# EFFECT OF SERVICE QUALITY ON CUSTOMER SATISFACTION IN NEPALESE BANKING INDUSTRY

A Dissertation submitted to the office of the Dean, Faculty of Management, in partial fulfillment of the requirements for the Degree of Masters of Business Studies

By

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**Certification of Authorship**

I herby corroborate that I have researched and submitted the final draft of dissertation entitled "Effect of Service Quality on Customer Satisfaction in Nepalese Banking Industry". The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes.

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

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## Report of Research Committee

**Mr. Anup Sthapit** has defended research proposal entitled **"Effect of Service Quality on Customer Satisfaction in Nepalese Banking Industry"** successfully. This research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestion and guidance of supervisor and submit the thesis for evaluation and viva voce examination.

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## Approval Sheet

We have examined the dissertation entitled **"Effect of Service Quality on Customer Satisfaction in Nepalese Banking Industry"** presented by **Mr. Anup Sthapit** for the degree of Master of Business Studies**.** We herby certify that the dissertation is acceptable for the award of degree.

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# Acknowledgement

This study titled with **"Effect of Service Quality on Customer Satisfaction in Nepalese Banking Industry"** has been prepared for partial fulfillment of the requirements for the Degree of Masters of Business Studies, People's Campus and Tribhuvan University. This study is aimed to explore the effect of service quality on customer satisfaction in Nepalese banking industry.

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# Abbreviation

| | |
|---|---|
| ATM | Automated Teller Machine |
| ADB | Agricultural Development Bank |
| AS | Assurance |
| Avg | Average |
| BPR | Banque Populaire Rwanda |
| CS | Customer Satisfaction |
| CFA | Confirmatory Factor Analysis |
| EM | Empathy |
| FLE | Front Line Employees |
| MBA | Master of Business Administration |
| NRB | Nepal Rastra Bank |
| NBL | Nepal Bank Limited |
| PLCC | Pearson Linear Correlation Coefficient |
| REL | Reliability |
| RES | Responsiveness |
| RBB | Rastriya Banijya Bank |
| SERVQUAL | Service Quality |
| SPSS | Statistical Package for Social Science |
| SEM | Structural Equation Modeling Technique |
| TAN | Tangibility |

# Abstract

*Service quality is an important tool for success of service industry sector like banks. Quality is such an important issue that it is considered a really significant concept in our real life. It is regarded as a strategic organizational weapon. And, the pressing need of developing service organizations and upgrading their services necessitates the measuring of service quality. Service quality has a significant impact on a bank's success and performance. Service quality is particularly essential in the banking services context because it provides a high level of customer satisfaction, and hence it becomes a key to competitive advantage. The studies devoted to customer satisfaction and service quality, service quality is of greater significance for customers' satisfaction. Hence, this study focuses on examining customer satisfaction towards service quality of Nepalese commercial banks. It was conducted to know the effects of service quality on customer satisfaction in Nepalese banking sector. This study was based on descriptive and causal comparative research designs. To analyze the impact on customer satisfaction from service quality dimensions, primary data were used and tested with correlation and regression analysis. For this Five-point Likert scale technique were used for the sample survey. A total of 400 samples were taken. From the correlation and regression analysis it was found that independent variables namely tangibility, reliability, assurance and empathy had positive significant relationship to the customer's satisfaction in Nepalese banking sector. However, responsiveness does not have significant effect on customer satisfaction.*

*Key Words    Customer Satisfaction, Tangibility, Responsiveness, Reliability, Assurance, Empathy*

# CHAPTER I

# INTRODUCTION

## 1.1. Background of study

Providing the quality service to attract and retain customers has been recognized as a strategic requirement in highly competitive business environments (Parasuraman, Zeithamal, & Berry, 1985). Thus, In the age of globalization, accomplishing the higher level of customer satisfaction is the challenging task especially in the service sector. In order to face this challenging task, many organizations have started to improve their service quality (Devkota & Dahal, 2016). Service quality is one of the serious components in any service sector because service quality helps to maintain competitive advantages in the market place. Therefore, service quality is the strategic tool to reinforce competitive advantages and increase profitability in business (Tam, 2004).

Service quality is mainly focused on meeting the customer's needs and also how good the service offered meets the customer's expectation of it (Daniel & Berinyuy, 2010). It is one of the main components to gain competitive advantages and earn profit in any service sector. It is the tool to attract customers, increase customer base, retain them and build customer loyalty. So, it plays a vital role in customer satisfaction and profitability. Thus, the relationship between service quality and customer satisfaction is crucial in- service sector such as banking. In service industry, the concept of quality holds the main position where relationship with the customer is based on the promise that customer satisfaction is achieved through providing standard quality of service and the high-quality demands on customers end is becoming prominent due to the growing fact that high level of service quality leads to sustainable competitive advantage in the competitive business environment (Sureshchandar, Chandrasekharan, & Anantharaman, 2002).

According to Parasuraman, Zeithaml and Berry (1988), service quality can be defined as an overall judgment similar to attitude towards the service and generally accepted as an antecedent of overall customer satisfaction. Service Quality is considered an important tool for a firm's struggle to differentiate itself from its competitors (Ladhari, 2008). According to Kotler (2006), service quality is very important to attract and retain customers as customers derive the perception of service quality on

the levels of satisfaction they experience with the particular organization. Service quality is "multidimensional concept" but there exists a disagreement to the possible conceptualization in addition to operationalization (Pantouvakis & Bouranta, 2013). Gronroos (2004) stated that Services are a continuous process of on-going interactions between customers and service providers comprising a number of intangible activities provided as premium solutions to the problems of customers and including the physical and financial resources and any other useful elements of the system involved in providing these services. Service quality is an approach to manage business processes in order to ensure full satisfaction of the customers which will help to increase competitiveness and effectiveness of the industry. Quality in service is very important especially for the growth and development of service sector business enterprises. It works as a predecessor of customer satisfaction (Mohammad, Abdullah & Ataur, 2011).

The quality of goods and services consumers use nowadays is crucial to the success of businesses. Aga and Safakli (2007) state that it is generally acknowledged that high-quality manufacturing and services are necessary to thrive in the challenging and cutthroat environment of a market economy. The level of production quality should be measured in order to comprehend and evaluate the outcomes of efforts made. While the quality of items can be easily assessed by taking into account specific physical characteristics, it is more challenging to assess the quality of services because it depends on so many other variables. Various studies on customer satisfaction in the banking sector have concluded that, with the phenomenal increase in population and increased demand for banking services, service quality and customer satisfaction will be key differentiators for each bank's future success. The SERVQUAL framework was proposed by Parasuraman et al. (1985) to assess the level of customer satisfaction. Parasuraman et al (1988). SERVQUAL model proposed a five-dimensional construct of perceived service quality-tangibles, reliability, responsiveness, assurance, and empathy-with items reflecting both expectation and perceived performance. According to Parasuraman (2000), superior customer service and marketing excellence are two sides of the same coin.

Satisfaction became a popular topic in marketing during the 1980s and is a debated topic during both business expansions and recessions. Most discussions on customer satisfaction involve customer expectation of the service delivery, actual delivery of

the customer experience, and expectations that are either exceeded or unmet. If expectations are exceeded, positive disconfirmation results, while a negative disconfirmation results when customer experience is poorer than expected. In today's world of intense competition, the key to sustainable competitive advantage lies in delivering high quality service that will in turn result in satisfied customers (Shemwell, Yavas & Bilgin, 1998).

Customer satisfaction is described as a customer's overall assessment of a service's performance up to that point. Customer satisfaction is defined as the emotional reaction to experiences related to the quality of goods and services, punctuality, effectiveness, accessibility, environment, and other amenities, as well as the behavior and attitude of the service providers according to the customer's expectations (Adhikari & Nath, 2014). It is an efficient, transaction-specific reaction to the assessment of the gap between prior expectations and actual experience in relation to banking services (Paul & Barman, 2010). Since satisfied customers have a beneficial impact on an organization's profitability, customers are viewed as the foundation of any given business. Any successful business is built on satisfied customers because they encourage things like repeat business, brand loyalty, and positive word of mouth. Due to changing consumer demands, rising competition, and consumers' growing understanding of their rights, banks must continuously improve their services to retain their customers (Nabi, 2012).

In the competitive environment, service quality is the most essential tool that required critical attention for any organization to win the competition. This is especially true in the case of service industry where there is frequent interaction with the customers (Melaku, 2015). Customer strive for quality services for their satisfaction. So, it is obvious that customer satisfaction is most crucial thing in service industry in order to remain in the competition. This is constantly seen in the banking industry.

Bank is basically a customer centric service industry. In banking sector, the customers are attracted by the quality of services offered. For example, the advancement of technology has helped the banks to introduce services such as internet banking, mobile banking, ATM (automated teller machine), etc. which have made the lives of the customers easier (Otoo, 2016). The people want to become clients of the banks which help them ease their daily activities. With the presence of cut-throat competition in the banking industry, the banks have to stay ahead of their rivals in

order to earn profits. It can do so by differentiating itself from the competitors by providing high quality customer service. For this, the banks should know about the expectations and perception of the customer. Measuring customers' expectation is the key to be able to serve the customers satisfactorily. On the other hand, with the better understanding of customers' perceptions, banks can determine the actions required to meet the customers' needs. This helps to satisfy the customers' needs which directly impact the overall performance of the bank (Karim & Chowdhury, 2014). So, customer satisfaction has a significant role in continuity of the financial institutions and achieving their goals and objectives. The way to keep customers satisfied in banking industry is by providing high level of service. Therefore, all banking institutions should be focused on maintaining and enhancing their service quality in order to satisfy their customers' needs and expectations.

Since the nation's 1980 adoption of liberalization measures, the Nepalese financial system had a rapid expansion. The variety of goods and services, as well as the adoption of more recent technologies, have increased along with the number of entities. Even nevertheless, its expansion went beyond national borders and connected with the world financial system. It is a well-known reality that a company cannot function without clients. Banking is the most customer-focused industry of all, and Nepalese banks have begun learning that their success rests on their ability to satisfy their customers and provide excellent customer service (Niraula, 2015).

Customer satisfaction is critical to customer retention and, as a result, the bank's success. Identifying and improving the factors that can limit customer satisfaction is a critical step for a bank that wants to be a step ahead of its competitors. As a result of the increased competition, commercial banks in Nepal are under a lot of pressure. Various strategies are developed to retain customers, with the key component being an increase in service quality (Pradhananga, 2014).

Different studies have been carried out regarding service quality and customer satisfaction in Nepalese commercial banks in which the significant relation between service quality and customer satisfaction has been developed. According to Koirala and Shrestha (2012), satisfaction and overall service quality are highly correlated. Furthermore, responsiveness and reliability are highly positively correlated. A positive correlation between empathy and satisfaction is discovered, indicating that banks pay personal attention to their customers or clients' specific needs. Customers

have the impression that their concerns are taken seriously. According to Maharjan (2014), there is a positive relationship between customer satisfaction and service quality factors, with reliability being the most important factor for service quality in Nepali commercial banks and technology being the least important factor for service quality. According to Jan Eklofa, Olga Podkorytova, and Aleksandra Malova (2020), customer satisfaction and loyalty have a significant positive influence on bank profitability and can be considered a predictor of future profitability because the satisfaction index of the previous year influences the financial performance of the following year. We can also confirm that there is a positive relationship between previous year customer satisfaction and current year market indicators. These findings are significant for both bank decision-makers and investors. They imply that decision makers and investors can use the bank's customer satisfaction level and trend to make assumptions about its future profitability and market performance.

Since, the banking sector in Nepal has flourished and has led to establishment of many banks. This has created more options for customer to enjoy banking facilities. As a result, this sector has become very competitive and profitable. The banks require to stand out from the rest to be able to compete properly. Nepalese market scenario is also changing with time so the customers are ready to pay premium price for quality. Thus, in order to attain the competitive edge and to attract and retain more customers, the banks are focused on providing better services to the customers which in return will lead to customer satisfaction.

