtedly among the strongest factors in forming expectations and frequently in leading purchasing behavior (Arndt, 1967; Mossberg, 1995). In general, WOM communication has been researched less for services regardless of this; its importance for the services sectors has long been established (Berry and Parasuraman, 1991). The reason why WOM can play such an important role in developing perceptions of quality is better understood when one considers what generates WOM communication.

Parasuraman (1985) results indicated that when consumers' perceptions of service quality are high, consumers are willing to recommend to others the company, i.e. they develop positive WOM. Reichheld and Sasser (1990) also support this notion. Similarly, Building (1993) found that service quality relates positively to saying positive things regarding the company to others, while other researchers have indicated that when consumers perceive they have experienced inferior service performance, they are likely to engage in complaining behavioral responses, that is, negative WOM communication

(Richins, 1983; Scaglione, 1988; Singh, 1988). In general, these negative communicational responses stem from the poor service quality.

Lewis and Bingham (1981) and Lewis *et al.* (1991), in their studies of how young people choose a bank, indicated that non-organizational communications (e.g. parental communication) influence young people's assessment of bank service quality. Hence, we expect that WOM communication influences perceived service quality since those individuals who consider this form of communication prior to a purchasing decision have indirectly controlled for the result of their choice. On his basis we investigate the following hypothesis: *H1*. Word-of-mouth communication will impact the user's perception of quality.

2.9.2 Comparison Shopping and Perceived Service Quality

According to the disconfirmation paradigm, the consumer's previous experience with the service provider or with the service offered is an important factor (Parasuraman, 1985). How do consumers develop experience and become familiar with a service or the provider of that service? Experience may be developed through personal use of the service; it may also be developed through exposure to communication messages; in-store promotions and comparison shopping may also help consumers to develop a degree of experience with certain services (Sundaram and Webster, 1999).

To the best of our knowledge, there is no study which has attempted to directly investigate why consumers, who have developed a certain experience and are familiar with the offered service, minimize information search efforts and are more inclined to proceed with the purchase. It seems logical to infer that previous experience helps consumers to form specific expectations of the quality of the service and, consequently, of the perceived service quality they will derive from the transactions with a particular service provider. If so, we expect that: *H2*. Comparison shopping will influence the user's perception of quality.

2.9.3 Personal Relationships and Perceived Service Quality

The impact of personal relationships with the service provider on perceived service quality also has not, to the best of our knowledge, been directly investigated. Research on customer bonding; however, can be used to offer some insights as to the effect that personal relationships may have on perceived service quality. Cross and Smith (1996) describe it as a process through which the provider and the buyer develop and sustain a mutually rewarding relationship.

According to Wilson and Mummalaneni (1988), the relationships that foster between the individuals participating in exchanges are important because they enhance communication and information flow which, in turn, upgrades the relationship as a whole. Social bonds include feelings of likeness, acceptance, friendship, social interactivity and so on. Evidence exists that demonstrates that buyers with strong social bonds with their service providers are more committed to maintaining the relationship (Wilson and Mummalaneni, 1988). This is probably due to the facilitating effect that social bonding and personal relationships in particular have on the encounter experience. That is, from the providers' perspective, knowing the consumer could help avoid verbal abuse, uncooperative behavior or other causes which lead to unsuccessful encounters (Bitner, 1994).

From the customer's viewpoint, since having a personal relationship with the service provider may boost authentic understanding that is, to make it easier for the employee to genuinely comprehend the needs of the consumer. In fact, Lewis and Bingham (1991) indicate that the lack of personal contact affects banks' customers' formation of service quality perceptions. On these grounds, we can consider the following hypothesis: *H3*. Perceived service quality will be influenced by the extent to which personal relationships exist between the service provider and the user.

2.9.4 Market Orientation and Perceived Service Quality

The company's degree of market orientation has been the focus of many empirical studies. The common conclusion derived from all these empirical studies is that companies adopting a market orientation enjoy superior quality assessments and financial performance. It is this rationale that provides the link between market orientation and perceived quality.

Once market orientation has been developed, it allow for a better understanding of the needs of its target market. Understanding the target customers' needs permits the company to coordinate all its assets in a manner which allows it to increase the value for the customer, hence to increase the level of output quality received by the customer. For instance, developing a market orientation leads, in general, to positive job attitude, commitment and team spirit for the company's employees This is especially important in the services sector and particularly for front-line personnel whose role is, in principle, a very important one in actually delivering superior service quality (Harris, 1999).

Furthermore, McCullough.(1986) found that a bank's market orientation relates positively with the customers, forming a positive impression about the quality of the products/services offered by the bank. On this basis, we can consider the following hypothesis: *H4*. The greater the provider's degree of market orientation, the higher the users' definition of quality of the service that the provider delivers. Retail banks have been measuring customer satisfaction and service quality to determine how well they are meeting customer needs and requirements.

To summarize, a major contribution of this research is the provision of an approach for manager to identify the determinants of customer satisfaction and future intentions towards the service taking. The approach should incorporate constructs or items beyond service quality to capture the domain of factors that drive customer satisfaction. Also, the study provides insight and implication for managers in retail banks who want to improve customer satisfaction and

retention rates. The importance of these findings is that positive attitudes towards a retail lending are driven by service quality components such as the employee-customer relationships as well as other features and benefits of the service.

The study is to investigate the role of service quality, service features, service problems and situational factors on customer satisfaction and future intentions with their main financial institution. The results should provide retail bank managers with a better understanding of the drivers of customer satisfaction in this service setting. It has been found that marketing managers must not ignore the tangible dimension of service quality as customers are likely to make inferences about the overall service quality on the basis of tangible clues that surround the service delivery environment.

Customer satisfaction is based on service quality and other aspects of the service offering such as convenience and service specific factors (e.g. competitive interest rates). Managers should probably consider the contribution to customer satisfaction of each dimension of the total service offering and allocate resources accordingly.

The current research contributes towards an understanding of the direction of the causal relationship between service quality and satisfaction in retail lending (home loan). The research implies that the core and relational dimensions of service quality are causal antecedents of customer satisfaction. The core dimension of service quality means that the bank management has to make sure that things are done right the first time and they have to ensure that the promises are kept in terms of service delivery. As far as the relational dimension is concerned, the bank management has to make sure that the employees are properly trained so that the employees are not only courteous, pay attention and are willing to help customers, but also are experts in their field so that they understand specific customer needs.

2.10 Review of Relevant Thesis

Retail lending refers to the mobilization of deposits by the banks. Retail banking consist of large volume of low value transactions. It is mostly related to various types of deposit account and the loan portfolio id dominated by the consumer loans. Retail banking requires the good customer relation. Therefore, banks have to consider the factors that are required for the customer satisfaction. Now a days, customer satisfaction is considered as the essence for the success in highly competitive world of business. The determinant of customer satisfaction includes service quality, expectations. Performance, desires etc. customer satisfaction is widely recognized as a key influence in the formation of customers future purchase intensions. If customers are satisfied with a particular service offering then they are likely to tell others about their favorable experiences and thus engage in positive word of mouth advertising but on the other hand, dissatisfied customers are likely to switch the brands and engage in negative word of mouth advertising.

While evaluating, the overall performance of Everest bank is found to be satisfactory. It is considered as the leader bank in the market, because the awareness level of the consumer loan is high as compared to other four banks i.e. Kumari Bank Ltd, Himalayan bank ltd, bank of Kathmandu and Machhapuchhre Bank Ltd. About 60% of the respondents came to know about the loan processing through advertisement in potential customers as well as in existing customers. The maximum number of respondents ie 52% in potential customers selected the Everest bank as the market leader in entire banking activities which indicates that the products and services provided by the bank are reliable and the interest rates are low as compared to other banks. According to the survey, it is found that the motivating factor to choose the bank for loan is interest rate and prior relation with the bank. About 40% of the respondents in existing customer has taken consumer loans from the Everest bank because of lower interest rate, prior relation with the bank, loan period and easy loan processing. In the question, are you satisfied with the services

provided by the respective banks? Many of the respondents have replied yes. it means that the customers are very much satisfied with the service of the bank from which they are taking consumer loans.

From the survey, it is concluded that more or less customers are satisfied from the services provided by the bank. Therefore, it can be concluded that the banks are very much conscious about the customer complaint handling, because when customer complains, they give the firm a chance to find the problem and if the firm recovers successfully then it increases the loyalty and profit. Therefore complaint handling can have an influence on customer satisfaction and retention (Niroula 2007).

CHAPTER- III

RESEARCH METHODOLOGY

3.1 Research Design

This research can be categorized as formal research that is designed to test the hypothesis or answer the research question posed. For descriptive as well as analytical purposes, the data have been collected through questionnaires. The collected primary data have been represented in tabular form, sorted and organized, infiltrated, analyzed and concluded. As far as possible, the numerical data have been revealed in respective suitable diagrams such as pie charts, bar diagrams etc.

3.2 Population

As this study focuses towards lending prospects, highlighting the customer's expectation from the market, the population would be those individuals who have accounts with the banks. The population for measuring the customer satisfaction and the performed service quality of the banks would be those who are currently using the facility and those who are thinking of using the facility, provided they have a certified regular source of income and enough collateral to keep as mortgage.

For the home loans, loans are granted only in the presence of collateral security. Some banks require collateral security, which is as high as 150 % of the total loan amount. The home loan facilities are mainly focused on the higher middle-class family including self-employed, job holder, retired, professional etc. those who can keep the collateral and have the certified regular income source as demanded by the banks.

3.3 Sampling Procedures

The sampling procedure in qualitative studies can be quite different from the procedure in quantitative studies. Qualitative studies typically focus on relatively small samples, which are selected purposefully because they enable insight into and understanding of a phenomenon at depth. Although one cannot necessarily generalize from very small samples, one can learn a great deal from them.

A total of 100 questionnaires were distributed randomly to those visiting selected commercial banks. A sample 50 questionnaires were meant for the existing customers of the banks to know the satisfaction level from the banks service and rest 50 were meant for the potential customer for the banks to know the awareness level of customer regarding the home loan and the future intention.

For the home loan a sample of 50 individual those who are self employed (have audited income statement), jobholder, retired (have regular source from the deposit made during the service) and professional (such as teachers, lawyers, doctors) were taken. These are the potential customer that are in the need of such types of facilities to fulfill their dream of living in one's house and also eligible to get such type of loan facilities.

3.4 Data Collection Procedures

The sample of customer's response was drawn from the selected commercial banks and from the general area. Personal interviews, based on a questionnaire, were conducted by researcher in order to increase the validity and reliability of responses. The researcher approached the respondents and explained to them the survey in detail (including its purpose, the meaning of the items and what was expected of the respondent). The respondents were asked to fill up the questionnaire. The sample consisted of 100 individual customers of commercial retail banks.

Since this study did intend to measure the awareness level of consumer loan, respondents were also randomly approached in the street and shopping centers. Although the sample is clearly a convenience one, the interviews were conducted at different locations and on different days to reduce response bias. The secondary data such as the annual report of concerned bank, published articles, magazines, web site are analyzed to know the subject matter clearly.

3.5 Statistical Analysis

Descriptive statistics were used to evaluate the awareness level, satisfaction level of customer, drivers of customer satisfaction in retail lending (home loan), attitude of customer towards the consumer financing schemes.

3.6 Data Processing Procedures

After the questionnaire from the respondent of the Concerned Banks, the relevant factors are drawn and tabulated under the different needs before analyze the data. So far as computation is concerned it has performed with the help of simple SPSS software in microcomputer.

3.6.1 Percentage

It is a Mathematical tool, which represent the proportion of any variable in terms of its total. In present study percentage are calculated for the types of deposit account and for valid respondent obtained from the administered questionnaire.

3.6.2 Diagrams and Graphs

These are the picture tools, which help to know the true picture of the different variable in the absence of complicated formula and equation.

CHAPTER - IV

PRESENTATION AND ANALYSIS OF DATA

A typical characteristic of qualitative studies is the overlapping of data collection and analysis (Creswell 1994; Patton 2002). Ideas for how the data should be interpreted that arise while collecting the data constitute the beginning of the analysis process, and it is important that their insights are recorded (Patton, 2002:436).