## 1.2. Problem statement

Customers play a vital role in the banking sector, banks run their organization by using the deposited funds of customer, the more the customers the more funds bank can allocate for further investments (Karim & Chowdhury, 2014). So, the more satisfied the customers are while involving with the bank, the more secure is the bank's business and profitability. If a bank cannot provide proper customer service, then the bank would be losing its customers. The profitability would also be decreasing because of the poor customer service (Karim & Chowdhury, 2014). The past research has indicated that companies with excellent customer service record reported a 72% increase in profit per employee, compared to similar organizations that have demonstrated poor customerservice (Duncan, 2004). It also showed that it is five times costlier to attract new customersthan to retain existing customers (Duncan,

2004).

Many companies are focusing on customer satisfaction levels by differentiating their offerings from their main competitors while other companies are assessing whether their products and services exceed the expectations of customers (Chakrabarty, 2006). The more they exceed expectations, the more companies are able to gain customer loyalty and increase their profits which results in gaining market shares within their respective industries (Kombo, 2015). However, the expectations can only be exceeded if service quality exists in their offerings because service quality plays a major role in achieving customer satisfaction (Kombo, 2015).

In a country's economy, banks serve as the principal source of funding and the key vehicle for the mobilization of capital. Banks do not prioritize profit when conducting business; rather, in order to survive in a competitive environment, they must offer their services in a way that is superior to that of their competitors (Adhikari & Nath, 2014). In other words, banks must supply their services by meeting client needs in order to serve the economic interests of the country. Therefore, in order to attract and keep clients, banks need be concerned about the type of pull that can affect those customers. As a result, customers who choose banks for their financial needs always seek to obtain the service that gives them the greatest level of satisfaction. Wilson et al. (2008) concentrated on service quality alone to assess customer satisfaction, despite the fact that there are other elements, such as pricing, product quality, etc., that also affect customer satisfaction.

In banking sector, customer satisfaction is considered as the primary standard to assess the relationships of banks with the market (Munari, Ielasi & Bajetta, 2013). Not only this, customer satisfaction is an important tool in banks because higher the customer satisfaction, lower the intention for customers to switch banks (Hoq & Amin, 2010). Customers not only switch banks but also complain about the banks' services which creates negative words of mouth (Shi & Zhao, 2007). Therefore, it is important for the banks to ensure maximum customer satisfaction (Kombo, 2015). However, the Nepalese banks have not been able to attain customer satisfaction.

The main problems faced by Nepalese banking sector are lack of qualified and well trained human resources, traditional structure and outdated technology which have created obstacles while delivering quality services to the customers and ultimately

led to a low customer satisfaction (Devkota & Dahal, 2016). With the intense competition in Nepalese banking sector which can be seen by the presence of 27 commercial banks with 4856 branches and 17 development banks with 1065 branches (Nepal Rastra Bank, 2022), the customers can easily switch the services from one bank to another. So, the banks are unable to satisfy the customers' needs and are facing the problems of retaining customers.

The customers select the banks on the basis of several factors such as location, friendliness of personnel, quality of service delivery and the bank's reputation (Otoo, 2016). This is why service quality is taken as one of the key factors in service industry and is given considerable attention by organizations (Otoo, 2016). As such, the banks have to compete on the basis of the perceived service quality.

The service providers' perception of service quality may be quite different from what customers perceive as service quality (Melaku, 2015). Therefore, if banks are to compute in providing quality service to customers, it is important to understand the customers' perception and expectation of quality service. So, the banks need to identify what dimensions of service quality have significant impact on the satisfaction of the customers in order to beat the competition.

Thus, this research is carried out in the context of Nepalese banking sector in order to identify what service quality factors, using SERVQUAL model, affect the customer satisfaction and attempts to answer the following research question in order to understand the service quality and customer satisfaction in Nepalese banking industry.

1. To what extent does service quality dimensions influence the customer satisfaction in case of Nepalese Banking Industry?

## 1.3. Objectives of study

The main objective of this study was to analyze effect of service quality on customer satisfaction in Nepalese banking industry. The specific objectives of study are as follows:

1. To examine the relationship of SERVQUAL variables i.e. tangibility, reliability, responsiveness, assurance and empathy with customer satisfaction of Nepalese Banking Industry.

2. To identify the determinants of service quality that have significant influence on

the customer satisfaction of Nepalese banking industry.

## 1.4. Hypotheses of the study

Based on the review of past studies and the research objectives, the following hypothesis were formulated for the study.

H01: There is no significant relationship between tangibility and customer satisfaction.

H02: There is no significant relationship between reliability and customer satisfaction.

H03:There is no significant relationship between responsiveness and customer satisfaction.

H04: There is no significant relationship between assurance and customer satisfaction.

H05: There is no significant relationship between empathy and customer satisfaction.

## 1.5. Rationale of the study

Financial services sector has become so competitive in recent times due largely to the liberalization of the banking industry. Also, as a result of the changing technologies, pressure to achieve corporate objectives, need to improve productivity and profitability, need to control operation costs and prevent wastage, there is the need to improve on customer service in the industry. In the past, most service providers hardly acknowledged the importance of customer service. However, the modern customer expects to be treated as an equal partner with courtesy and efficiency (Otoo, 2016). Increased competition, highly educated consumers, and increase in standard of living are forcing many businesses to review their customer service strategy. Many business firms are channeling more efforts to retain existing customers rather than to acquire new ones since the cost of acquiring one new customer is greater than cost of retaining existing customers. There is enough evidence that demonstrates the strategic benefits of quality in contributing to market share and return on investment (Reichheld and Sasser, 1990).

In the context of Nepal, banking service industry is highly flourishing which is creating more option for customer to select banks. So, the banks should add more value as in-service quality. This helps to reduce the customers from switching the banks. Lack of differentiating factor can lead to the closure of the banks in such competitive environment. Thus, it is important to conduct research to find out the impact of service quality in customer satisfaction in banking industry. So, this study helps to find out the impact of service quality and customer satisfaction on Nepalese

banking industry.

Commercial banks operating in Nepal are consequently put into lot of pressures due to increase in competition. This put pressure on them to do something distinct so that they can gain competitive advantage. Various strategies are formulated to retain the customer and the key of it is to increase the service quality level. Hence for this reason, Nepalese banking industry needs to focus on service quality to improve customer satisfaction. The study of Koirala and Shrestha (2012) found that all the service quality dimensions (i.e., tangibles, reliability, responsiveness, assurance and empathy) are important for forming service quality of commercial banks in Nepal. Similarly, all the service quality dimensions (i.e., tangibles, reliability, responsiveness, assurance and empathy) are important for forming customer satisfaction of commercial banks in Nepal. Customer satisfaction is highly affected by service quality. Service also leads to customer retention and brand loyalty and increase the image of the bank.

According to Prajapati (2014), customers were found to be satisfied with those banks where customers had to spend less time on waiting, the employees with good behavior. This study also showed that factors like reliability, tangibles and price factors influence more in satisfying customers than factors like assurance, empathy, and responsiveness. Similarly, Gautam (2013) found that in case of Nepalese commercial banks customer satisfaction is highly affected by assurance and responsiveness. The study also concluded that the public banks are also competing successfully with the joint venture and non-joint venture banks.

This study will also provide a complete framework for service quality dimension in relation to customer satisfaction. It also gives new ways to improve service quality to customers and update the present services provided by the Nepalese banks, if required. It also provides data and information on customer satisfaction to organizations which will help them to progress their services. This research will provide valuable information about relationship between service quality and customer satisfaction, in such a way that will  help both banking service industry and individual user to evaluate the scenario. The findings of the study also provide guidance to future researcher by providing baseline data for huge research which will be more reliableand can be simplified.

**1.6. Limitations of the study**

The limitations of study are given below.

1. This research is conducted within Kathmandu valley only.

2. This research was considering only banks.

3. This study has tried to cover the issues related with the customer satisfaction towards service quality of Nepalese Banking Industry.

4. The study was only based on primary data. The data collection was based on the opinion of the respondents and it may change from time to time.

**1.7. Chapter plan**

This thesis is divided into five parts.

The first part includes chapter 1 which contains background of study, problem statement, research objectives, working hypothesis, rationale of the study, limitation of the study and chapter plan of the study.

Chapter 2 literature review contains theoretical review and review of related articles.

Chapter 3 research methodology contains research framework and definition of the variables, research design, population and sample, and sample design, nature and sources of data, and the instrument of the data collection and methods of analysis.

Chapter 4 provides systematic presentation, analysis and discussion of data.

Lastly, chapter 5 provides the summary of overview on all work carried out, including conclusion derived from the study. This chapter also includes recommendations based on major findings of the study.

# CHAPTER II

# LITERATURE REVIEW

The aim of conducting review of literature was to get knowledge with required theoretical and conceptual knowledge of the field of interest of the present study. For this, the chapter as a whole has been developed in various sections where the first section presents with the review of related empirical evidence theoretical and conceptual perspectives of service quality followed by review of service quality. Similarly, on the basis of overall learning imports gained through review of various literatures, the relationship between service quality and customer satisfaction took place.

## 2.1. Theoretical review

Some of the theories related to dependent and independent variable of the study were reviewed during this research. They are Expectation Theory and Assimilation Theory.

### 2.1.1. Expectation Theory

Expectation theory (also commonly known as Expectancy-Disconfirmation Theory) was proposed by Richard L. Oliver in 1977 and 1980 which is the most widely accepted theory concerning customer satisfaction processes. The theory holds that satisfaction/dissatisfaction results from a customer's comparison of performance (of a product or service) with predetermined standards of performance. According to Oliver, the predetermined standards are the customer's predictive expectations. Three possible outcomes of the comparison are possible. Positive disconfirmation occurs when performance is perceived to be better than the predetermined expectations. In this scenario, customer is delighted. Zero disconfirmation occurs when performance is perceived to be exactly equal to expectations-customers are likely to be satisfied. Finally, negative disconfirmation occurs when performance is lower than expectations. Of course, negative disconfirmation leads to dissatisfied or unhappy customers.

### 2.1.2. Assimilation Theory

Assimilation theory is based on Leon Festinger's (1957) dissonance theory. Dissonance theory posits that consumers make some kind of cognitive comparison between expectations about the product and the perceived product performance. This

view of the consumer post-usage evaluation was introduced into the satisfaction literature in the form of assimilation theory. According to Anderson (1973), consumers seek to avoid dissonance by adjusting perceptions about a given product to bring it more in line with expectations. Consumers can also reduce the tension resulting from a discrepancy between expectations and product performance either by distorting expectations so that they coincide with perceived product performance or by raising the level of satisfaction by minimizing the relative importance of the disconfirmation experienced.

## 2.2. Empirical review

This study was conducted to get more insights on the effects of service quality on customer satisfaction. The review of various articles and journal showed that customer satisfaction is effected by many determinants such as reliability, tangibility, assurance, empathy, responsiveness and many more. The summary of major articles reviewed for the study has been given in table 1.

Table 1

*Review of empirical studies*

| Study | Major findings |
|---|---|
| Munusamy, Chelliah and Mun (2010) | • Found assurance had positive relationship but it had no significant effect on customer satisfaction<br>• Found reliability had negative relationship but it had no significant effect on customer satisfaction.<br>• Found tangibles had positive relationship and had significant impact on customer satisfaction.<br>• Found empathy had positive relationship but it had no significant effect on customer satisfaction.<br>• Found responsiveness had positive relationship but no significant impact on customer satisfaction. |
| Munhurrun, Bhiwajee and Naidoo (2010) | • Revealed that while there is a significant shortfall in meeting customer expectations, the FLE appears to have a good understanding of what these expectations actually are.<br>• Addressed key relationships between service dimensions and service quality within the Mauritian public service. |
| Mohammad and Alhamadani (2011) | • Showed service quality measure is based on modified version of SERVQUAL which involve five dimensions of Service quality, namely Reliability, Responsiveness, Empathy, Assurance, and Tangibles.<br>• Indicated that service quality is an important antecedent of customer satisfaction. |
| Awan, Bukhari and Iqbal (2011) | • Found the differences in service quality satisfaction and its impact on the behavioral intentions of customers.<br>• Identified that the relationship between multidimensional service quality dimensions and unidimensional customer satisfaction factors also validated the importance of service quality aspects for behavioral intentions (satisfaction, feelings) for customers. |
| Akhtar, Hunjra and Akbar (2011) | • Found positive and significant relationship between customer satisfaction and constructs of service quality like compliance, assurance, empathy and representativeness.<br>• Concluded that compliance and representativeness influence more on customer satisfaction. |
| Muyeed (2012) | • Found customers' perception has reached on highest in the Prompt and accuracy in |

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|---|---|
| | transactions of the bank and lowest in the service of modern equipment and décor. |
| Ragavan and Mageh (2013) | • Showed most important service quality practice on customer satisfaction is responsiveness as it is perceived as a dominant service quality. |
| | • Showed the service quality dimensions of tangibles, responsiveness, reliability and assurance are positively and significantly influencing the customers overall satisfaction, while the empathy is negatively and significantly influencing the customers overall satisfaction. |
| Bharwana, Bashir and Mohsin (2013) | • Showed that service quality is found to be very important factor for satisfaction of customers. |
| | • Identified the main factors of service quality which ultimately affect the satisfaction of customers. |
| Baker (2013) | • Observed the relationships between the dimensions of service quality and passengers' satisfaction |
| Karim and Chowdhury (2014) | • Showed that tangibility, reliability, responsiveness, assurance and empathy significantly and positively influenced customer attitudes in terms of satisfaction that is service quality dimensions are crucial for customer satisfaction in private commercial banking sector in Bangladesh. |
| Saglik, Gulluc, Kaya and Ozhan (2014) | • Identified atmosphere did not have a significant effect on satisfaction. |
| | • Concluded that hygiene dimension had a higher impact on satisfaction than the service dimension. |
| Sokachaee and Moghaddam (2014) | • Found existence of a positive indirect impact of banking service quality, financial benefits and Social bonding on customer satisfaction. |
| Shah, Khan, Imam, and Sadiqa (2015) | • Found a significant positive relationship between service quality and customer satisfaction. |
| Al-Azzam (2015) | • Showed that the service quality is an appropriate tool to measure the quality of service in the banking sector. |
| Selvakumar (2015) | • Found assurance had the most significant impact on customer satisfaction towards banking services. |
| | • Found responsiveness had the least significant impact on customer satisfaction towards banks |
| Otoo (2016) | • Found service reliability, assurance, empathy, and tangibles were significant determinants of customers' satisfaction with their service quality. |
| Minh and Huu (2016) | • Revealed service quality and customer satisfaction are important antecedents of customer loyalty and customer satisfaction mediates the effects of service quality on customer loyalty. |
| Devkota and Dahal (2016) | • Found service quality dimensions such as tangibility, reliability, responsiveness, empathy and assurance had significant positive impact on customer satisfaction and customer loyalty. |
| | • Found tangibility and frequency of visiting bank do not have significant relationship while reliability, responsiveness, years of relationship and empathy and assurance have significant positive relationship. |
| Jitendra (2017) | • Found that the overall performances of all the banks in terms of customer satisfaction have been satisfactory. |
| Felix (2017) | • Showed a significant and positive relationship between service quality and customer satisfaction while comparing dimension like customer loyalty with reliability, responsiveness and assurance. |
| | • Showed reliability, assurance, tangibles, empathy and responsiveness, had no significant relationship between the variables. |
| Anjalika and Priyanath (2018) | • Revealed a significant positive relationship between tangible and customer satisfaction as well as responsiveness and customer satisfaction. |
| | • Showed assurance had a low positive relationship with customer satisfaction while there was no relationship between assurance and customer satisfaction. |
| | • Showed empathy and reliability had a low positive relationship between customer satisfaction. |
| Koirala and Shrestha (2018) | • Concluded all the service quality dimensions (i.e., tangibles, reliability, responsiveness, assurance and empathy) are important for forming service quality and customer satisfaction |
| Thapa (2020) | • Found empathy and assurance were more satisfied dimensions in bank service quality. |
| | • Found tangibles as well as reliability were moderately satisfied dimensions in bank service quality. |
| | • Found responsiveness was least satisfied dimension in bank service quality. |
| Shrestha (2020) | • Revealed service quality dimensions like such as tangibility, reliability, assurance, empathy, and responsiveness had significantly and positively correlated on customer satisfaction. |

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|---|---|
| Joshi (2021) | • Explained there is a positive significant relationship between service quality dimension and customer satisfaction.<br>• Showed reliability is highly correlated with customer satisfaction.<br>• Revealed there is positive relationship between service quality and customer satisfaction.<br>• Identified the service quality dimensions have statistically significant positive impact on customer satisfaction except tangibility. |

Munusamy, Chelliah and Mun (2010) focused on the measurement of customer satisfaction through delivery of service quality in the banking sector in Malaysia. A quantitative research was used to study the relationship between service quality dimensions and customer satisfaction. Assurance has positive relationship but it has no significant effect on customer satisfaction. Reliability has negative relationship but it has no significant effect on customer satisfaction. Tangibles have positive relationship and have significant impact on customer satisfaction. Empathy has positive relationship but it has no significant effect on customer satisfaction. Responsiveness has positive relationship but no significant impact on customer satisfaction. The study highlights implications for marketers in banking industry for improvement in delivery of service quality.

Munhurrun, Bhiwajee and Naidoo (2010) investigated to obtain a better understanding of the extent to which service quality is delivered within the Mauritian public service by drawing on front-line employees (FLE) and customer perceptions of service quality. The paper investigates how closely customer expectations of service and FLE perceptions of customer expectations match. SERVQUAL is used to measure service quality amongst FLE and customers in a major public-sector department in Mauritius. The survey captures customers' expectations of an excellent public service and compares these with their perceptions of the service delivered by a particular public service department in Mauritius. The paper also reports on a parallel SERVQUAL survey of FLE to examine how well they understand their customers' expectations and how well its internal processes support the delivery of top quality public services. The findings reveal that while there is a significant shortfall in meeting customer expectations, the FLE appears to have a good understanding of what these expectations actually are. The FLE should focus on those dimensions which receive lowest ratings and attributes with high gap scores. This research adds to the body of knowledge relating to public service quality management. It will also be of interest to strategic and operational public service managers and to academics investigating the reliability and value of service quality assessment tools. It addresses key relationships

between service dimensions and service quality within the Mauritian public service.

Mohammad and Alhamadani (2011) conducted this research to examine the level of service quality as perceived by customers of commercial bank working in Jordan and its effect customer satisfaction, Service quality measure is based on modified version of SERVQUAL which involve five dimensions of Service quality, namely Reliability, Responsiveness, Empathy, Assurance, and Tangibles. 260 questionnaires were distributed randomly to customers of commercial banks branches located (thirteen commercial banks in Jordan) in IRBID (A city of Jordan). Multiple regression analysis was employed to test the impact of service quality on customer satisfaction. The results of this study indicated that service quality is an important antecedent of customer satisfaction. It is apparent from the present study that managers and decision makers in Jordanian commercial banks to seek and improve the elements of service quality that make the most significant contributions on customer satisfaction.

Awan, Bukhari and Iqbal (2011) investigated the service quality and its relationship to customer satisfaction among the customers of conventional banks and Islamic banks. A modified SERVQUAL scale was utilized to ascertain the functional dimensions of service quality specific to the industry and service context under study. In addition, the study examined the differences in service quality satisfaction and its impact on the behavioral intentions of customers. A field survey was carried out with the help of a questionnaire constructed by using a modified SERVQUAL scale. Data were collected from 200 walk- in customers conveniently drawn from three major conventional banks and three Islamic banks located in urban areas of Pakistan. Data were analyzed using the analytical hierarchy process to identify service quality and customer satisfaction-related factors for Islamic and conventional banks. By using factor analysis, 52 measurement items with a factor loading greater than (0.5) were identified to form five service quality dimensions namely empathy, service architecture, convenience service encounter, employee service criteria, customer focus and five customer satisfaction dimensions: responsiveness, competency, safe transaction, competitive services, knowledge for the overall banking industry. It explained 56 percent of the variance. Results from regression analysis of the relationship between multidimensional service quality dimensions and unidimensional customer satisfaction factors also validated the importance of service

quality aspects for behavioral intentions (satisfaction, feelings) for customers from conventional banks and Islamic banks.

Akhtar, Hunjra and Akbar (2011) highlighted the level of customer awareness about Islamic banks and determines the relationship between service quality and customer satisfaction with respect to Islamic banks. The survey-based approach is used to collect the necessary data. 167 questionnaires were processed for the study. SPSS was used to analyze the data and the model was tested through AMOS. The study finds that there is a positive and significant relationship between customer satisfaction and constructs of service quality like compliance, assurance, empathy and representativeness. This study further concluded that compliance and representativeness influence more on customer satisfaction in Pakistani Islamic banks.

Muyeed (2012) evaluated the service quality in retail banking in the developing countries in general, and Bangladesh in particular. This is an analytical study based mainly on the primary data collected through scientifically developed questionnaire. The questionnaire has been personally administered on a sample size of 250, chosen from four banks in Bangladesh located in the northern district of Kushtia. The result indicated that customers' perception has reached on highest in the Prompt and accuracy in transactions of the bank and lowest in the service of modern equipment and décor. Due to the increasing competition in retail banking, customer service is an important part and bank must give their due attention to the customers' perception about service quality.

Ragavan and Mageh (2013) examined the influence of service quality dimensions on customer overall satisfaction. This study developed an instrument of service quality and examined the relationship between perceived service quality dimensions and customer overall satisfaction. The results showed that the most important service quality practice on customer satisfaction is responsiveness as it is perceived as a dominant service quality. The results revealed that the service quality dimensions of tangibles, responsiveness, reliability and assurance are positively and significantly influencing the customers overall satisfaction, while the empathy is negatively and significantly influencing the customers overall satisfaction. Thus, this present research concluded that service quality is the basic and also most important factor that influences the overall customer satisfaction. This finding reinforces the need for banks managers to place an emphasis on the underlying dimensions of service quality

especially on responsiveness and should start with improvingservice quality in order to raise overall customer satisfaction.

Bharwana, Bashir and Mohsin (2013) concentrated on quality of services offered by colleges so that those colleges can compete their rivals and seek satisfaction from students. Dimensions of quality of service include tangible, empathy, reliability, responsiveness and assurance. Youngsters were randomly selected for the purpose of studies that are from Inter level to Master level of education. Results of study showed that service quality is found to be very important factor for satisfaction of customers. All of perspectives of service quality are found to be positively correlated while one of those factors that are empathy shows negative relationship with service quality and with satisfaction of customers and it is advice for future researcher not to research on this variable. Main participation of this research was that it identified the main factors of service quality which ultimately affect the satisfaction of customers. This paper will help top management of organizations and institutes to make strategies better for enhancing quality of service rendered to customers so that satisfaction customers' level can be increased. It is also observed if management of organization is conscious about quality of service then the customers' satisfaction can be increased which leads to customers' loyalty and at the end customers will be committed with those organizations.

Baker (2013) examined the service quality and customer satisfaction of the top 14 U.S. airlines between 2007 to 2011 using data from the Department of Transportation Air Travel Reports. The objectives of this study were to compare customer satisfaction and service quality with respect to airlines quality dimensions and subsequently to determine the relationships between the dimensions of service quality and passengers' satisfaction on airlines services. A critical review of the literature revealed that the airline industry has been struggling with many challenges: cutting costs, managing fluctuating demand, keeping up with tight quality requirements while trying to maintain superior services and satisfy the needs of various customer groups. Data were collected from the Department of Transportation's Air Travel Consumer Report on the following measures: percentage of on-time arrival, passengers denied boarding, mishandled baggage and customercomplaints. Using a quantitative research method, Microsoft Excel version 2010 was usedto analyze the data using percentages, mean and standard deviation. Results indicate that while the traditional carriers are

converging toward a higher level of service quality, using the four measures, there continue to be significant variation. In this study, over a five-year period 2007 to 2011, the service quality of low cost airlines was generally found to be higher than that of traditional legacy airlines. Implications related to operating costs, market share, infrastructure and customer service were evident.