“Qualitative methods facilitate study of issues in depth and detail. Approaching fieldwork without being constrained by predetermined categories of analysis contributes to the depth, openness and detail of qualitative inquiry” (Patton, 2002:14).

This research focus on two aspects while conducting the survey on customer satisfaction in retail lending with special reference to Home loan. Two types of questionnaires were distributed to the customers in the survey.

- 1. Potential Customers of the Consumer Loans**
- 2. Existing Customers of the Consumer Loans**

Potential Customers of Consumer Loans

The questionnaires were filled by the peoples who could be the customers of the consumer loans in the near future. This kind of questionnaires was prepared to identify the views and the awareness level of the perspective customers regarding the consumer loan schemes of selected commercial banks to find out the level of customer satisfaction in retail lending.

Existing Customers of the Consumer Loans

The questionnaires were filled by the existing customers of the consumer loans who have taken loans from the commercial banks for the purpose of building homes or for business purpose or for any other reasons. This type of

questionnaires was prepared to identify the satisfaction level of the existing customers regarding the retail lending (Home loan).

In this chapter, the data and information obtained from the questionnaires has been presented and analyzed moderately keeping the intention of the study in mind. The main objective of the research is to know the attitude of the customer towards the consumer financing scheme, to analyze the consumer lending facility provided by different commercial banks, to analyze consumer financing's effectiveness in the market and to analyze the level of customer satisfaction in retail lending.

This chapter is divided into two sections. In section one data presentation and analysis of the potential customers of the consumer loans is presented and in section two data presentation and analysis of the existing customers is presented and analyzed.

4.1 Section One: Analysis of Prospective Customer

The data and information obtained from the perspective customers are presented and analyzed in this section. Simple questions were asked to the perspective customers about the respondent's profile, awareness about the loan, future intention to take any loan, choice of bank, reason to choose specific bank etc.

The research was conducted at the 5 commercial banks; Everest bank, Himalayan Bank, Kumari Bank, Nabil Bank, and Bank of Kathmandu. It was conducted within and outside the premises of the respective banks.

4.1.1 Respondent Profiles

Table 4.1
Occupation of Respondents

Occupation	Frequency	Percent	Cumulative Percent
Service	35	70.0	70.0
Business	15	30.0	100.0
Total	50	100.0	

Source: Field Survey

Table 4.1 shows that out of the 50 respondents 35 respondents are from the service sector and the remaining 15 are from the business sectors. While conducting the survey, the questionnaires were distributed randomly to the peoples within the premises of the banks and also outside the banks.

Figure 4.1
Occupation of Respondent

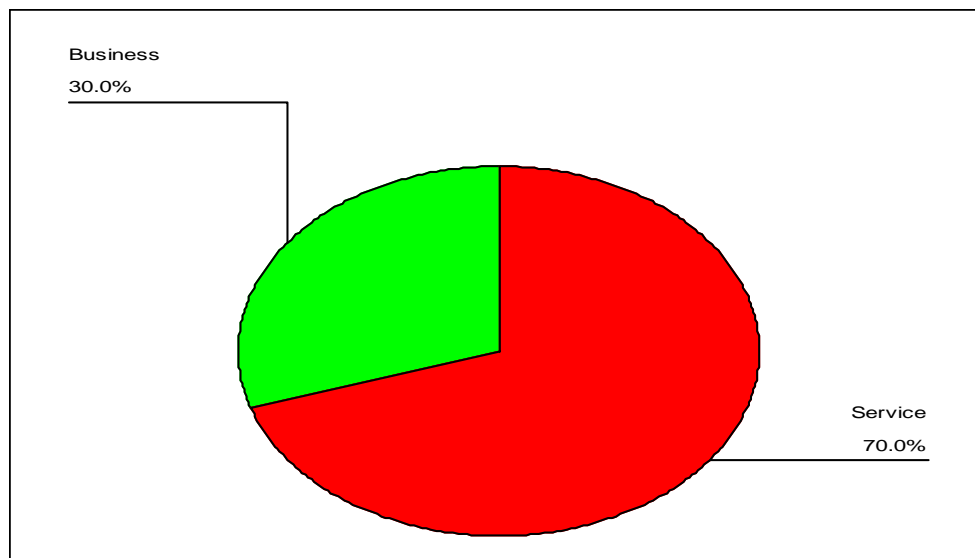


Figure 4.1 shows that the most of the respondents are from service sector that is 70% and the rest 30% from the business sectors.

4.1.2 Age of the Respondents

Table 4.2

Ages of the Respondents

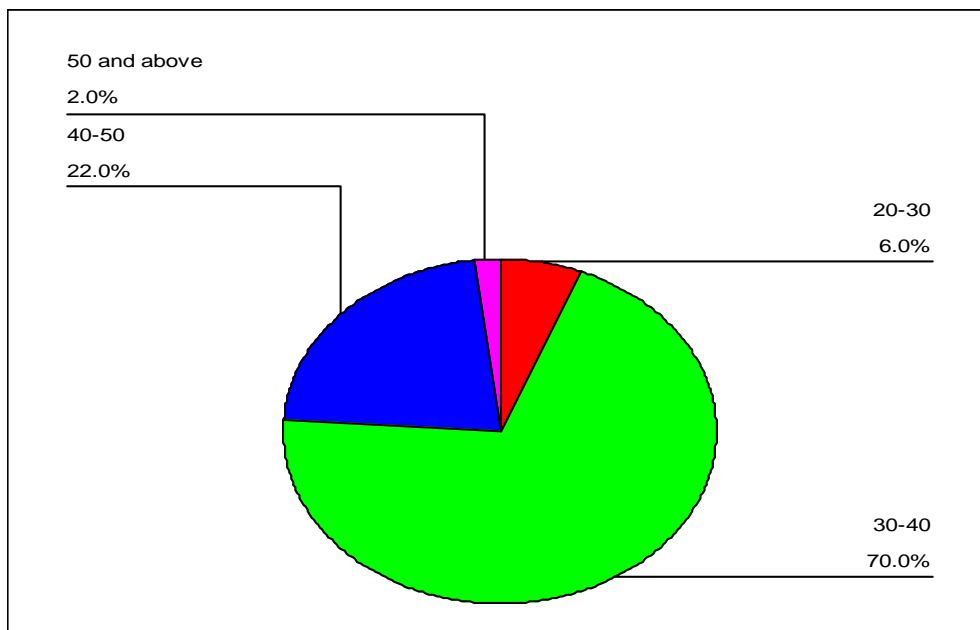
Age	Frequency	Percent	Cumulative Percent
20-30	3	6.0	6.0
30-40	35	70.0	76.0
40-50	11	22.0	98.0
50 and above	1	2.0	100.0
Total	50	100.0	

Source: Field Survey

Table 4.2 shows that almost 92 percent of the respondents are between the age range of 30 and 50.

Figure 4.2

Age of the Respondents



4.1.3 Income Level of Respondents

Table 4.3

Income Level of Respondents

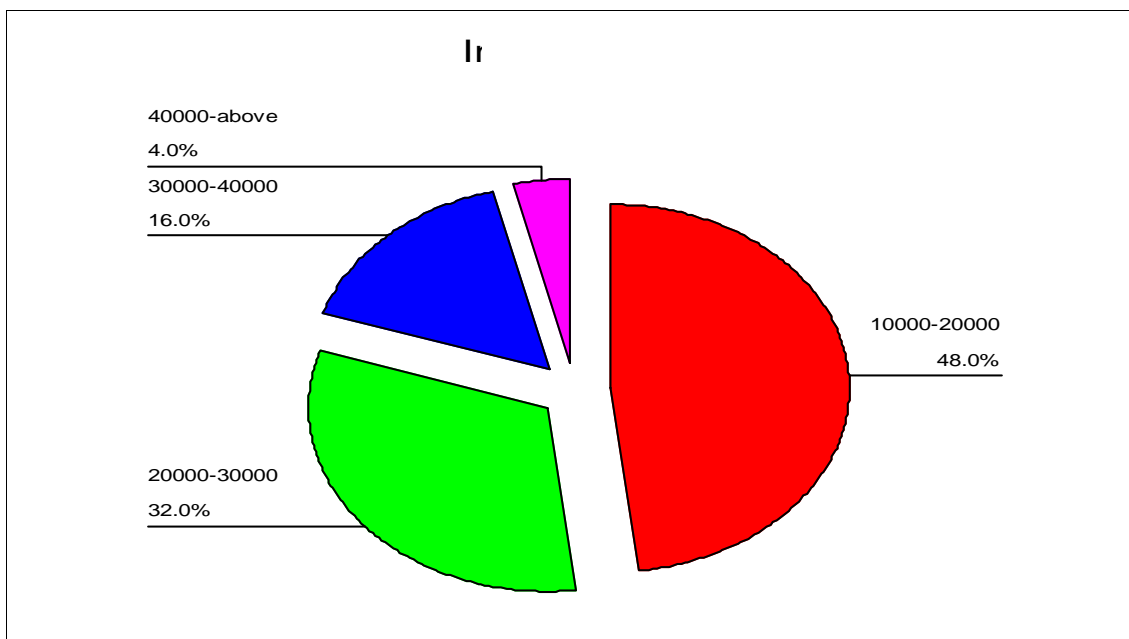
Income Level	Frequency	Percent	Cumulative Percent
10000-20000	24	48.0	48.0
20000-30000	16	32.0	80.0
30000-40000	8	16.0	96.0
40000-above	2	4.0	100.0
Total	50	100.0	

Source: Field Survey

Table 4.3 shows that the respondents have different level of income. And the majority of them (48 percent) earn 10000-20000.

Figure 4.3

Pie chart showing Income level of Respondents



4.1.4 Awareness Level of Consumer Loans

Table 4.4

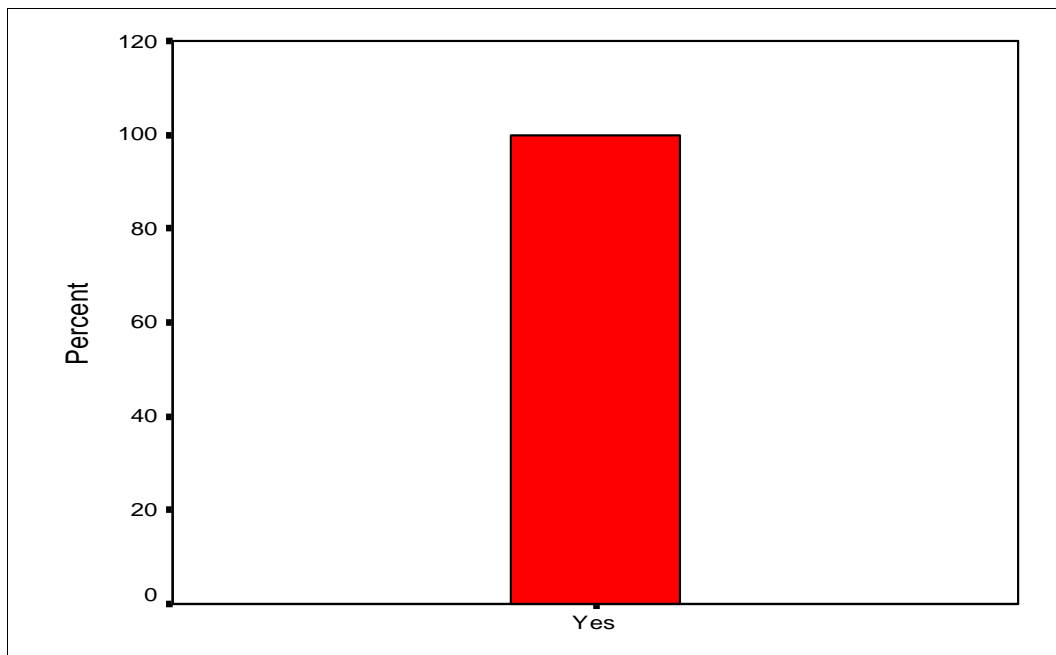
Awareness Level of Consumer Loans

	Frequency	Percent	Cumulative Percent
Yes	50	100.0	100.0

Source: Field Survey

Figure 4.4

Awareness Levels of Respondents



From Figure 4.4, we can analyze that most of the respondents are aware of the consumer lending provided by the different commercial banks. From the survey, it has been found that respondents are optimistic towards the retail lending schemes provided by the commercial banks. It has also been found that respondents show special interest on Home loan and Auto loan. Respondents seem very attentive toward the service and the facilities provided by the bank. Hence, Research on prospective customer of retail loan demonstrates that, most of the customers are looking forward to take the benefit of retail loan in near future.