Karim and Chowdhury (2014) analyzed the impact of service quality on customer satisfaction in private sector banks in Bangladesh. Five dimensions in service quality such as tangibility, reliability, responsiveness, empathy, and assurance were considered as the base for this study. A structured questionnaire with 5-point Likert scale were used to collect the data by conducting survey. The sample size was 110 and was chosen on a convenient basis. Data were analyzed by using SPSS software (version: 17). Result of the study showed that tangibility, reliability, responsiveness, assurance and empathy significantly and positively influenced customer attitudes in terms of satisfaction that is service quality dimensions are crucial for customer satisfaction in private commercial banking sector in Bangladesh.

Saglik, Gulluc, Kaya and Ozhan (2014) explained the perception of service quality and its impact on satisfaction were examined through a research where students using the refectory within the university campus were selected as the sample. In the study, a survey questionnaire was used as the data collection technique. In the methodology, factor analysis, ANOVA, t-test, and multiple regression analysis were performed on 689 valid cases of survey data. Multiple regression analysis was applied to three dimensions of refectory service quality (service, hygiene and atmosphere) that were determined as a result of factor analysis and it was found that these dimensions affect satisfaction positively in general and at the level of 44%. Among the service quality dimensions, it was determined that atmosphere did not have a significant effect on satisfaction. It was concluded that hygiene dimension had a higher impact on satisfaction than the service dimension.

Sokachaee and Moghaddam (2014) analyzed that this study is about the impact of service quality on customer satisfaction by using SERVQUAL model. The purpose of this study is to investigate the effect of the 5 components of service quality (SERVQUAL) on customer satisfaction. All customers of Melli Bank in Tehran city 501 branches are the statistical population. The research method is based on descriptive - survey and data analysis method is by structural equation modeling

by using Lisrel software 8.54. The results indicate that the 5 dimensions of SERVQUAL (reliability, trust responsibility, empathy, tangible factors) service quality have a positive impact on customer satisfaction. Wafaa and Abderrezzak (2014) aimed to study the variables that may affect customer satisfaction in banking sector (banking service quality, financial benefits and social bonding), and investigate the empirical relationship between them through its impacts on perceived value as an intermediate variable. The study applied Structural Equation Modeling (SEM) technique to examine the different relationships between the proposed variables. A questionnaire was developed and administered to a sample of 650 Algerian public bank customers in the Tlemcen region. The results confirmed the existence of a positive indirect impact of banking service quality, financial benefits and Social bonding on customer satisfaction. The estimation results showed that customer satisfaction is a pertinent factor in the assessment of the overall banking service performance and quality, and can, as thus, be transformed into measurable quantitative data.

Shah, Khan, Imam, and Sadiqa (2015) studied to find out the impact of service quality on customer satisfaction in banking sector employees of Lahore region. This study was a cross-sectional study and questionnaire used was adopted from empirical studies. Finding showed that there exists a significant positive relationship between service quality and customer satisfaction. Study revealed that the respondents have responded in disagreement to the quality of services provided to the customers, which in turn, definitely affected the customer satisfaction. Poor quality of service is being provided to customers who show a poor customer satisfaction. Data was analyzed using reliability statistics, correlation and regression analysis.

Al-Azzam (2015) used the model of service quality (Parasuraman et al., 1988) with five dimensions to evaluate its effect on the customer satisfaction among Arab bank customers in the city of Irbid. The results indicate that the higher the service quality, the more the costumer's satisfaction. The Dimensions of service quality plays an important role in this equation. These dimensions are tangibility, responsiveness reliability, empathy, and security. Finally, the findings indicate that these five factors have positively affected the customer satisfaction. This research also showed that the service quality is an appropriate tool to measure the quality of service in the banking sector in the Arab bank. Therefore, the banking sector practitioners regard this

instrument a very important tool to evaluate, support, and improve the quality of their services.

Selvakumar (2015) examined the effect of service quality determinants on the degree of customer satisfaction in public and private banks in India. This study examined the perception of service quality of banking services provided to customers in Coimbatore and the relative differences attached with the various determinants of service quality using the SERVQUAL model. It was found out that Assurance has the most significant impact on customer satisfaction towards banking services provided in Coimbatore and Responsiveness has the least significant impact on customer satisfaction towards banks in Coimbatore. From the findings, it is clear that the customer expectation exceeds well in assurance provided by the banks in Coimbatore in terms of giving importance to customers' suggestions and views, secured transactions, sufficient knowledge base management, accurate record maintenance, meeting customers regularly etc.

Otoo (2016) examined the effect of customer service quality on customer satisfaction in commercial banks in Ghana. This study sought to determine the demographic characteristics of customers that influence their level of perception, determine the perception of customers about the quality of service provided by the banks, and to establish the relationship between service quality and customer satisfaction. The questionnaires developed for this study were based on a SERVQUAL model that identified the influence of five dimensions (i.e. tangibility, responsibility, reliability, assurance and empathy) in banking service environments on customer satisfaction. A descriptive study design was employed and involved 360 randomly selected active customers of selected commercial banks in Ghana. Data were analyzed using both the descriptive and inferential statistical tools in the SPSS. It was found that the clients of the banks were generally from the middle class of the society with more than half being males, relatively younger, educated and mainly from the private sector of the economy. Age and education were identified as the demographic characteristics that influenced customers' level of perception. Overwhelming majority of the respondents were satisfied with the banks' services. Also, the banks' service reliability, assurance, empathy, and tangibles were found to be significant determinants of customers' satisfaction with their service quality. It was recommended that the banks should strive to improve upon its customers' perception scores in the areas of empathy,

reliability, responsiveness, assurance and tangibles.

Minh and Huu (2016) developed and empirically tested the interrelationships between service quality, customer satisfaction, and customer loyalty in a retail banking context. In this study, a research model about the interrelationships between service quality, customer satisfaction, and customer loyalty was developed. Then a survey was conducted with retail banking customers about these constructs, which results in 261 valid respondents. The hypotheses were then proposed and tested using confirmatory factor analysis (CFA) and the structural equation modeling technique (SME). The analysis revealed that service quality and customer satisfaction are important antecedents of customer loyalty and customer satisfaction mediates the effects of service quality on customer loyalty. These findings suggested that there are non-linear relationships between three constructs and emphasize the need to treat customer loyalty management as a process which includes plenty of factors interacting with each other.

Devkota and Dahal (2016) analyzed this study is to find out the major factors that have impact in customer satisfaction and customer loyalty in case of commercial banks of Nepal. The thesis tries to explore whether there exists any relationship between service quality dimensions, customer satisfaction and customer loyalty depending upon various situational factors. Various concepts such as consumer buying behavior, buyer's decision process, customer satisfaction, customer loyalty, service quality, SERVQUAL model have been discussed along with relevant relationship between them in the literature review and based upon it, a conceptual model had been formulated stating the five different hypotheses (one of the hypothesis has been divided into two sub-hypothesis). In order to collect data for analysis, 375 completely filled questionnaires were collected within one month. The participants were asked to fill up the questionnaire form with face to face interaction. All these forms were collected from various commercial banks in Kathmandu, Nepal. In order to analyze the data, Statistical Packages for Social Sciences (SPSS) was used and analytical techniques like factor analysis, multiple regression analysis, descriptive analysis were used along with Sobel test for mediation analysis. After testing the hypotheses using various techniques, it was found that service quality dimensions such as tangibility, reliability, responsiveness, empathy and assurance had significant positive impact on customer satisfaction and customer loyalty. Similarly, one of the

situational factors stated as years of relationship had significant positive relationship with customer satisfaction while another situational factor stated as frequency of visiting bank had a significant negative relationship with customer satisfaction. In the same way, in case of mediating factor, tangibility and frequency of visiting bank do not have significant relationship while reliability, responsiveness, years of relationship and empathy and assurance have significant positive relationship. However, it should be noted that some of the independent and mediating variable are overlapped. In case of control variable, only respondent age had positive significant impact on customer loyalty while other variable like education level, income and gender are not significantly related with customer loyalty. This research is useful for commercial banks so that they can improve service quality to the customers and thus maintain customer satisfaction and loyalty. Similarly, the policy makers can make future plans in banking sector based upon the information provided by the customers while doing this research. In the same way, it can also contribute to other sectors by providing baseline information regarding service quality in Nepalese banking sector.

Jitendra (2017) examined the level of customer satisfaction in the commercial banks. Descriptive and analytical research designs were used for the study. Primary data were collected through the questionnaires using judgmental sampling from the commercial banks of Nepal. Questionnaires were developed in five scales and mean; standard deviation and coefficient of variation have been used as tools. Cronbach's alpha test was done to test the reliability of the data. It was found that the overall performances of all the banks interms of customer satisfaction have been satisfactory. Compared to government owned commercial banks performance of private banks have been satisfactory. Among different government banks the performance of RBB has been better than NBL and ADB.

Felix (2017) conducted a study to determine the relationship between service quality and customer satisfaction in Banque Populaire du Rwanda, Kigali branches. It was based on both descriptive and cross-sectional survey designs. A self-administered questionnaire was used to collect primary data from 498 customers, using convenient sampling technique. Data were analyzed using SPSS's frequencies and percentages, means, and Pearson's Linear Correlation Coefficient. The study was based on five research objectives: (a) to determine the profile of respondents in terms of gender,

type of account,educational qualification and banking experience, (b) to determine the level of service quality in BPR, (c) to determine the level of customer satisfaction among BPR customers (d) to determine relationship between service quality and customers' satisfaction in BPR and (e) to recommend strategies enhance customer satisfaction basing on the study findings. The findings revealed that majority of the respondents were female, over three equators with current type of account, over half of the respondents had no professional education qualification and majority of the respondents had been customers for BPR for relatively a long period of time that is from three years and above. It went ahead to revealed that both the level of service quality and customer satisfaction was at mean $\approx 3$ (high level). The findings from PLCC showed a significant and positive relationship between service quality and customer satisfaction while comparing dimension like customer loyalty with reliability, responsiveness and assurance. On the other hand, comparison based on positive word of mouth with service quality sub-variables like Reliability, Assurance, tangibles, empathy and responsiveness, revealed that there was no significant relationship between the variables. The researcher recommended that if BPR is to improve on service it offers to her customers to ensure their satisfaction, BPR staff should: (a) maintains on error-free records service, (b) handle customer problems in constant manner, (c) be willing to solve customer problems promptly and (d) understand specific needs of individual customers.

Anjalika and Priyanath (2018) attempted to explore the effect of service quality of commercial banks on customer satisfaction. Data were collected from 141 customers who maintain both public and private bank accounts in the Gampaha district. Convenient sampling method was used to select the sample. Data were collected through a structural questionnaire conducting face to face interviews and the collected data were analyzed through Partial Least Square Structural Equation Model. The study tested five hypothetical relationships between five dimensions of service quality of commercial banks and customer satisfaction. Results revealed a significant positive relationship between tangible and customer satisfaction as well as responsiveness and customer satisfaction of both public and private banks. It was also found that, assurance has a low positive relationship with customer satisfaction regarding private banks, while there was no relationship between assurance and customer satisfaction regarding public banks. Also, empathy and reliability indicated a low positive

relationship between customer satisfaction regarding public banks while these two dimensions did not indicate any significant relationship with customer satisfaction regarding private banks. Therefore, this study found that customer satisfaction regarding the service quality of public banks is higher than that of private banks.

Koirala and Shrestha (2018) attempted to measure service quality and customer satisfaction with respect to the service quality dimensions in the Nepalese commercial banking sector. The study used descriptive statistics, correlation, and regression analysis to measure relationship among service quality dimensions, service quality and customer satisfaction variables. It used 364 sample customers who have been dealing currently with the commercial banks in Kathmandu valley. It was found that Nepal Investment Bank is most popular bank in commercial banks in Nepal. All the service quality dimensions (i.e., tangibles, reliability, responsiveness, assurance and empathy) are important for forming service quality and customer satisfaction of commercial banks in Nepal. Customer satisfaction is highly affected by service quality.

Thapa (2020) conducted a study to reveal the existing level of service quality of some Nepalese commercial banks. The customer perception to measure bank services quality within five dimensions; tangibles, reliability, responsiveness, assurance and empathy are considered as to service quality model introduced by Parashuram et. al. in 1988. The study was descriptive in nature and used primary data collected through personally administered questionnaire survey with customers of some selected commercial banks including public and private banks. The questionnaire included 22 questions in total for five dimensions. The sample size of the study was 82 respondents of the banks selected on convenience basis. The analysis consist descriptive statistics and t-test in order to meet the study objectives. The study examined the perceived service quality the customers of the banks using the SERVQUAL model. The customer perceived satisfaction for five SERVQUAL dimensions were analyzed to assess aggregate service quality status of the banks. The descriptive and inferential analysis have indicated to the average level of customer satisfaction on all five service quality dimensions considered namely; tangibles, reliability, responsiveness, assurance and empathy. Among these five dimensions, empathy and assurance were more satisfied dimensions in bank service quality. Similarly tangibles as well as reliability were moderately and responsiveness was

least satisfied dimension as perceived by bank customers.

Shrestha (2020) examined the impact of service quality dimension of commercial Banks on Customer in Nepal. The objective of this study was to identify service quality dimension that influence on customer satisfaction of commercial banks in Nepal. A structured questionnaire with 5 point Likert scale was used to collect the data by conducting field survey. The sample size was 144 and chosen on a convenient basis. Data has been analyzed by using statistical tools like mean and Correlation Coefficient. The result revealed that service quality dimensions like such as tangibility, reliability, assurance, empathy, and responsiveness have significantly and positively correlated on customer satisfaction of commercial bank in Nepal. This study explained that there is a positive significant relationship between service quality dimension and customer satisfaction in commercial banks of Nepal. Among the service quality dimension, reliability is highly correlated with customer satisfaction in commercial bank in Nepal. Therefore, the bank should be able to satisfy the customers through superior services and facilities. The bank must try to maintain long term relationship with customers. The customers must believe that their respective banks deliver what they promise in their advertisement. Thus the bank should regularly take the feedback of the customers. Service quality dimension play significant role to satisfy their customers in commercial banks.

Joshi (2021) conducted a study to examine the relationship between banking service quality dimensions and customer satisfaction in Nepalese banking industry. Three commercial banks operating in Kailali district (Rastriya Banijya Bank, Nabil Bank and Global IME bank) were taken as sample and 327 depositor customers of these banks were surveyed using structured five point Likert scale questionnaire. Data was collected via online and field survey by visiting the customers at related banks, business organizations and government and non government offices of Kailali. SPSS version 20, Pearson's correlation and multiple regression analysis have been used to analyze the data. The findings of this study revealed that there is positive relationship between service quality and customer satisfaction. All the service quality dimensions have statistically significant positive impact on customer satisfaction except tangibility. It means higher service quality helps increase customer satisfaction. The results of this study will help bank mangers to focus on their customer's satisfaction in order to compete favorably in banking Industry.

**2.2 Research gap**

Studies on Nepalese commercial banks that concentrate on client satisfaction and service quality are rare. Most studies on commercial banks in Nepal have tended to be more concerned with other bank-related issues than with what influences customer satisfaction. According to previous research, the majority of studies used small sample sizes and a theoretical framework. There hasn't been any research done that provides empirical evidence to show how communication and security affect customer satisfaction in Nepalese commercial banks. This study attempted to fill a research void left by earlier studies in some way. This study, which can also serve as a model for future research, focuses on how satisfied customers are with the quality of the service provided by Nepalese commercial banks.

Numerous quantitative studies have been conducted to determine, primarily in sample of multiple industries, the level of customer satisfaction with the Nepalese Commercial Bank's service quality. The study's analysis attempted to determine how these five independent variables affected the results. Commercial banks are confronted with a greater number of challenges in the current business environment, which is dynamic and characterized by fierce competition. In the context of banking services, service quality is especially crucial because it creates a competitive advantage through the degree of customer satisfaction. Aside from that, a gap is created due to the context, time, variables, and methodology used in the research.

# CHAPTER III

# RESEARCH METHODOLOGY

The chapter provides information about the methodological perspectives and highlight the methodologies to be implemented for the study. The overall work of research methodology in this study is guided by the purpose of understanding the service quality and its impact on customer satisfaction in Nepalese banking sector.

## 3.1. Research framework and definition of the variables.

This study used SERVQUAL model to investigate the effect of the service quality factors on customer satisfaction in Nepalese banking industry. The five dimensions of service quality as per the SERVQUAL model i.e. tangibility, reliability, responsiveness, assurance and empathy were considered as independent variables and the customer satisfaction was taken as the dependent variable. Accordingly, the following conceptual framework was constructed.

**Independent Variables**                    **Dependent Variable**

| Tangibility |

| Reliability |

| Responsiveness |

| Assurance |

| Empathy |

| Customer Satisfaction |
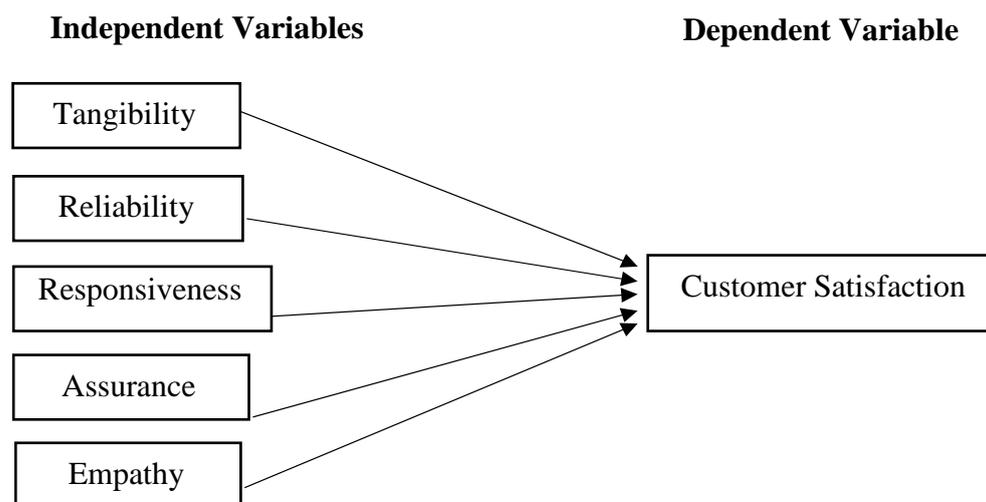
*Figure 1. Research Framework*
*Note. Ragavan & Mageh, 2013*

Each variable taken under the study are defined below:

## 3.1.1. Tangibility

Tangibles are defined as the appearance of physical facilities, equipment, personnel and communication materials. They provide physical representations or images of the service which the customers especially new customers use to evaluate quality (Hennayake,2017). According to Mundie and Pirrie (2006), tangibility simply refersto

the ability of being touched, material or substantial. The appearance of physical evidence  associated with the service facilities, equipment, personnel and communication materials are said to be tangibles. Tangibility provides physical representations or images of the service that customer, especially new customers uses to evaluate quality. Tangibility of anyorganization is seen when customers are able to remember the organization through good experience, employees being well groomed and further better services. It further translates to example, in development banks distribution of booklet and brochure to customer's, visually appealing facilities, employees who have a neat, professional appearance, visually appealing materials associated with the service. Tangibles are used by firms to convey their image and signal their quality. According to Lovelock & Wright (1999), Excellent banks refer to the appropriate service business with modern-looking equipment, therefore physical facilities at top ranking Nepalese banks will be visually appealing. Employees ofthese top-ranking Nepalese banks are expected to be neatly and appropriately dressed. These banks are also expected to maintain the materials associated with their services likebrochures, financial statements etc. to be visually appealing, and understandable.

### 3.1.2. Responsiveness

Responsiveness is the willingness to help customers and provide prompt services. This dimension emphasizes attentiveness and promptness in dealing with customer requests, questions, complaints and problems, responsiveness is communicated to customers by the length of time they have to wait for assistance, answer to questions or attention to problems, responsiveness also captures the notion of flexibility and ability to customize the service to customer needs (Hennayake,2017). According to Mundie and Pirrie (2006), responsiveness is the willingness to help customers and to provide prompt service. This dimension is particularly prevalent where customers have requests, questions, complaints and problems. Responsiveness is the ability of any organization to react with the change and execute its customer's needs. It is the willingness to help customers and provide quick service to its customers and stay up-to date with the new technologies. For example – in the current era of digitization where economy is moving forward to cashless economy and use of computer-based programs are the current standards, banks in Nepal are slowly but continually moving towards the same, providing a better and effective service for the customers. This is a great example of being responsive towards the need of customers andstaying put with

the competition. According to Lovelock & Wright (1999), stated that Employees of excellent banks will tell customers exactly when service will be performed. Employees of excellent banks are expected to be willing to help and to provide prompt service to customers.

### 3.1.3. Reliability

Reliability is defined as the ability to perform the promised service dependably and accurate. In the broader sense, it means that the company delivers on its promises-promises made about delivery, service provision, problem resolution, and pricing (Hennayake, 2017). Customers want to do businesses with companies that keep their promises, particularly their promises about the service out come and core service attributes (Hennayake, 2017). According to Mudie and Pirrie (2006), the ability to perform the promised service dependably and accurately. It is regarded as the most important determinant of perceptions of service quality. This dimension is particularly crucial for services such as railways, buses, banks, building societies, insurance companies, delivery services and trade services, e.g. plumbers, carpet fitters, car repair. According to Lovelock and Wright (1999), it is the ability to perform the promised service dependably and accurately. When excellent banks promise to do something by a certain time, they will do so. Reliability translated into the ability of the supplier to execute the service in a safe and efficient manner. It depicts the consistent performance, free of non-compliance, in which the user can trust. The supplier must comply with what was promised, without the need for rework (Lovelock & Wright, 1999). Thus, excellent banks are expected to show a sincere interest in solving customers' problems right at the first time at earlier promised time. Further, these banks are expected to maintain an error-free records.

### 3.1.4. Assurance

An assurance is defined as employees' knowledge and courtesy and the ability of the firm and its employees to inspire trust and confidence (Hennayake, 2017). In order words, it is concerned with knowledge and courtesy of employees and their ability to convey trust and confidence. This dimension is likely to be important for services that customers perceive as high risk or for services of which they feel uncertain about their ability evaluate outcomes (Hennayake,2017). Tamang (2016) stated that Assurance is defined as knowledge and courtesy of employees and their ability to convey trust and confidence. This dimension helps to minimize the risk related to the

bank. Features that gives customers confidence (e.g., the firms specific service knowledge and polite and trustworthy behavior from employee); The assurance variable is defined by the clarity and adequacy of explanations of the service offered, the friendliness and courtesy of staff and observed knowledge and competence of staff. Lovelock and Wright (1999) stated that the behavior of employees of excellent banks will instill confidence in customers. Thus, the employees of the excellent banks are expected to be consistently courteous with their customers and provide correct answers to their enquiries.