4.1.5 Analysis of Mediums through which the Customers gets the Information about the Consumer Lending

Table 4.5

Mediums through which the Customers Gets the Information about the Consumer Lending

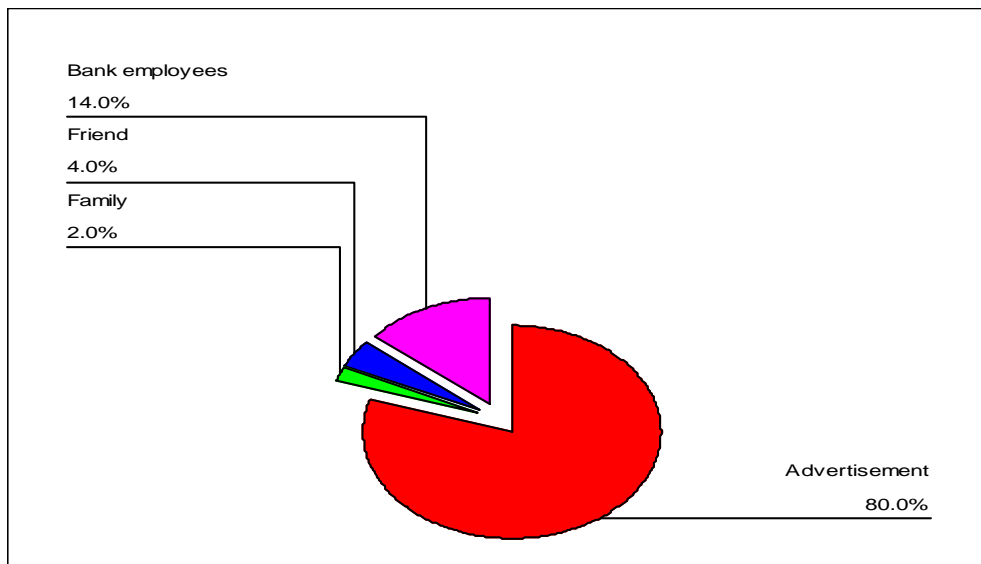
	Frequency	Percent	Cumulative Percent
Advertisement	40	80.0	80.0
Family	1	2.0	82.0
Friend	2	4.0	86.0
Bank Employees	7	14.0	100.0
Total	50	100.0	

Source: Field Survey

Table 4.5 shows that maximum numbers of respondents (80 percent) came to know about the consumer lending through advertisement, this was followed by the bank employees who constitute 14 percent of the total sample.

Figure 4.5

Pie chart showing different mediums through which the Customers Gets the Information



4.1.6 Analysis of the Market Leader Bank in Entire Banking Activities

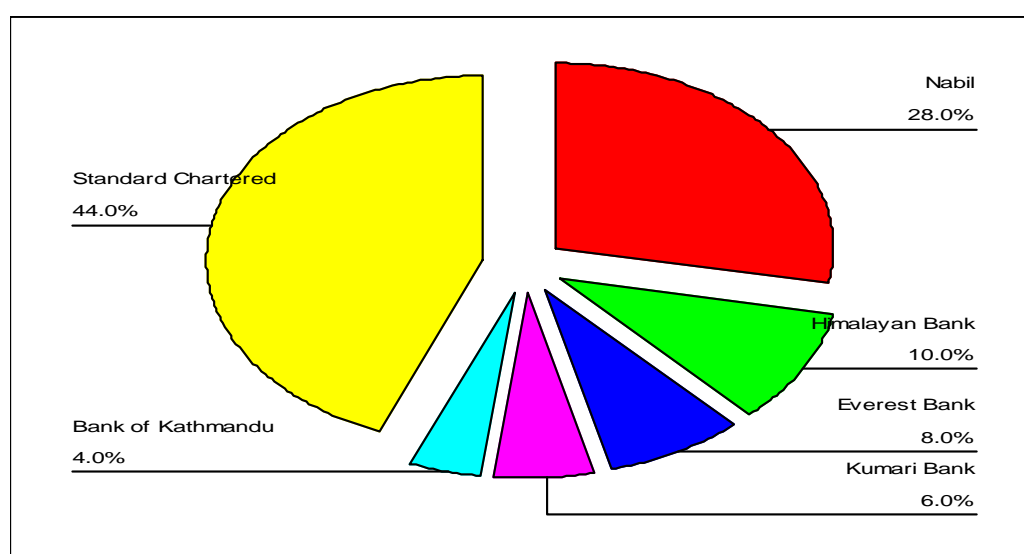
Table 4.6
Market Leader Bank in Entire Banking Activities

	Frequency	Percent	Valid Percent	Cumulative Percent
Nabil Bank	14	28.0	28.0	28.0
Himalayan Bank	5	10.0	10.0	38.0
Everest Bank	4	8.0	8.0	46.0
Kumari Bank	3	6.0	6.0	52.0
Bank of Kathmandu	2	4.0	4.0	56.0
Standard Chartered	22	44.0	44.0	100.0
Total	50	100.0	100.0	

Source: Field Survey

Table 4.6 reveals that, the maximum numbers of respondents selected the standard chartered bank as the market leader in entire banking activities. Standard chartered bank is a joint venture bank and is a highly renowned bank in Nepal. Most people prefer standard chartered to carry out their transactions and business because of its brand name and reliability. About 44 percent of the respondents consider that standard chartered is the best bank; this was followed by the Nabil bank who constitutes 28 percent of the total sample.

Figure 4.6
Market Leader Bank in Entire Banking Activities



4.1.7 Analysis of Purpose of Taking Loans

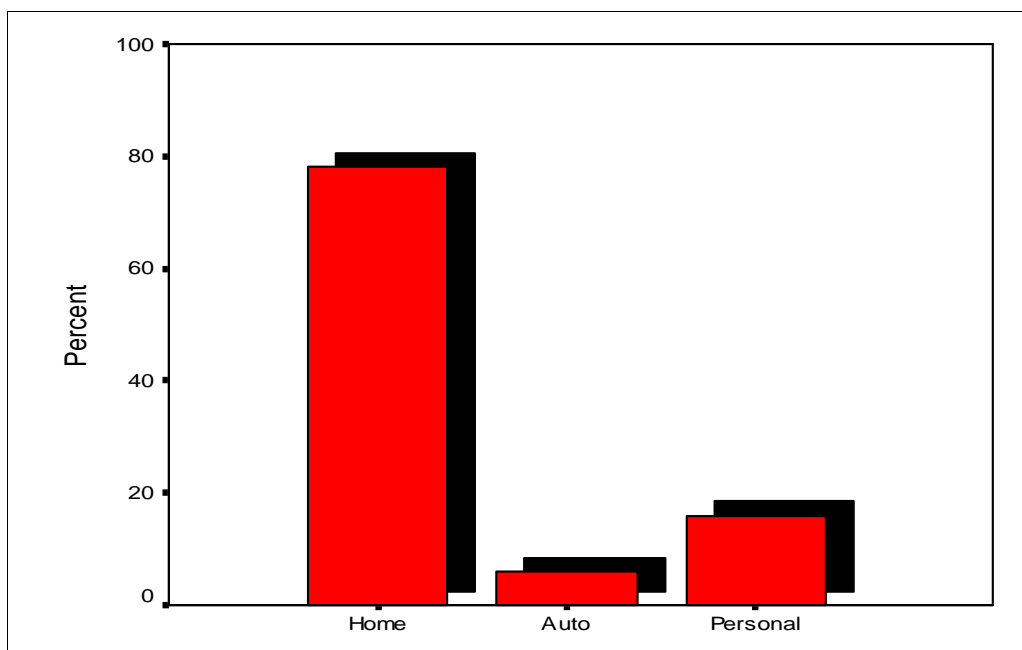
Table 4.7
Purpose of Taking Loans

	Frequency	Percent	Cumulative Percent
Home	39	78.0	78.0
Auto	3	6.0	84.0
Personal	8	16.0	100.0
Total	50	100.0	

Source: Field Survey

According to Table 4.7 most of the respondents like to acquire the home loan. The table shows that about 78 percent of the respondents preferred to have a home loan, 16 percent of the respondent preferred Personal loan and rest Auto loan. According to the survey, the respondents think that ‘home sweet home’ is one of the major factors in every person’s life, so mainly the people from the service sectors favored to take a home loan to make their dreams comes true.

Figure 4.7
Types of Consumer Loans



4.1.8 Analysis of the Banks that Respondents Choose to take a Consumer Loans

Table 4.8

Banks that Respondents Choose to take a Consumer Loans

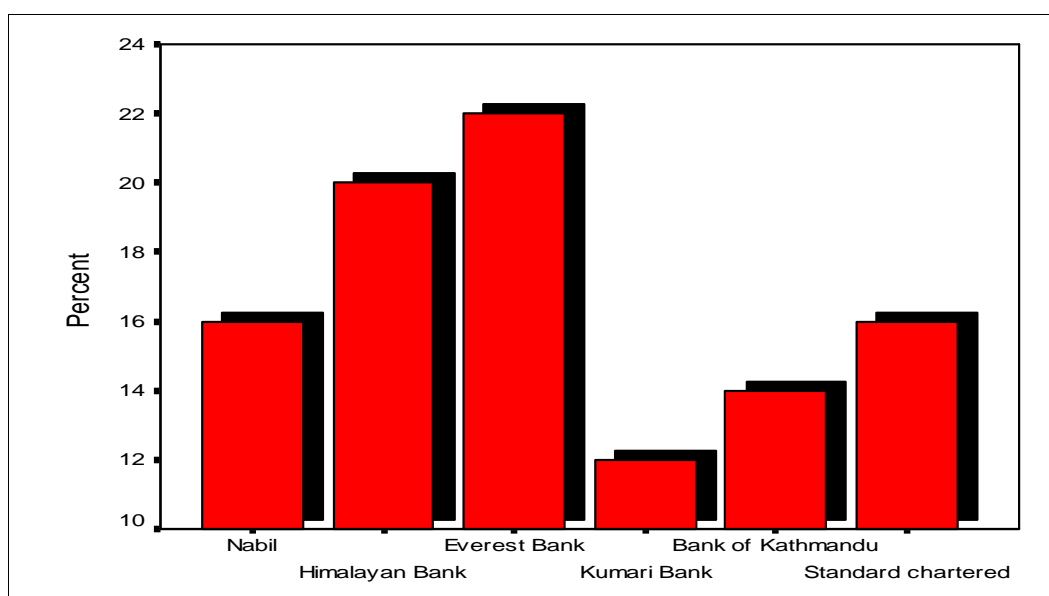
	Frequency	Percent	Cumulative Percent
Nabil	8	16.0	16.0
Himalayan Bank	10	20.0	36.0
Everest Bank	11	22.0	58.0
Kumari Bank	6	12.0	70.0
Bank of Kathmandu	7	14.0	84.0
Standard chartered	8	16.0	100.0
Total	50	100.0	

Source: Field Survey

Table 4.8 shows that the maximum numbers of the respondents (22 percent) choose to take loans from the Everest bank. 20 percent of the respondents think that the Himalayan bank is the best in terms of consumer lending. Similarly, 16 percent choose the Nabil bank, another 16 percent choose Standard Chartered, 14 percent Bank of Kathmandu and 12 percent Kumari bank among the total sample.

Figure 4.8

Analysis of the Banks that Respondents Choose to take a Consumer Loans



4.1.9 Analysis of the Factors that Motivates the Customer to Choose the Specific Banks

Table 4.9

Analysis of the Factors that Motivates the Customer to Choose the Specific Banks

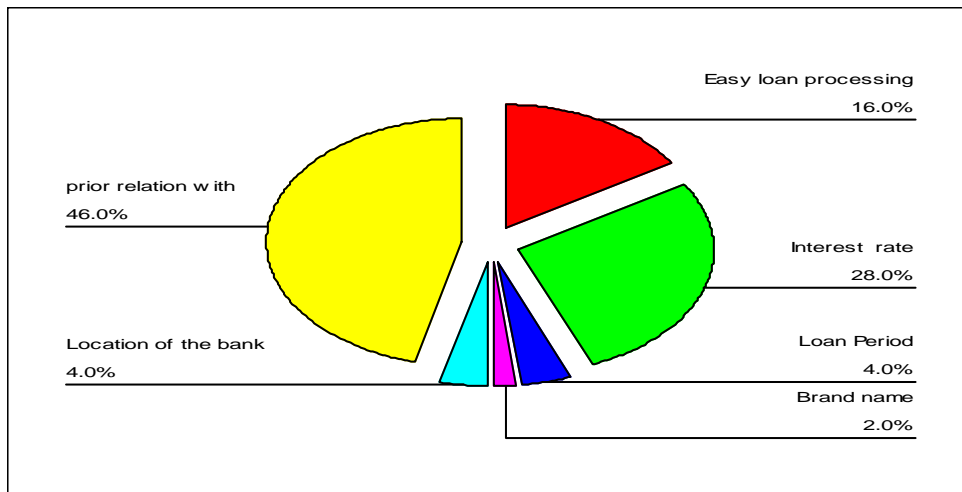
	Frequency	Percent	Cumulative Percent
Easy loan processing	8	16.0	16.0
Interest rate	14	28.0	44.0
Loan Period	2	4.0	48.0
Brand name	1	2.0	50.0
Location of the bank	2	4.0	54.0
Prior relation with the bank	23	46.0	100.0
Total	50	100.0	

Source: Field Survey

Table 4.9 reveals the factors that motivate the peoples to choose the specific bank for consumer loans. Motivating factors may be more than one and the customers can look at the number of factors before reaching on any decision. The table shows that the prior relation with the bank is one of the factors they consider while choosing the specific banks for the consumer loans. It is because of its reliability and previous activities. It constitutes 46 percent of total sample. Customers are also motivated by the interest rate (28 percent) so they tend to choose the bank that provides lower interest rate. Easy loan processing (16 percent) is also the major factor that makes the customer alleviate while applying for the loans. According to table 4.9, others factors seems minor while selecting the specific banks.

Figure 4.9

Factors that Motivates to Choose the Specific Bank



4.1.10 Analysis of Amount the Consumer wants to take as a Loan

Table 4.10

Amount the Consumer Wants to take as a Loan

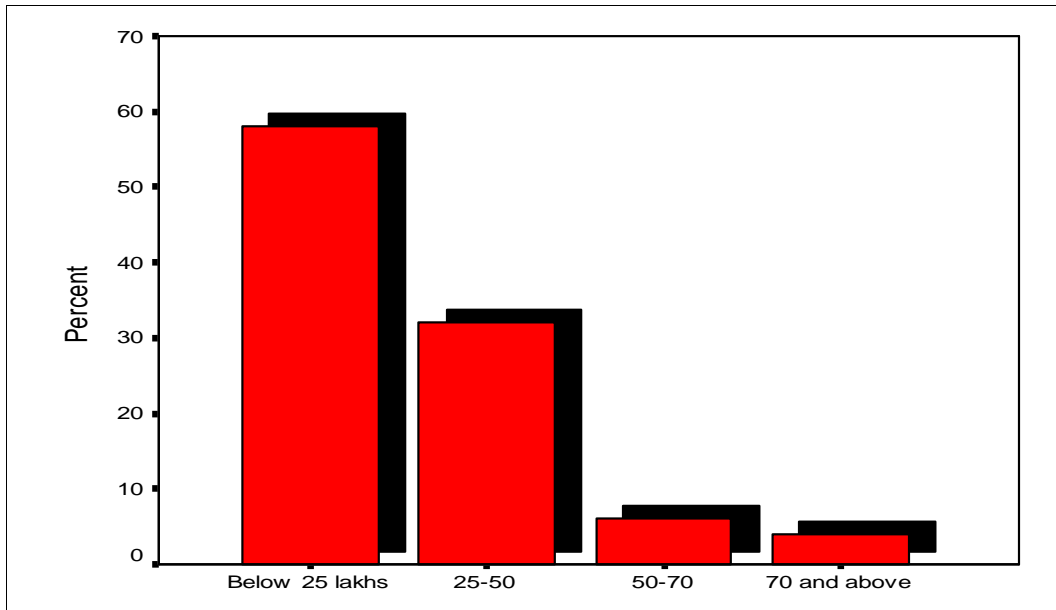
	Frequency	Percent	Cumulative Percent
Below 25 lakhs	29	58.0	58.0
25-50	16	32.0	90.0
50-70	3	6.0	96.0
70 and above	2	4.0	100.0
Total	50	100.0	

Source: Field Survey

The amount of loan depends on the needs and plans of the customers. From table 4.10 we can analyze that maximum numbers of the respondents desire the amount below 25 lakhs. About 58 percent of the respondents fall under choosing the amount below 25 lakhs, this is followed by the amount 25-50, it constitute 32 percent of the total sample.

Figure 4.10

Amount the Consumer wants to take as a Loan



4.2 Section Two: Analysis of Existing Customers

The data and information obtained from the existing customer are presented and analyzed in this section.

4.2.1 Respondents Profile

Table 4.11

Occupation of the Respondents

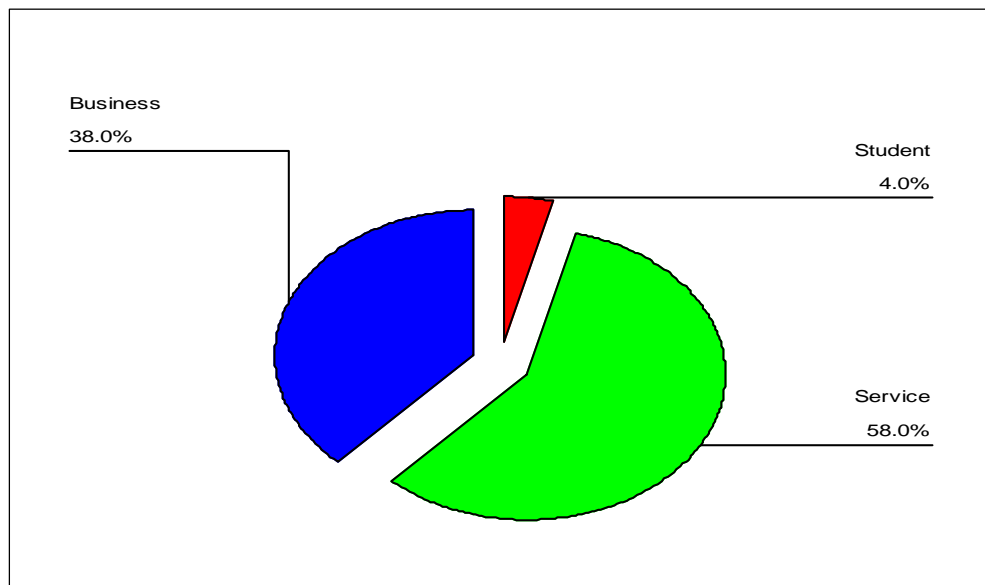
	Frequency	Percent	Cumulative Percent
Student	2	4.0	4.0
Service	29	58.0	62.0
Business	19	38.0	100.0
Total	50	100.0	

Source: Field Survey

Table 4.11 depicts the occupation of the respondents. According to the table, maximum numbers of the respondents are from service sectors that is 58 percent of the total sample. This was followed by the business that occupies 38 percent of the total sample. And the least number of respondents is students.

Figure 4.11

Occupations of Respondents



The questionnaires were distributed among the existing customers of the respective banks. From figure 4.11, a researcher can analyze that the people from the service sectors are more attracted towards the consumer loan schemes of the commercial banks. This is because these consumer loan schemes of the commercial banks have fulfilled the basic needs and wants of the peoples.

Table 4.12

Income Level of Respondents

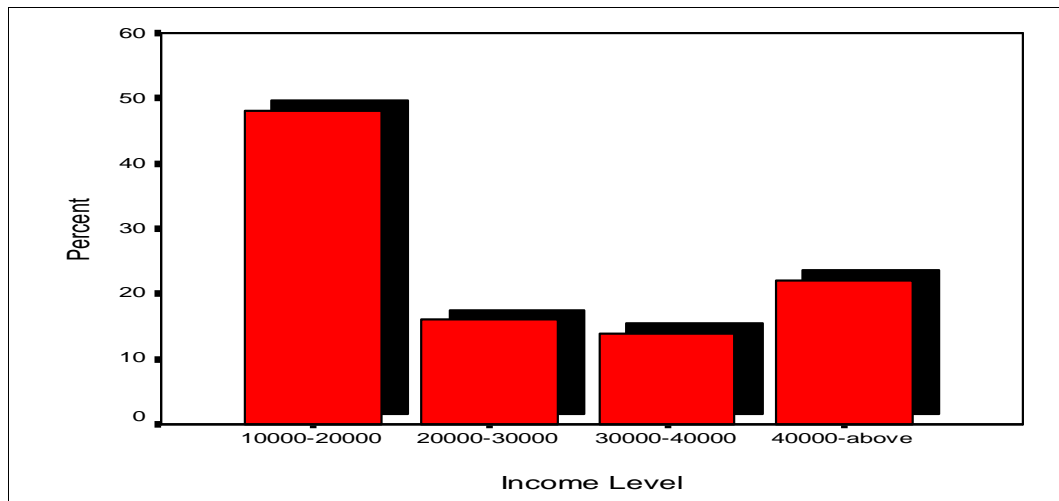
	Frequency	Percent	Cumulative Percent
10000-20000	24	48.0	48.0
20000-30000	8	16.0	64.0
30000-40000	7	14.0	78.0
40000-above	11	22.0	100.0
Total	50	100.0	

Source: Field Survey

Table 4.12 reveals the income level of respondents. It shows that 48 percent of the respondent's income level comes between Rs. 10000-20000. Nearly everyone from the service sector falls between this income levels. The consumer loan schemes of the commercial banks have made the delusion of customers into reality. The income level of Rs. 40000 and above is 22 percent

of the total sample whereas 16 percent of the respondents come under Rs. 20000-30000 and 14 percent come under Rs.30000-40000.

Figure 4.12
Income Levels of Respondents



4.2.2 Analysis of the Medium through which the Customer obtain the Information about the Consumer Lending

Table 4.13
Different Mediums

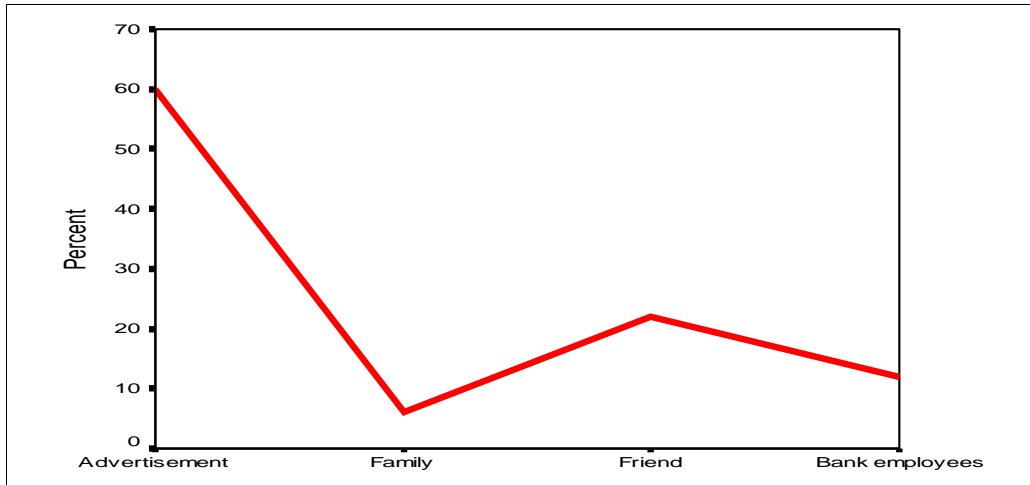
	Frequency	Percent	Cumulative Percent
Advertisement	30	60.0	60.0
Family	3	6.0	66.0
Friend	11	22.0	88.0
Bank employees	6	12.0	100.0
Total	50	100.0	

Source: Field Survey

Table 4.13 shows that maximum number of respondents (60 percent) came to know about the consumer lending through advertisement, this was followed by Friends who constitute 22 percent of the total sample. The advertisement through print or electronic media has become the best medium to disseminate information about the product and services. The table shows that 12 percent of the respondents receive information about the consumer loans from the Bank

employees and 6 percent from the Family members. Family is also considered as one of the strongest medium to circulate information about the products.