### 3.1.5. Empathy

Empathy is defined as the caring, individualized attention that the firm provide to its customers (Hennayake,2017). The essence of empathy is conveying, though personalized or customized service, customers are unique and special and that their needs are understood (Hennayake, 2017). In short, it is about the caring, individualized attention the firm provides to its customers. Tamang (2016) stated that the essence of empathy is conveying through personalized or customized service that customers are unique and special and that their needs are understood. Customers want to feel understood by an important to firms that provide service to them. The firm's readiness and ability to provide each customer with personal service empathy represented the extent to which respondents felt that their bank valued them individually, the convenience of opening hours and the provision of information on charges and interest rates. It is about the caring, individualized attention the firm provides its customers. Lovelock and Wright (1999) analyzed excellent banks will give customers individual attention. Thus, the excellent banks are expected to have operating hours convenient to all of their customers. They are also expected to have employees who give customers personal attention by understanding their specific.

### 3.1.6. Customer satisfaction

Customer satisfaction is the extent to which a product's perceived performance matches a buyer's expectations (Kotler, 2006). It is the measure how product or services supplied by a company meet or surpass a customer's expectation. It further argues customer satisfaction depends on the product's perceived performance relative to a buyer's expectations. If the product's performance falls short of expectations, the customer is dissatisfied. If performance matches expectations, the customer is

satisfied and if performance exceeds expectations, the customer is highly satisfied or delighted (Kotler, 2006). Customer satisfaction is important because it is a measuring tool for marketers and business owners to manage and improve their businesses. Felix (2017) In a competitive marketplace where businesses compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy. It is well established that satisfied customers are key to long-term business success. It also defined as a global issue that affects all organizations, regardless of its size, whether profit or non-profit, local or multinational. Companies that have a more satisfied customer base also experience higher economic returns. Consequently, higher customer satisfaction leads to greater customer loyalty. Lovelock and Wright (1999) stated that Customers experience various levels of satisfaction or dissatisfaction after each service experience according to the extent to which their expectations were met or exceeded. Because satisfaction is an emotional state, their post purchase reactions can involve anger, dissatisfaction, irritation, neutrality, pleasure, or delight.

Upadhyay (2017) explained customer satisfaction is nothing more than a snapshot of how customers feel about organization's products, services and brands, at a given point of time. The question is not how satisfied customers are, but how emotionally attached they are to organization's products, services and brands. Customer satisfaction is important because it provides marketers and business owners with a metric that they can use to manage and improve their businesses (Upadhyay, 2017). Customer satisfaction mainly depends on the build-up of the perceived value which the customers have concerning a product or service (Kotler, 2006).

### 3.2. Research Design

This study was based on descriptive and causal comparative research designs. Descriptive research studies are those studies which are concerned with describing the characteristics of a particular individual or of a group (Kothari & Garg, 2017). Causal comparative research design is like experimental research where the investigator takes one or more dependent variable and examines the data by going back through time, seeking out causes, relationships and their meaning (Pant,2014).

To analyze the impact on customer satisfaction from service quality dimensions, primary data was used and tested with correlation and regression analysis. For this Five- point Likert scale technique was used for the sample survey and correlation and

regression analysis was used in data analysis.

### 3.3. Population and sample, and sampling design

The population of the study refers to a group of items or individuals from which the samples are drawn. The population selected for this study were entirely from the commercial banks within Kathmandu city. As the population sample size of banking customer is 29,920,000 (NRB, 2022) the minimum sample size required is 400. The minimum sample size is derived by the following formula developed by (Yamane, 1967) shown below :

$n = N / 1 + N(e)^2$

$= 29,920,000 / 1 + 29,920,000 (0.05)^2$

$= 400$

where,

n = sample size

N = population size = confidence level

In this formula, the confidence level used is 95% and tolerated margin of error is 5%.

The study used convenience and simple random sampling methods. Convenience sampling refers to samples selected not by judgment or probability techniques but because the elements in a fraction of the population can be reached conveniently (Pant, 2014). Simple random sampling means that the respondents will be selected randomly and the information are collected from only those who have bank accounts (Cooper & Schindler, 2014). The simple random sample was used to build a foundation for understanding sampling procedures and choosing probability samples. It is easy to implement with automatic random dialing, However, it requires a list of population elements, which can be time-consuming and can require larger sample sizes other than probability methods. Therefore, in simple random each population element has an equal chance of being selected into the sample.

### 3.4. Nature and sources of data, and the instrument of data collection.

This study was based on primary data which was collected through survey questionnaire. The questionnaire were provided to the bank's customer service department and they had assisted to collect the data. The customers were also directly requested to fill the questionnaire by visiting the bank itself. Further, the questionnaire were collected through Google docs using social networking site as

well. A total of 450 questionnaires were distributed to the respondents among them 400 were valid and other remaining 50 questionnaires were incomplete and disqualified. In the survey questionnaire there were two sections. The first section consisted of demographic profile of the respondents which included age, gender and education. The second section included questions regarding the respondents' opinions related to the dimensions of service quality and the customer satisfaction. The dimensions of service quality included tangibility, responsiveness. reliability, empathy and assurance. Likert scale was used to record the response of the respondents which consists of 5 scales. The 5 scales included were strongly disagree (1), disagree (2), neutral (3), agree (4), and strongly agree (5). A total of 25 questions were used in this section.

## 3.5. Methods of Analysis

The analysis of quantitative data included descriptive statistics and inferential statistics. For the analysis of the primary data, percentage frequency distribution and mean scores of the responses to the Likert scale items was used and further applied in the Pearson's correlations analysis to study the relationship between customer satisfaction which is the dependent variable and tangibility, reliability, responsiveness, assurance and empathy which are the independent variables. It also dealt with regression analysis.

The collected data was analyzed with the help of SPSS (Statistical Package of Social Science) and excel where p-value was used for checking the level of significance of independent variables with the dependent variables.

The following tools were used in the study for the analysis.

### 3.5.1 Descriptive statistics

Descriptive data was used for analyzing the personal information of the respondents. Various frequency table were used for describing the collected data. In demographic profile age, gender, education, etc. were used.

### 3.5.2 Reliability and Validity

Reliability tests refers to the consistency and stability of findings that enables findings to be replicated (Burns & Burns, Reliability, 2008).

Devkota and Dahal (2016) reliability simply refers to the capability of the questionnaire to constantly measure the data across different population and at

different time period. Cronbach's alpha is one of the most popular methods of testing reliability. The value of Cronbach's alpha ranges from 0 to 1. Where 0 refers to completely unreliable testand 1 refers to reliable test.

The Cronbach alpha for variables selected for the study i.e tangibility, reliability, responsiveness, assurance, empathy and customer satisfaction were 0.879, 0.890, 0.942, 0.906, 0.964 and 0.884 respectively which is greater than 0.70. that signifies the questionnaire items used were reliable and constantly measures the data. This is shown by the following table.

Table 2

*Cronbach's Alpha*

| Variables | No. of items | Cronbach's Alpha |
|---|---|---|
| Tangibility | 4 | 0.879 |
| Reliability | 5 | 0.890 |
| Responsiveness | 4 | 0.942 |
| Assurance | 4 | 0.906 |
| Empathy | 4 | 0.964 |
| Customer satisfaction | 4 | 0.884 |

*Note. Researcher's calculation through SPSS*

### 3.5.3. Correlation

Correlation is a measure of the degree of correspondence between variables which implies the relationship is mutual or reciprocating (Burns & Burns, 2008). Correlation is the basic step in regression analysis. Based on multi-item concepts, correlation also calculates and confirms relationship. It also confirms the direct relationship and validation. The Correlation coefficient, R shows the degree of relationship between two different types of variables. It ranges from -1 to +1, where -1 indicates a perfect negative relationship which means the decreasing linear relationship that is when one variable increases the another variable will decrease and 1 indicate a perfect positive correlation which means that increase in one variable will result from increase in another variable respectively (Devkota & Dahal , 2016**).**

### 3.5.4. Regression analysis

Regression analysis was conducted to examine the relationship between service quality and customer satisfaction and to test the hypotheses. A multiple regression model was constructed with customer satisfaction as the dependent variable and Tangible, Reliability, Responsiveness, Assurance, and Empathy as the independent variables (Minh, Ha, Anh, & Matsui, 2015).

The theoretical framework of the study as per the Regression equation model can be expressed as follow:

$$CS = \beta_0 + \beta_1 TAN + \beta_2 RES + \beta_3 RELI + \beta_4 ASS + \beta_5 EMP + \varepsilon$$

Where,

CS= Customer Satisfaction

TAN = Tangibility RES = ResponsivenessRELI = Reliability ASS = Assurance EMP = Empathy

$\beta_0$ = Intercept (constant term)

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ = Regression coefficient for respective variables (i.e. the slope which represents the degree with which customer satisfaction changes as the independent variablechanges by one-unit variable)

$\varepsilon$= Error terms

# CHAPTER IV

# RESULTS AND DISCUSSIONS

This chapter deals with the data presentation and analyses collected through structured questionnaire. The data for this research work are collected through primary sources. Such collected data are presented in systematic formats and analyzed using SPSS software.

## 4.1. Analysis of data

This section deals with the questionnaire survey and reports the result of questionnaire survey conducted among different groups of customers. Questionnaire survey was designed for the analysis of level of satisfaction to the customers regarding the service quality provided by the banks in the Nepalese banking sector.

The questionnaire was divided into two sections. The first section collected respondent's general information: age, gender and education. The second section collected response on statements of five broad dimensions of service quality and customer satisfaction as independent variables and a dependent variable, which were measured in the five-point Likert-type scale rating system. The descriptive statistics, anova test and reliability test were used for the analysis of the data. In the study 400 questionnaires were collected based on demographic factors of the respondents. The responses were analyzed using statistical analysis tools: Pearson's correlation analysis and multiple regression analysis.

## 4.1.1. Age of the respondents.

Age of respondent is one of the most important characteristics in understanding the views about the particular problems. The age group of the respondents were categorized into four groups i.e. below 20 years, 20-30 years, 31-40 years and above 41 years.

Table 3

*Age of the Respondents*

|  | Frequency | Percent | Valid Percent | Cumulative % |
|---|---|---|---|---|
| Below 20 | 29 | 7.25 | 7.25 | 7.25 |
| 20-30 | 266 | 66.5 | 66.5 | 73.75 |

| | | | | |
|---|---|---|---|---|
| 31-40 | 67 | 16.75 | 16.75 | 90.5 |
| 41 years and above | 38 | 9.5 | 9.5 | 100 |
| Total | 400 | 100 | 100 | |