Figure 4.13
Different Mediums



4.2.3 Analysis of the Bank from which the Respondent has taken the Consumer Loans and what made them to choose that Bank

Table 4.14

The Bank from which the Respondent has taken the Consumer Loans and what made them to choose that Bank

From which Bank you have taken Consumer Loan?	Easy Loan Processing	Interest Rate	Loan Period	Prior Relation With the Bank	Total
Nabil Bank	3 6%	4 8%	1 2%	2 4%	10 20%
Himalayan Bank	3 6%	4 8%	1 2%	2 4%	10 20%
Everest Bank	3 6%	5 10%	2 4%	1 2%	10 20%
Kumari Bank	4 8%	3 6%	1 2%	2 4%	10 20%
Bank of Kathmandu	5 10%	1 2%	3 6%	2 4%	10 20%
Total	18 36%	17 34%	8 16%	7 14%	50 100%

Source: Field Survey

Table 4.14 depicts the reasons for choosing the respective bank while taking the consumer loans. There are various reasons and it might differ from persons to persons according to the experience, simplicity and reliability. Among the 10 respondents of the Nabil bank, maximum respondents 8% said interest rate was the reason for taking loan from Nabil bank. Similarly 6% choose easy loan processing, 2% said loan period and 4% said prior relation with the bank. Incase of Himalayan bank among the 10 respondents 8% said interest rate was the reason for choosing the bank, 6 % said interest rate and 4% said the prior relation. Similarly among the 10 respondents of the Everest bank 10% said interest rate, 6% said easy loan processing and 4% said loan period and another 2 % said prior relation. In case of Kumari bank 8 % said easy loan processing, 3% and 2% said interest rate and prior relation respectively. The customer of

BOK gave more preference to easy loan processing that is 10%. They showed least preference to interest rates. And 6% and 2% said loan period and prior relation with banks respectively.

4.2.4 Analysis of from which Bank the Respondent has taken the Consumer Loan sand what made them to choose that Bank

Figure 4.14

From which Bank the Respondent has taken the Consumer Loan sand what made them to choose that Bank

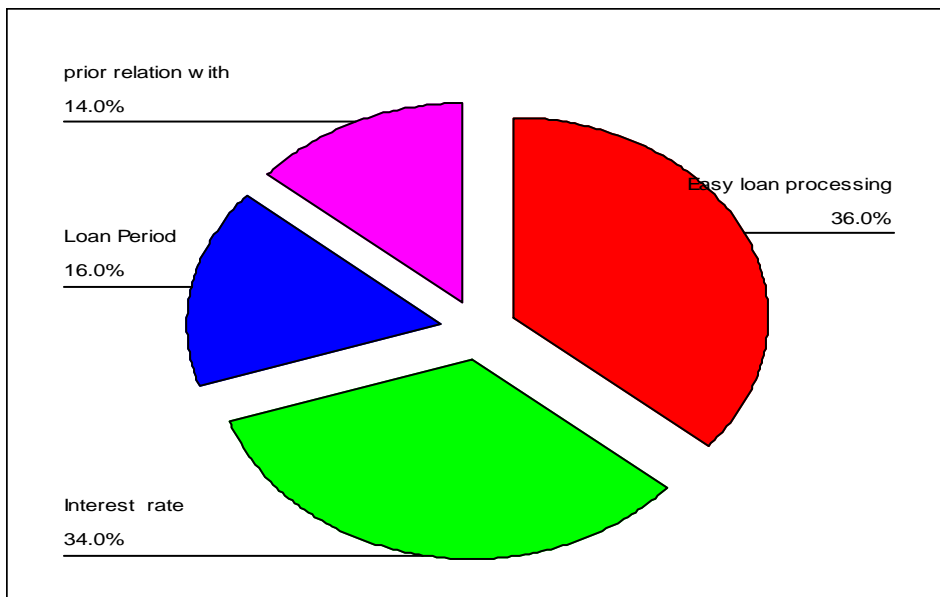


Figure 4.14 illustrates the different factors that the consumers look at before taking loans from any banks. Among the 50 sample most of the respondents that is 36 percent gave more priority to easy loan processing as every one likes to choose the banks that provides simple loan procedures while applying for loans. Interest rate is also a main factor of concern to the consumers. Because, if the interest rate is high the consumers might not show any interest on that bank so 34 % of respondent considered interest rate as an important factor for taking loans. Similarly 16 % said loan period is also an important factor.14 % of the respondents considered that prior relation is the reason behind choosing the specific bank. It is because of the banks reliability, services and off course

the existing customer definitely gets some extra facility whether in terms of easy loan processing or in other factors.

4.2.5 Analysis of Respondents' Level of Satisfaction from their Respective Bank

Table 4.15

Respondents' Level of Satisfaction from their Respective Bank

Name of the Bank	Are Customer Satisfied with that Bank Services	
	Yes	Total
Nabil Bank	10 20%	10 20%
Himalayan Bank	10 20%	10 20%
Everest Bank	10 20%	10 20%
Kumari Bank	10 20%	10 20%
Bank of Kathmandu	10 20%	10 20%
Total	50 100%	50 100%

Source: Field Survey

Table 4.15 shows that the respondents of the specific commercial bank are satisfied with their services. Regarding the question like “Are you satisfied with the particular bank service?” The total 50 respondents answered yes.

Survey on the existing customer of the respective banks reveals that the customer are more or less satisfied from the service of their banks as these banks are supporting them to make their dreams fulfilled. And according to the respondents owning a home loan from a specific banks, helps them to establish financial credibility with banking institutions which can help if they intend to finance in the future. They believed that owning an own home provides them

with the sense of pride and satisfaction knowing that they created, renovated and enjoyed times within their home.

4.2.6 Analysis of Category of Consumer Loans

Table 4.16

Category of Consumer Loans

	Frequency	Percent	Cumulative Percent
Home loan	39	78.0	78.0
Auto loan	6	12.0	90.0
Education loan	5	10.0	100.0
Total	50	100.0	

From Table 4.16, we can analyze that among the 50 sample size, 39 respondents were Home loan consumers, 6 respondents were Auto loan consumers and least number 5 respondents were Education loan consumers.

Figure 4.15

Category of Consumer Loans

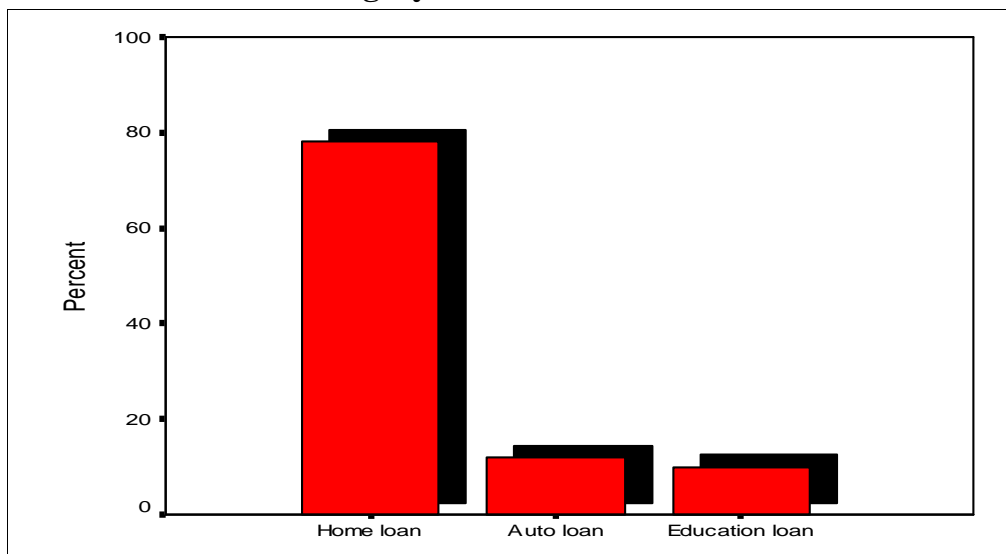


Figure 4.15 shows that, the 78 % of the respondents are home loan consumers. This project is also specifically focused on the home loan consumers. 12% were Auto loan consumer and 10 % were education loan consumers.

4.2.7 Analysis of whether the Consumers are Satisfied with the Loan Procedures of their Respective Banks or Not

Table 4.17
Whether the Consumers are Satisfied with the Loan
Procedures of their Respective Banks or Not

Name of the Bank	Yes	No	Total
Nabil Bank	9 18%	1 4%	10 20%
Himalayan Bank	7 14%	3 6%	10 20 %
Everest Bank	9 18%	1 2%	10 20 %
Kumari Bank	9 18%	1 2%	10 20 %
Bank of Kathmandu	8 16%	2 4%	10 20 %
Total	42 84%	8 16%	50 100%

Source: Field Survey

Table 4.17 reveals the satisfaction level of the customers regarding the loan procedure. According to the table maximum numbers of the respondents are satisfied with the loan procedures. 84% said that they were satisfied with the loan procedures and 16% said they were not.

Survey in Nabil bank indicates that 18% were agreeing and 1% disagreed with the question and the similar response was from Everest bank and Kumari bank. Similarly, in the case of Himalayan bank 14% said ‘yes’ and 6% said no to the question. In case of the customer of the BOK 16% said they were satisfied and 2% said they were not.

4.2.8 Analysis of Difficulties while Applying for Consumer Loans

Table 4.18
Difficulties while Applying for Consumer Loans

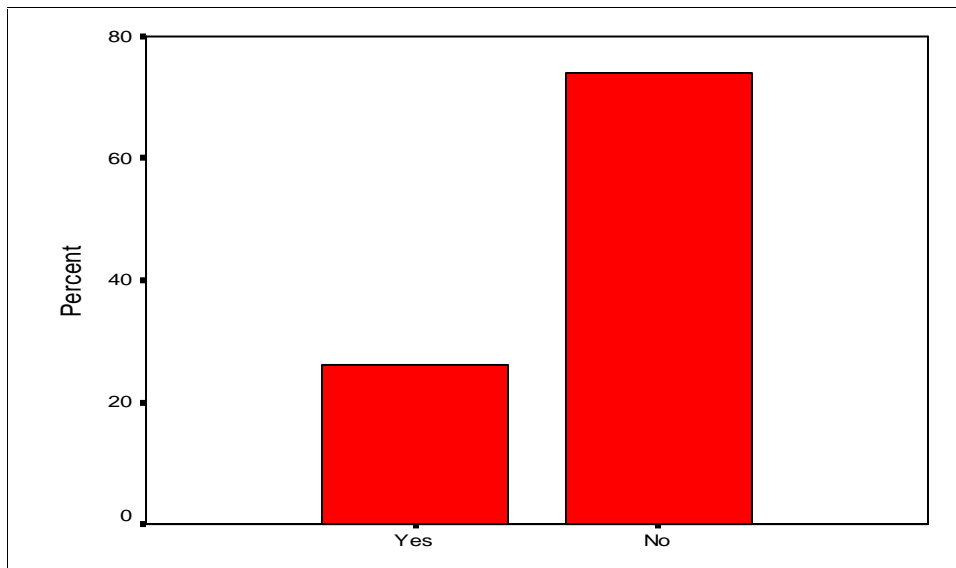
Name of the Bank	Did customer face any difficulties while applying for home loan?		
	Yes	No	Total
Nabil Bank	2 4%	8 16%	10 20%

Himalayan Bank	4 8%	6 12%	10 20%
Everest Bank	2 4%	8 16%	10 20%
Kumari Bank	2 4%	8 16%	10 20%
Bank of Kathmandu	3 6%	7 14%	10 20%
Total	13 26.00%	37 74.00%	50 100.00%

Source: Field Survey

From Table 4.18, a researcher can analyze whether the respondents faces any difficulties while applying for the home loan or not. Among the 10 respondents of Nabil bank 16 % said that they faced no difficulties while applying for the loan and 4 % responded positively toward the difficulty.12% of the respondent said ‘no’ and 8 % said ‘yes’ in case of the Himalayan bank. In case of Everest and Kumari Bank 16 % were positive and 4% were negative. The 14% of the BOK customers said ‘no’ and 6% said ‘yes’ toward the question.