*Note: SPSS results based on researcher's survey, 2022*

The above table 3 displays the age wise segregation of the respondents. A total of 29 respondents were below 20 years old which comprises of 7.25% of total respondents. Numbers of respondents in between 20-30 years were 266 which comprises a total percentage of 66.5%. Similarly, number of respondents who fall under the age group of 31-40 years are 67 with the percentage of 16.75% of total respondents. Lastly, 38 respondents were found to be 41 years and above with total percentage coverage of 9.5% of total respondents.
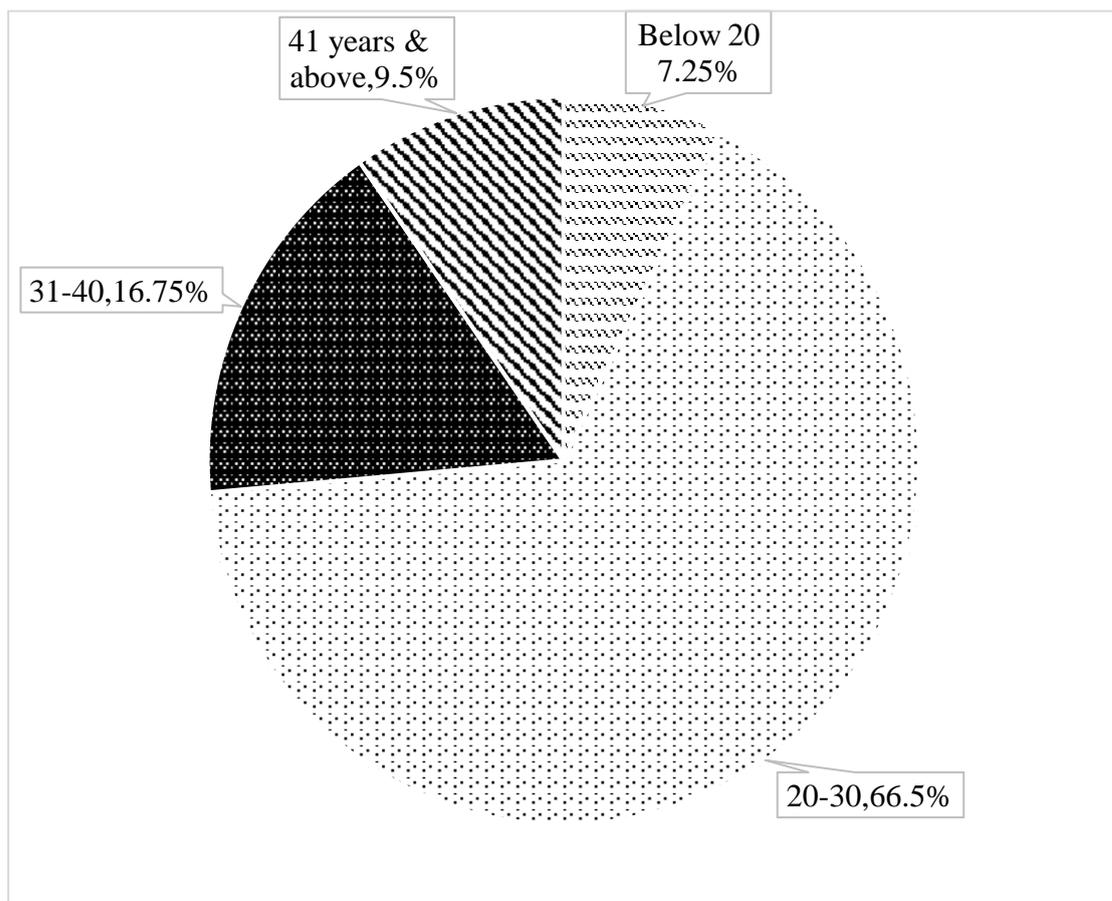


*Figure 2. The age of respondent*

*Note: SPSS results based on researcher's survey, 2022*

The above figure 2 displays the age wise segregation of the respondents. Where we can see that most of the respondents age between 20-30 years are users of the banking services, followed by respondents of age between 31-40 years. Respondents below the age of 20 years are least interested the services provided by the banks. 150 questionnaires were collected by visiting the banks. The banks' customers were requested to fill the questionnaire after they had received the desired services from their respective banks.250 questionnaires were obtained through google docs which were distributed in social media sites such as Facebook. Banks' customers especially in the age group of 20-30 years are highly active in social media. As a result, that 66.5% of the respondents belong to the age group of 20-30 years.

### 4.1.2. Education level of respondents

The academic qualification of the respondents was categorized into four groups i.e. 10+2, bachelor, masters, M.Phil./doctorate below. The classification of the respondents by academic qualification in terms of number and percent.

Table 4

*Education Level of the Respondents*

| Education Level | Frequency | Percent | Valid Percent | Cumulative % |
|---|---|---|---|---|
| 10+2 | 63 | 15.75 | 15.75 | 15.75 |
| Bachelors | 189 | 47.25 | 47.25 | 63 |
| Masters | 140 | 35 | 35 | 98 |
| Mphil/Doctorate | 8 | 2.0 | 2.0 | 100.0 |
| Total | 400 | 100.0 | 100.0 | |

*Note. SPSS results based on researcher's survey, 2022*

The above table 4 displays the educational qualification wise segregation of the respondents. A total of 63 respondents having 10+2 as their educational qualification, which comprises of 15.75% of total respondents. Numbers of respondents having Bachelor's degree as their educational qualification are 189 that comprises a total percentage of 47.25% of total respondents. Similarly, number of respondents having master's degree as their educational qualification are 140 with the percentage of 35% of the total respondents. Lastly number of respondents having PhD level as their educational qualification are only 8 with the percentage of 2% among the total

respondents.
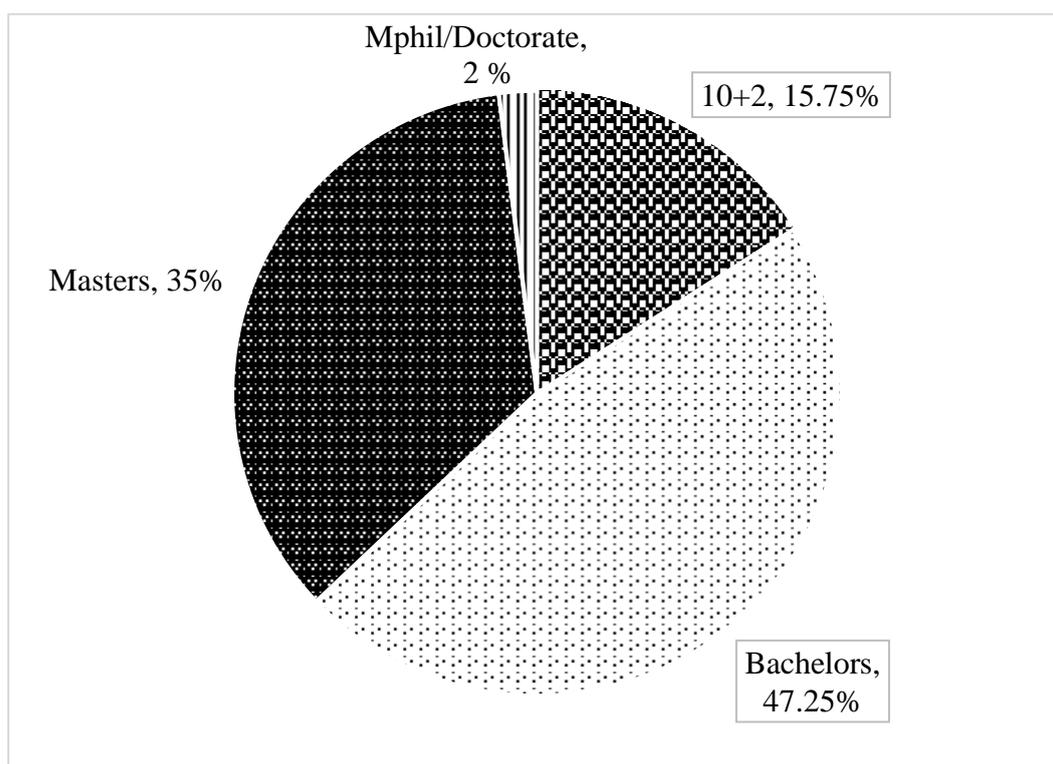


*Figure 3.  The education level of respondent*

*Note. SPSS results based on researcher's survey, 2022*

The above figure 3 displays the educational qualification wise segregation of the respondents. Most of the customers who are currently doing or have their bachelor degree are the main customers of banking sector. Followed by customers who have done their master's degree. This shows that most customers in the banking sector are highly literate and educated to understand the services provided in the banking sector of Nepal.

**4.1.3. Gender of the respondents**

Gender is an important variable in expressing and giving the responses about the problem. It is divided into three categories Male, Female and Others.

Table 5

*Gender of the Respondents*

|  | Frequency | Percent | Valid Percent | Cumulative % |
|---|---|---|---|---|
| Male | 240 | 60 | 60 | 60 |
| Female | 158 | 39.5 | 39.5 | 99.5 |

| Others | 2 | 0.5 | 0.5 | 100 |
| Total | 400 | 100 | 100 | |

*Note: SPSS results based on researcher's survey, 2022*

The above table 5 shows the frequency and percentage of different gender among survey respondents. Based on the results, 60% of the respondents are male whereas 39.5% are female and also 0.5% of the respondents falls under others category. Put differently, out of 400 target respondents 240 are male, 158 are female and 2 are others.
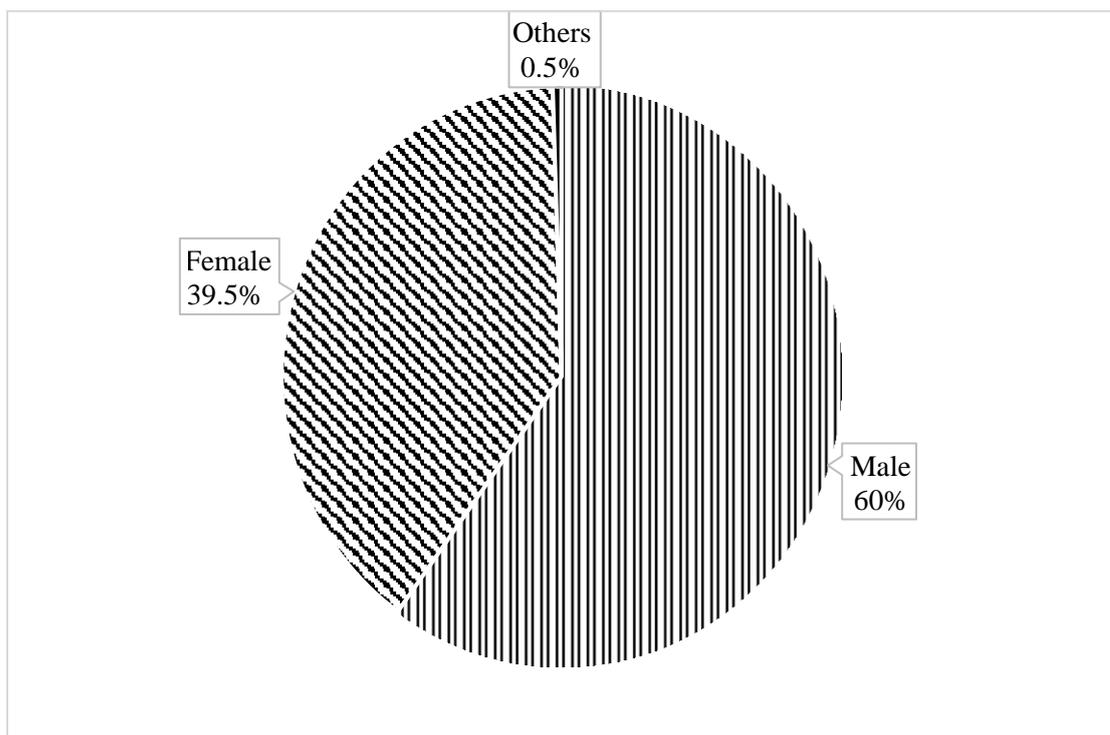


*Figure 4. The gender level of respondent*
*Note. SPSS results based on researcher's survey, 2022*

The above figure 4 displays that 60% male, 39.5% female and 0.5% others responded to the questionnaire. From the above figure researcher concluded that the sample is dominated by Male respondents, so we can say that males uses the banking services morefrequently compared to females.