Figure 4.16
Bar Diagram



4.2.9 Analysis of Market Leader Bank in Term of Consumer Lending

Table 4.19

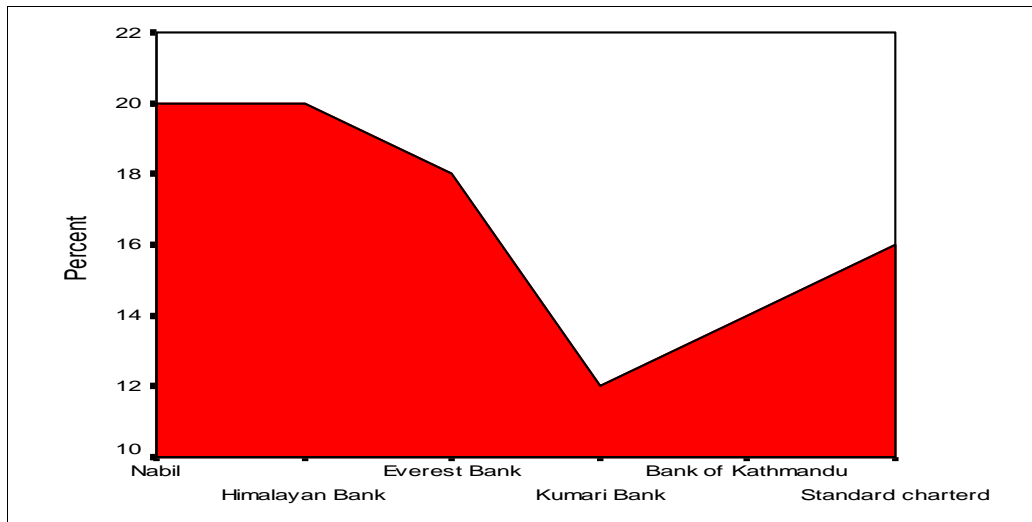
Market Leader Bank in Term of Consumer Lending

Name of the Bank	Frequency	Percent	Cumulative Percent
Nabil Bank	10	20.0	20.0
Himalayan Bank	10	20.0	40.0
Everest Bank	9	18.0	58.0
Kumari Bank	6	12.0	70.0
Bank of Kathmandu	7	14.0	84.0
Standard Chartered Bank	8	16.0	100.0
Total	50	100.0	

Source: Field Survey

According to Table 4.19, Nabil and Himalayan bank attained the highest percentage regarding being market leader in term of consumer lending.

Figure 4.17
Market Leader Bank



4.2.10 Analysis of Service Rating by the Respondents of the Respective Bank

Table 4.20
Service Rating by the Respondents of the Respective Bank

Name of the Bank		Statistic
Nabil Bank	Mean	1.8
	Std. Deviation	0.42
	Minimum	1
	Maximum	2
Himalayan Bank	Mean	2.2
	Std. Deviation	0.79
	Minimum	1
	Maximum	4
Everest Bank	Mean	1.8
	Std. Deviation	1.03
	Minimum	1
	Maximum	4
Kumari Bank	Mean	1.7
	Std. Deviation	0.67
	Minimum	1
	Maximum	3
Bank of Kathmandu	Mean	2.2
	Std. Deviation	0.63
	Minimum	1
	Maximum	3

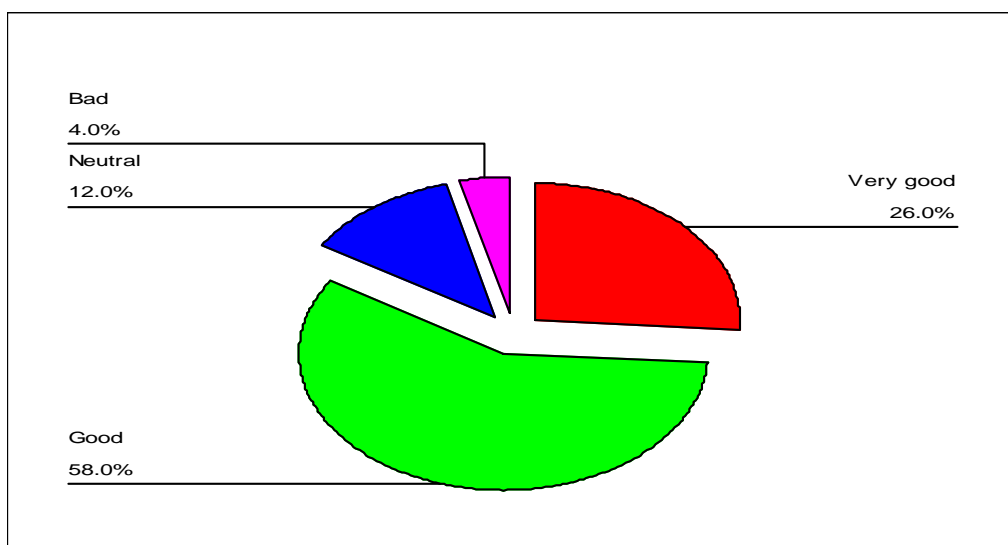
Source: Field Survey

An attempt had been made to analyze the customer satisfaction with regard to service of the bank. A question titled "how do you rate the service of this bank" was structured and put among the customers and were requested to express their views. Five rating were provided to them.

According to Table 4.20, service of the Nabil bank is rated 1.8 that means the respondent had rated the service more or less very good. The service of Himalayan bank and Bank of Kathmandu are rated 2.2, it state that the service of these bank is around good. The service of the Everest bank is rated 1.8, it can be stated that the service is less than very good but more than good. Similarly the average service rated to Kumari bank is 1.7 it also reveals that the service is more than good.

Table 4.20 shows that the limited number of the customers of Himalayan Bank and the Everest bank have rated 4 to the services provided to them. It means the customers are unsatisfied by the services which can be a risk to the organization. But in general it can be concluded that the customers of the commercial banks are more or less satisfied from the services given to them.

Figure 4.18
Service Rating of the Banks



4.2.11 Responsible Factors in the Level of Satisfaction Regarding Consumer Loans

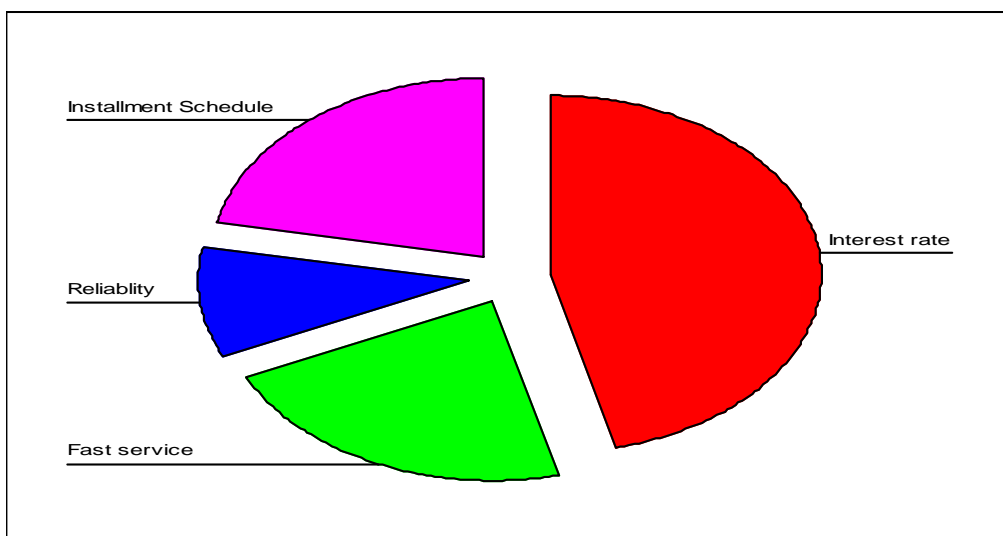
Table 4.21
Responsible Factors in the Level of Satisfaction Regarding Consumer Loans

	Frequency	Percent	Cumulative Percent
Interest rate	23	46.0	46.0
Fast service	11	22.0	68.0
Reliability	5	10.0	78.0
Installment Schedule	11	22.0	100.0
Total	50	100.0	

Source: Field Survey

Table 4.21 depicts some of the factors that are responsible in the level of satisfaction regarding the consumer lending. The survey proves that interest rate is the major factor in the level of satisfaction regarding the consumer loan. So 46 % of the respondents choose the interest rate as everyone would like to take loan from the banks which charges lower interest rate. This was followed by the Fast service and Installment schedule that is 22 % of total respondent. The reliability of the banks also matters in the satisfaction, 10% respond to reliability of the banks.

Figure 4.19
Factors in Level of Satisfaction



4.2.12 Analysis of Customers Complain Handling

Now a day's customers are more vigorous and they are not hesitating to complain when they face any difficulty in the banking service or bank activities. From the analysis of customer complain handling the researcher is trying to find out the customer attitude toward complaining and how they feel from complains, hearing and rectifies it.

Table 4.22
Customers Complain Handling

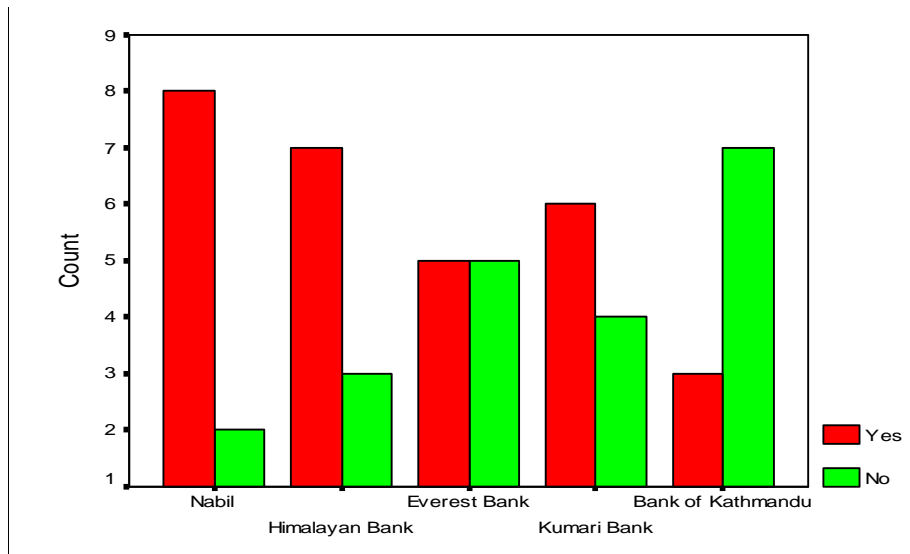
Name of the Bank	Did customer ever complain to the bank		
	Yes	No	Total
Nabil Bank	16%	4%	20%
Himalayan Bank	14%	6%	20%
Everest Bank	10%	10%	20%
Kumari Bank	12. %	8%	20%
Bank of Kathmandu	6%	14%	20%
Total	58%	42 %	100%

Source: Field Survey

According to Table 4.22, maximum percentage of the respondents has complained to the bank that is 58% of the total sample. And 42% have never complained to their respective banks. This shows that the customers are conscious about getting the right service at the right time. If not they are very much active towards complaining to the banks about their services.

Figure 4.20

Bar Diagram Showing Customers Complaining Rate



4.2.13 Analysis of Customers Complain Hearing by the Banks

Table 4.23

Customers Complain Hearing by the Banks

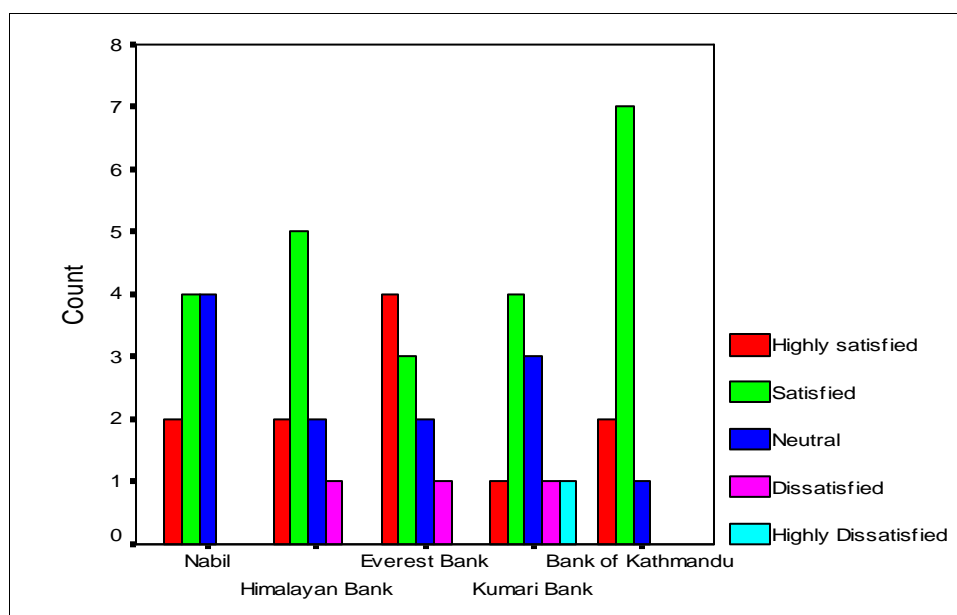
Name of the Bank	What does Customer feel about Complain Hearing by the Bank?					
	Highly Satisfied	Satisfied	Neutral	Dissatisfied	Highly Dissatisfied	Total
Nabil	4 %	8%	8%			20%
Himalayan Bank	4 %	10%	4%	2%		20%
Everest Bank	8%	6%	4%	2%		20%
Kumari Bank	2%	8%	6%	2%	2%	20%
Bank of Kathmandu	4%	14%	2%			20%
Total	22%	46%	24%	6%	2%	100%

Source: Field Survey

Table 4.23, shows that the customers are satisfied with the complain handling of the commercial banks.46 % of the customers reveals that they are satisfied and 24 % respond to neutral and 22% state they are highly satisfied from the complain hearing of the banks. There is also the presence of the dissatisfied customers. 6% of the respondents were not happy with the complain hearing by the banks.

Figure 4.21

Customers Complain Handling



4.2.14 Analysis of Income Level and Amount of Loan by using Chi-square Test

Table 4.24

Income Level and Amount of Loan by using Chi-square Test

Income Level	Amount of Loan				Total
	Below 25 lakhs	25-50	50-70	70 and above	
10000-20000	48%				48%
20000-30000	14%	2.0%			16%
30000-40000	12%		2%		14%
40000-above	10%	2%	8%	2%	22%
Total	84%	4%	10%	2%	100%

Source: Field Survey

Chi-square Test

	Calculated Value 2	Tabulated Value 2		Asymp. Level of Sig. ()
Pearson Chi-Square	30.63	16.919	9	0.05

Calculated 2 is greater than the Tabulated 2 at 5% Level of significance for d.f 9. From the chi-square test, we can analyze that the income level and the amount of loan is dependent to each other. The values from the Pearson Chi-

square test express the dependability between the income level and amount of loan. That is, lower the level of income lower the amount of the loan, higher the level of income higher the amount of loan. 48% of the respondent whose income level is Rs 10000-20000 has taken the loan below 25 lakhs .Highest respondents fall between this income levels. As the income increases the amount of the loan has also increases. Among the total 16% respondent whose income fall between 20000-30000, 14% has taken the loan below 25 lakhs and 2 % has taken loan between 25-50 lakhs.

Similarly the total 14% respondents whose income level is 30000-40000, 12% has taken the loans below 25 lakhs and 2% has taken the loans between 50-70 lakhs. As the income increases the amount of the loans is also increasing. 22% of the respondents whose income level is 40000-above, 10%, 2%, 8%, 2% has taken below 25 lakh, 25-50 lakhs, 50 lakhs, 50-70 lakhs and 70 and above respectively. -70 lakhs and 70 and above respectively.

4.3 Major Finding

4.3.1 Findings of Section One: Prospective Customers

1. Among the total sample most of the respondents were from service sectors and they were very optimistic about the consumer lending schemes of the commercial banks. The respondents' percentage is 70 and 30 between service and business sector.
2. Almost 92 percent of the respondents were between 30 and 50 age range.
3. The majority of respondent's i.e. 48 percent has income level of Rs. 10000-20000.
4. Most of the respondents are aware of the consumer lending provided by the different commercial banks. It has also been found that respondents shows special interest on Home loan and Auto loan.
5. Maximum number of respondent i.e. 80 percent came to know about the consumer lending through advertisement, this was followed by the bank employees who constitute 14 percent of the total sample.

6. The maximum numbers of respondents selected the standard chartered bank as the market leader in entire banking activities, about 44 percent of the respondents consider that standard chartered is the best bank, this was followed by the Nabil bank who constitutes 28 percent of total the sample.
7. 78% of the respondents liked to acquire the home loan and among them 64% are from service sectors and 4% from the businesses.
8. Motivating factors may be more than one. The prior relation with the bank is considered a major factor while choosing the specific bank for the consumer loan. It constitutes 46 percent of the total samples. Customers are also motivated by the interest rate and it constitutes 28 percent.
9. The research shows that maximum numbers of the respondents desire the amount below the 25 lakhs. About 58 percent of the respondents fall under choosing the amount below 25 lakhs.

4.3.2 Findings of Section Two: Existing Customers

1. From the research of existing customer of consumer loans (home loan), maximum number of respondents is from service sectors that is 58 percent of the total samples. This was followed by the business that occupies 38 percent of the total samples.
2. The research shows that 48 percent of the respondent's income level comes between Rs. 10000-20000. The income level of RS 40000 and above take up the 22 percent of the total sample.
3. Maximum number of respondents (60 percent) came to know about the consumer lending through advertisements, this was followed by the friends who constitute 22 percent of the total samples.
4. Among the 50 samples, most of the respondents i.e. 36 percent gave more priority to easy loan processing as everyone like to choose the banks that provides simple loan procedures while applying for loans.
5. Maximum percentage of the respondents have complained to the bank that is 58%. This shows that the customers are conscious about getting the

- right services at the right time. If not they are very much active toward complaining to the banks about their services.
6. The survey shows that 78 % of the respondents are the home loan consumers. It is quite a higher percentage as compared to other loan categories.
 7. 84% respond that they are satisfied with the loan procedures and 16% respond they are not. Maximum numbers of the respondents are satisfied with the loan procedures.
 8. 74% said no difficulty while applying for loan and rest features some difficulties.
 9. Nabil bank and Himalayan bank attain the highest percentage for being the market leader in term of consumer lending.
 10. The average service rated to Kumari bank is 1.7 it also reveals that the service is more than good. The service of Himalayan bank and Bank of Kathmandu are rated 2.2, it states that the service of these banks is around good.
 11. The survey proves that interest rate is the major factor in the level of satisfaction regarding the consumer loans. So, 46 % of the respondents choose the interest rate as major factor.
 12. Maximum percentage of the respondents have complained to the banks that is 58% of total samples. And 42% have never complained to their respective bank.
 13. 46% of the customers reveals that they are satisfied and 24 % respond to neutral and 22% state that they are highly satisfied from the complain hearing by the banks.
 14. Customers of BOK, Himalayan bank and Nabil bank are satisfied from their banks complain handling procedures whereas EBL and Kumari bank's customer seems not so satisfied from the actions.
 15. The values from the Pearson Chi-square test express the dependability between the income level and the amount of loan. That is, lower the level

of income lower the amount of the loan, higher the level of income higher the amount of loan.

16. It was interesting to note that the bank's features and competitive interest rates were significant contributor to customer satisfaction. The inclusion of features and benefits provided a more complete and comprehensive picture of the factors that contributed to a customer's overall attitude towards the service.

CHAPTER - V

SUMMARY, CONCLUSION AND RECCOMENDATIONS

5.1 Summary

Many retail banks have been measuring customer satisfaction and service quality to determine how well they are meeting customer needs and requirements (Dabholkar, 1995). Understanding the causal relationship between service quality and customer satisfaction is of significant value to service and bank managers, as both satisfaction and service quality are predictors of customer behaviors, such as purchase intentions and word of mouth advertising (Dabholkar, 1995; Reichheld and Sasser, 1990).

Customer satisfaction is one of the major standards to measure the performance of any organization. This research titled "Customer satisfaction and retail lending with special reference to Home loan" is aimed to assess the performance of Commercial Bank in terms of consumer lending (home loan) and customer satisfaction.

This research contains two types of questionnaires for the two different customers' one for the existing customers and another for prospective customers. The main objectives is to find out the views of the existing customer about the loan and the services they are getting from their banks and to find out the awareness level regarding the consumer loan and their future intention and the expectations from banks of perspective customer. The collected information is divided into two sections and has been analyzed.

5.2 Conclusions

This report details the consumer based loan schemes (home loan) provided by the different commercial banks. It attempts to find out the awareness level of customers, satisfaction level of the customers, drivers of customer satisfaction and the attitude of the customers towards loan schemes referring to home loan.

Survey has been conducted by distributing questionnaire to the target respondents to know their awareness level, satisfaction level, drivers of customer satisfaction, attitude toward consumer loan and their future intention of taking services. This research contains two types of questionnaire for the two different customers' one for the existing customers and another for prospective customers of the banks.

The survey on the prospective customers of the consumer loan (home loan) showed that maximum numbers of respondents are aware of retail loans and most of the respondents are from service sector. They are very positive about the consumer lending schemes of the commercial banks and showed special interest on Home loan and Auto loan. According to the study 80 percent of the respondents came to know about the consumer lending through advertisements (newspaper, magazines, hoarding board etc.) and other are covered by friends and bank employees. The respondents having the income level between Rs. 10000-20000 are keener to take a home loan in the near future. The prior relation with the bank and the interest rate is considered as major factors while choosing the specific bank for the consumer loans.

The survey on existing customers of consumer loan (home loan) showed that maximum number of respondents is from service sectors that is 58 percent and is followed by the business sector that occupies 38 percent of the total samples. The research shows that 48 percent of the respondent's income level comes between Rs. 10000-20000. The income level of Rs. 40000 and above take up the 22 percent of the total sample. It has been found that advertisement as well as friends are very good means to disseminate information about loan. Most respondents gave more priority to easy loan processing and interest rate and many respondents have complained about their bank services and most of them reveals that they were satisfied by the complain hearing of the bank. The

Pearson Chi-square test expresses the dependability between the income level and amount of loans.

Each and every bank is competing with one another by introducing similar or different product in the market focusing on the demands of the customers. They have come up with the different consumer loans schemes with many added facilities like lower interest rate or service charges. Consumer loans have become very competitive, every possible facility is being offered to the market. There is no doubt, that customers have many choices. So in such a situation banks should be competitive enough to attract the customers by coming up with new and attractive schemes according to the markets needs and wants.

Today's consumers expect more and tolerate less, in part because they have so many options. With the ever-expanding explosion of information readily available and easily accessible via the Internet, modern consumers are able to do a research and compare an endless array of both products and services from the comfort of their own homes or offices. So companies have to make an effort to make their product or service information readily available to the customer with the competitive advantage which can attract the people to acquire their products and services.

According to the research existing customer are different from novice customers in that they may have higher expectations in comparison with the novice customers. This means more hard work for the bank managers, as they have consistently to outperform demands and expectations of customers who are increasingly making their own financial decisions.

The importance of these findings is that positive attitudes towards a retail lending are driven by service quality components such as the employee-customer relationships as well as other features and benefits of the service. The study is to investigate the role of service quality, service features, service problems and situational factors on customer satisfaction and future intentions

with their main financial institution. The results should provide retail bank managers with a better understanding of the drivers of customer satisfaction in this service setting.

5.3 Recommendations

On the basis of issues, findings and analysis of the survey following suggestions or recommendation can be advanced to overcome weakness, inefficiency and to improve present fund mobilization and investment policy of the bank.

-) To survive in this competitive banking environment, the banks must utilize the deposits as loan and advances. The research shows that, most of the people from the service sectors are more interested and like to acquire a loan specially a home loan. So, it is suggested that the bank must create the environment and follow liberal lending policy and invest more deposits in loan and advances.
-) It has been found from the survey that the customer gets information about the consumer loan schemes more from the advertisement. Since advertisement whether it is a print or electronic is the best medium to disseminate information about their product. Print advertisement is more famous in the banking sector and it will be more informative if the banks provide all the detail information in the web sites too. As the internet has become the people's part of the life. They preferred to surf the internet to get the necessary information. So it might also be the best medium.
-) The promotional schemes should be brought up according to the need and desire of the customer. The banks should offer the new schemes looking at the market environment. They should keep up to date information of the competitors and its products and schemes.
-) Interest rate should be reasonable and loan processing should be acceptable by the customer and every bank should have a policy to provide loan at the easiest discretion to the customer.

- J Flexi-loan should be introduced where the borrower has the option to pay installment as per their choice. Micro-Financing should also be introduced.
- J To realize customer satisfaction, everyone within the organization should consider continuous improvement on something normal. As part of this strategy it is important to define the product or service and the customer's need, making an inventory of customer's data and complaints and selecting processes which cause most of these complaints.
- J It might be that different people have different expertise levels due to the nature and type of business they are engaged in, their different educational and occupational levels. Thus the bank can embark upon a strategy of targeting specific business type customers with specific education and occupational levels to improve the quality of its services in the eyes of its customers. Also, the bank has to look into the needs of the different education and income groups in order to meet their expectations and ultimately satisfy them
- J The bank management has to make sure that things are done right the first time and they have to ensure that the promises are kept in terms of service delivery and they also has to make sure that the employees are properly trained so that the employees are not only courteous, pay attention and are willing to help customers, but also are experts in their field so that they understand specific customer needs.
- J When it comes to innovative product development and pricing schemes, the bank's management must stay vigilant of competitive reactions. Consumers are informed and looking for the best possible solution to their individual financial services needs. The bank which will more effectively match its innovation and pricing strategy with the individual needs of the customer is the one that will enhance its position in the banking area. So, the banks should come up with new and innovative product according to the market demand.

- J The managers should know that the customer satisfaction is the result of customers perception of the value received where value equals perceived service quality relative to price.
- J “Companies increasingly look to quality, satisfaction, and loyalty as key to achieving market leadership. Understanding what drives these critical elements, how they are linked and how they contribute to your company’s overall equity is fundamental to success.”(AC Nielsen,2000)
- J Manager need to be aware that customer satisfaction is based on service quality and other aspects of the service offering such as convenience and service specific factors (e.g. competitive interest rates). Managers should probably consider the contribution to customer satisfaction of each dimension of the total service offering and allocate resources accordingly.
- J Regarding customer complaints, managers should attempt to “get things right the first time”. Because when customers complain, satisfactory problem recovery maintains satisfaction, but switching intentions increase. Unsatisfactory problem recovery leads to dramatic declines in customer satisfaction and increases in switching intentions.
- J The quest for 100% customer satisfaction is like the quest for most forms of perfection - a little unrealistic. Problems often happen because the environment in which the business operates changes with the changing wants and needs of customers, market regulation and so on. Business should put processes in place to identify customer satisfaction, put problems right, deliver quality services and products and build better business relationships. The best will invest in effective complaint handling processes recognizing the return in terms of fully understanding the needs of customers, increased customer loyalty and retention, positive word of mouth advertising and free notification of potential service problems, product failures or non-compliance with regulations and legislation.
- J Complaints management is serious business. Organizations spend huge budgets on compensation, without really learning why their customers

have cause to complain, or, more importantly, how their frontline teams are best equipped for this most influential of loyalty effecting contacts. Back in 1999 the legendary US business **guru Fred Reichheld** exclaimed "**It is not how satisfied you keep your customers, its how many satisfied customers you keep.**"

- J A customer who complains to the company should be valued – many of their dissatisfied customers will take their business elsewhere and not even give the company an opportunity to respond. *Bill Gates* has stated that: "**Your most unhappy customers are your greatest source of learning.**"
- J Customer service is a superb differentiator – and differentiation brings competitive advantage. In today's competitive market place it's hard to differentiate product and service offerings from competition. The technology available to both the company and your competitors has made it easier to duplicate each other's products and services. Because of this, it's difficult to rely on features alone to differentiate the company from the competition. Excellent customer service is one of the few ways to achieve a sustainable competitive advantage.
- J Delighting customers will fulfill the dream of creating a new customer or experience economy in which customer loyalty, deepened customer relationships, stronger brand, and solid differentiation can be achieved. Anything less will fall victim to own competition.
- J Which customers should you target? If the bank think "the most profitable ones," they are only half right. It's also important to attract buyers who will act as your company's growth advocates, encouraging others to buy from you. By assessing customer profitability and customer advocacy, bank can tailor their strategies—and their investments—by segment.
- J Every customer wants three things from the companies they do business with: a great product, good value for the price and good service. That's why every company needs a proper balance of the three core competencies defined by **Michael Treacy and Fred Wiersema** in their

landmark work, "The Discipline of Market Leaders": Operational Excellence, Product Innovation and Customer Intimacy. Whichever discipline gets the larger focus sets the core competency for the firm. But they all require a customer strategy, fundamentally designed to grow the value of the customer base.

-) Creating a powerful customer experience requires the full and continual commitment of the people responsible for making it happen. People make the difference. If the companies concentrate on creating great environment for their employees, they will focus on creating a great experience for their customers.

BIBLIOGRAPHY

Books:

- Anna-Mari, L. Akreli, S. (2004). *A Conceptual Model of Service Quality & Its Implication for Future Research*, Department of Business Administration, Lappuaraata University of Technology.
- Bhattacharya, H. (1998). *Banking Strategy, Credit Appraisal & Lending Decision – A Risk Return Framework*. New Delhi: Oxford University Press
- Francis, J.K. (1995). *Investment Analysis & Management*, New York: McGraw Hill.
- Gitman, L.J. & Jochnk, D. (1972). *Fundamentals of Investing*. New York: Harpes & Row Publishers.
- Joshi, P.R. (2001). *Research Methodology*. Kathmandu: Buddha Academic Enterprises Publishers & Distributor Pvt. Ltd.
- K.C, S. & Lekshmy, S. (2000). *Banking Theory & Practice*. New Delhi: Vikash Publishing House Pvt Ltd,
- Kothari, C.R. (1990). *Research Methodology: Methods & Techniques*. New Delhi: Wiley Eastern Ltd.
- Levin, R.I. & Rubin, D.S. (2002). *Statistics for Management*. New Delhi: Preatice-Hall of India Pvt Limited.
- Sapkota, S.(2005). *Student Loans Opening Doors For Aspiring Students*. Kathmandu: The Boss, pp 80-81.
- Shrestha, S. (2055). *Lending Operations of Commercial Banks of Nepal & Its Impact on GDP*. Kathmandu: The Business Voice of Nepal (Special Issue of Banijya Sansar), T.U.
- Wolf, H.K. & Panta, P.R. (2005). *Social Sciences Research & Thesis Writing*. Kathmandu: Buddha Academic Enterprises.

Journal & Article:

- Brady, M., Cronin, J. & Brand, R. (2002). *Performance only Measurement of Service Quality: A Replication & Extension*. Journal of Business Research (pp 17-31).
- Crompton, J.L. & Duray, N.A. (1985). *An Investigation of the Relative Efficiency of four Alternative Approaches to Important Performance Analysis*, Journal of Academy of Marketing Science.
- Gupta, I. Chen, R.W (1994). *A Study of Price & Quality in Service Operations International*. Journal of Service Industry Management. (Pp23-33).
- Jamal, A. & Naser, K.(2002). *Customer Satisfaction & retail Banking: An Assessment of Some of The Key Antecedents of Customer Satisfaction In Retail Banking*. International Journal of Bank Marketing, MCB up Limited pp 146-160.
- Kangis, P. & Voukelatos, V. (1997). *Private & Public Banks: A Comparison of Customer Expectations & Perceptions*. International Journal of Bank Marketing, MCB University Press. Pp 279-287.
- Lee, H., Lee Y. & Yoo, D. (2000). *The Determinants of Perceived Services Quality & Its Relationship with Satisfaction*. Journal of Services Marketing, Vol 14, No.3, pp 217-231
- Slack, N. (1991). *The Important Performance Matrix as Determinant of Improvement Priority*. International Journal of Operations & Production Management.

Annual Report

- Bank of Kathmandu Ltd. (2008/2009). *Annual Report*. Kathmandu
- Everest Bank Ltd. (2008/2009). *Annual Report*. Kathmandu
- Himalayan Bank Ltd. (2008/2009). *Annual Report*. Kathmandu.
- Kumari Bank Ltd. (2008/2009). *Annual Report*. Kathmandu
- Nabil Bank Ltd. (2008/2009). *Annual Report*. Kathmandu.

Thesis:

Niroula, P. (2007). *Customer Satisfaction in Commercial Bank of Nepal*.
Kathmandu: An Unpublished Master Degree Thesis submitted to Faculty
of Management, Tribhuvan University.

Website:

Consumer Lending in China [on line] (cited 2005, June 3) available:
(<http://www.economist.com>)

APPENDIX

QUESTIONNAIRES

Section I: Research Questions of Potential Customers

1. State the Occupation, you are involved in?
 - a. Service
 - b. Business
 - c. Student

2. What is your age?
 - a. 20-30
 - b. 30-40
 - c. 40-50
 - d. 50 and above

3. What is your income level?
 - a. 10000-20000
 - b. 20000-30000
 - c. 30000-40000
 - d. 40000-above

4. Are you aware of the consumer loan provided by commercial banks?
 - a. Yes
 - b. No.

5. What are the mediums through which you get the information about consumer loans?
 - a. Advertisement
 - b. Family
 - c. Friend
 - d. Bank employees

6. Which is the market leader bank in the entire banking activities?
 - a. Nabil Bank
 - b. Himalayan Bank
 - c. Everest Bank
 - d. Kumari Bank
 - e. Bank of Kathmandu
 - f. Standard Chartered Bank

7. State the category of your consumer Loan?
 - a. Home Loan
 - b. Auto loan
 - c. Personal

8. What is the motivating factor to choose the specific bank?
- a. Easy loan processing
 - b. Interest rate
 - c. Loan Period
 - d. Brand name
 - e. Location of the bank
 - f. Prior relation with the bank
9. What is the amount of loan, you want to take?
- a. Below 25 Lakhs
 - b. 25-50 Lakhs
 - c. 50-70 Lakhs
 - d. 70 and above

Section II: Research Questions of existing Customers.

1. State the Occupation, you are involved in?
 - a. Service b. Business c. Student

2. State the age?
 - a. 20-30 b. 30-40 c. 40-50 d. 50 and above

3. What is your income level?
 - a. 10000-20000 b. 20000-30000
 - c. 30000-40000 d. 40000-above

4. What are the mediums through which you get the information about consumer loans?
 - a. Advertisement b. Family c. Friend d. Bank employees

5. From which bank have you taken consumer loan?
 - a. Nabil Bank b. Himalayan Bank c. Everest Bank
 - d. Kumari Bank e. Bank of Kathmandu

6. What made you to choose the bank?
 - a. Interest rate b. Fast service
 - c. Reliability d. Installment Schedule

7. Are you satisfied with the bank?
 - a. Yes b. No.

8. Please state the category of your consumer Loan?
 - a. Home Loan b. Auto loan c. Education loan

9. Did you face any difficulties while applying for consumer loans?
 - a. Yes b. No.

10. Which is the market leader bank in entire banking activities?

- a. Nabil Bank b. Himalayan Bank c. Everest Bank
- d. Kumari Bank e. Bank of Kathmandu f. Standard Chartered Bank

11. How do you rate the service of the Bank?

- a. Very Good b. Good c. Neutral d. Bad

12. How do you feel about complain hearing by the bank?

- a. Highly satisfied b. Satisfied c. Neutral
- d. Dissatisfied e. Highly Dissatisfied