**4.1.4. Correlation analysis**

Correlation analysis is a statistical approach used to determine the level of association between two variables to explain the direction of a variable if that of the original data

should change or remain unchanged. Thus, the degree of correlation indicated the direction of movement between the variable. Correlation enables the study to predict the effect of one variable on the direction of the other. It is worth pointing out that correlation does not suggest causality, rather, the direction of the change or movement. A strong or high correlation means two or more variables have a strong relationship with each other while a weak or low means that the variables are hardly related. The correlation has been computed and the result are presented in the table below:

Table 6

*Correlation Coefficient Matrix*

|  | CS | TAN | REL | RES | AS | EM |
|---|---|---|---|---|---|---|
| Customer Satisfaction (CS) | 1 |  |  |  |  |  |
| Tangibility (TAN) | .590** | 1 |  |  |  |  |
| Reliability (REL) | .734** | .634** | 1 |  |  |  |
| Responsiveness (RES) | .613** | .608** | .747** | 1 |  |  |
| Assurance (AS) | .577** | .465** | .608** | .634* | 1 |  |
| Empathy (EM) | .649** | .564** | .713** | .780** | .691** | 1 |

*\*\* Correlation is significant at the 0.01 level (2-tailed).\* Correlation is significant at the 0.05 level (2-tailed).*

*Note. SPSS results based on researcher's survey, 2022.*

In the above table 6 we can see the correlation between dependent variable Customer Satisfaction and independent variable being Tangibility, Reliability, Responsiveness, Assurance and Empathy. Here we can see that there is a positive relationship between "Tangibility" and "Customer Satisfaction ". From this we can infer that with the increase in tangibility, customer satisfaction also increases. Likewise, there is a positive relationship between "Reliability" and "Customer Satisfaction". It states that with the increase in reliability, customer satisfaction also increases. Similarly, "Responsiveness" and "Customer Satisfaction" also have positive relation with each other which also states that increase in responsiveness increases the customer satisfaction. Similarly, there is a positive relationship between "Assurance" and

"Customer Satisfaction". It states that with the increase in assurance, customer satisfaction also increases. Lastly "Empathy" and "Customer Satisfaction" also have positive significant relationship. It also states that with the increase in empathy, customer satisfaction also increases. Finally, we can infer that all the independent variables Tangibility, Reliability, Responsiveness, Assurance and Empathy have significant positive relationship to Customer Satisfaction in Nepalese development banks.

## 4.1.5. Regression analysis

Table 7

*Model Summary*

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .772[a] | .596 | .591 | .53271 |

*Note. SPSS results based on researcher's survey, 2022*

*Predictors: (Constant), empathy, tangibility, assurance, reliability, responsiveness.*

From table 7, it has been seen that R value is 0.772. Therefore, R value (0.772) for the overall service quality dimensions namely tangibility, reliability, responsiveness, assurance and empathy suggested that there are strong effects of these five independent variables on customer satisfaction. From the table 4.1.5, it can also have observed that the coefficient of determination that is, the R square ($R^2$) value is 0.591, which reveal that 59% variation of the dependent variable (average customer satisfaction) is due to the independent variable (service quality), which is strong explanatory power of regression. However, 39% of the variation in the dependent variable is due to influence of other variables not identified in the research.

Table 8

*ANOVA Test*

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 164.732 | 5 | 32.946 | 116.097 | .000 |
| | Residual | 111.811 | 394 | 0.284 | | |
| | Total | 276.542 | 399 | | | |

*Dependent Variable: Customer satisfaction. Predictors: (Constant), Empathy, Tangibility, Assurance, Reliability, Responsiveness.*

From table 8, it is identified that the value of p value is 0.000 and is significant as the level of significance is less than 0.05. This indicate that the model used by the present researcher is valid and fulfilled the requirement of the study. Here we can see statistically significant association between service quality dimension and customer satisfaction.

Table 9

*Regression Analysis*

| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 0.210** | 0.177 | | 1.188 | 0.236 |
| | Tangibility | 0.206** | 0.052 | 0.171 | 3.963 | 0.000 |
| | Reliability | 0.486** | 0.057 | 0.463 | 8.594 | 0.000 |
| | Responsiveness | -0.061** | 0.061 | -0.058 | -1.002 | 0.323 |
| | Assurance | 0.168** | 0.060 | 0.129 | 2.817 | 0.005 |
| | Empathy | 0.191** | 0.062 | 0.179 | 3.107 | 0.002 |

*Note - Dependent Variable: Customer Satisfaction.*
*The values in parentheses are p-value.*
*\*\*. Regression is significant at the 0.05 level (2-tailed).*

In the table 9, Unstandardized coefficients indicated how much the dependent variable varies with an independent variable, when all other independent variables are held constant. The beta coefficients indicated that how and to what extent SERVQUAL dimensions such as tangibility, reliability, responsiveness, assurance and empathy influence customer's satisfaction of a bank. It has been found that, tangibility (beta =.0.206, t=-3.963, p<0.05) has significant impact on customer's satisfaction. Similarly, empathy (beta =0.191, t=3.107, p<0.05), assurance (beta=0.168, t=2.817, p<0.05) and reliability (beta =0.486, t=8.594, p<0.05), also have significant effect on customers satisfaction of a bank. Thus, the regression model is:

Overall Customer Satisfaction = 0.210 + 0.206(TAN) + 0.486(REL) + 0.168(AS)

+ 0.191(EM)

We can see the p value that explains the acceptance and rejection of Alternative Hypothesis. Since the p value of H01, H02, H04 and H05 are concerned with variables like tangibility, reliability, assurance and empathy are less than 0.05 we come to conclusion to accept the alternative hypothesis that explain " tangibility, reliability, assurance and empathy has significant effect on customer satisfaction.". On contrary we can see H03 having p value 0.323 which is greater than 0.05. So, here we come to conclusion to accept the null hypothesis that states "responsiveness does not have significant effect on customer satisfaction".

## 4.2. Discussion

The present study was conducted to analyze the effects of service quality on customer satisfaction in Nepalese banking sector. The major reason to select banks was found to be bank's wide branch network and favorable location. More specifically the study focused to investigate the effects of service qualities factor on customer satisfaction in banking sector of Nepal. Here the independent variables taken were tangibility, reliability, responsiveness, assurance and empathy that are the components of service quality. The study reveals that the correlation coefficient between all the service quality variables (tangibility, responsiveness, reliability, empathy and assurance) and customer satisfaction is positively related. It means an increase in service quality variables will lead to an increase in customer satisfaction. The regression of service quality variables on customer satisfaction shows that relationship between service quality measured by tangibility, reliability, empathy and assurance with customer satisfaction is positive which indicates that higher the tangibility, reliability, ,empathy and assurance higher will be the customer satisfaction. Thus, service quality will help in satisfying customers banking needs and satisfied customer help in retaining the customer for longer period of time. This implies that all the hypothesis i.e. H01, H02, H04 and H05 are accepted.

The study found that tangibility has significant impact on customer's satisfaction This result is consistent with the findings of Anjalika & Priyanath (2018). The result showed significant impact on customers satisfaction. This result is consistent with the findings of Sokachaee & Moghaddam (2014). The result shows that assurance has significant impact on customers satisfaction. This result is consistent with the findings

of Selvakumar (2015) and Felix (2017). Similarly, the study found that reliability has significant impact on customers satisfaction. This result is consistent with the findings of Felix (2017). The result shows that responsiveness doesn't have significant relationship with customer satisfaction. This result contradicts with the findings of Ragavan & Mageh (2013) and Felix (2017).

The study concluded that the Overall Banking Customers' Satisfaction is dependent to the five dimensions of service quality (tangibility, responsiveness, empathy, assurance and reliability). These five dimensions have the greater predictability towards the customers' satisfaction in Nepalese commercial banks. Banks tangibility, reliability, responsiveness, assurance and empathy have positive and significant relationship with customer satisfaction. Henceforth, banks should focus on these variables in order to improve customer satisfaction. On the contrary,responsiveness of banking is found insignificant in determining customer satisfaction. Nevertheless, this variable should not be disregarded. Similarly the major problem faced by respondents from their respective banks are ATM services and employees behavior. If a bank focuses on improving its services and improves its service quality obviously the bank's customer's satisfaction will increase and customer retention or customer loyalty will increase and also customers flow will also increase and will improve the performance of that bank. Service quality is an essential aspects that satisfy customers.

# CHAPTER V

# SUMMARY AND CONCLUSION

In the final part of the report the present researcher has developed the four distinct section. The first section deals with the overall summary of the study carried out. Followed by second section is the discussion of the present study and the interpretation of its result to that of the previously carried research discussed in the review part of the study. Third section of the chapter consists of the conclusion of the study and finally the fourth section is all about the recommendation and limitations of the study.

## 5.1. Summary

The present study was conducted to know the effects of service quality on customer satisfaction in Nepalese banking sector. This would also help to infer the customer satisfaction in different stages to some extent.

This study was based on descriptive and causal comparative research designs. To analyze the impact on customer satisfaction from service quality dimensions, primary data were used and tested with correlation and regression analysis. For this Five-point Likert scale technique will be used for the sample survey and correlation and regression analysis were used in data analysis.

A total of 400 samples were taken. The data was collected using primary source where a set of questionnaires was prepared. First section of the questionnaire contained the personal information of the respondent whereas the second section contained the behavioral aspects of the banks service. Likert scale questions were used on the second section of the questionnaire. The data collected from the survey was later coded, analyzed, presented and integrated in order to produce the result or outcome of the research study.

From the correlation and regression analysis it was found that independent variables namely tangibility, reliability, assurance and empathy had positive significant relationship to the customer's satisfaction in Nepalese banking sector. However, responsiveness does not have significant effect on customer satisfaction. Thus, the alternative hypothesis H03 was rejected whereas the alternative hypothesis H01, H02, H04 and H05 were accepted. The summary of the findings are as follows.

- Maximum numbers of respondents is between 20-30 years, which is 66.5% of total percentage. 150 questionnaires were collected by visiting the banks. The banks' customers were requested to fill the questionnaire after they had received the desired services from their respective banks. 250 questionnaires were obtained through google docs which were distributed in social media sites such as Facebook. Banks' customers especially in the age group of 20-30 years are highly active in social media. As a result, findings showed that 66.5% of the respondents belonged to the age group of 20-30 years.

- Numbers of respondents is higher of Bachelor's degree as their educational qualification comprises a total percentage of 47.25% of total respondents.

- 60% of the respondents are male whereas 39.5% are female and also 0.5% of the respondents falls under others category.

- Correlation analysis shows that there is significant positive relationship between all the independent variables(tangibility, reliability, responsiveness, empathy, assurance) and dependent variable customer satisfaction.

- From regression model summary it has been found out that 59% of variation in the dependent variable customer satisfaction is due to the influence of independent.

- It has been found that tangibility (beta =.0.206, t=3.963, p<0.05) has significant impact on customer's satisfaction because its p value is less than 0.05. This result is consistent with the findings of Anjalika & Priyanath (2018).

- The result shows that empathy (beta =0.191, t=3.107, p<0.05), has significant impact on customers satisfaction because its p value is less than 0.05. This result is consistent with the findings of Sokachaee & Moghaddam (2014).

- The result shows that assurance (beta=0.168, t=2.817, p<0.05) has significant impact on customers satisfaction because its p value is less than 0.05. This result is consistent with the findings of Selvakumar (2015) and Felix (2017).

- It has been found that reliability (beta =0.486, t=8.594, p<0.05),) has significant impact on customers satisfaction because its p value is less than 0.05. This result is consistent with the findings of Felix (2017).

- The result shows that responsiveness (beta = -0.061, t= -1.002, p>0.05) doesn't have significant relationship with customer satisfaction because it p value is greater than0.05. This result contradicts with the findings of Ragavan & Mageh (2013) and Felix (2017).

**5.2. Conclusion**

As mentioned in earlier sections the research is conducted on the effects of service quality on customer satisfaction which took service quality as dependent variable with the sample size of 400 respondents. The result gives the insight on the customer satisfaction in banking sector used by customers of Kathmandu. Major objectives of this study were to find out customer satisfaction on service quality with courtesy to service quality dimensions. Therefore, research objectives were executed by connecting the determinations of service quality dimensions namely tangibility, reliability, responsiveness, assurance and empathy. By analyzing the effect of service quality on customer satisfaction of Nepalese banks, it is found out among five variables reliability has high score and bank should concentrate on responsiveness as, it has least score. This research is all based on quantitative data and has used descriptive statistics, regression and correlation analysis as the major analyses tools. The unit of analyses used was the gender of the respondents, age of the respondents and education level of the respondents.

This study showed that the combination of tangibility, reliability, responsiveness, assurance and empathy together have significant effect on customer satisfaction. Therefore, service quality has a positive impact on customer satisfaction. This indicate those variables played vital role for the success of banks. Thus, this study shows service quality is essential tool to satisfied customer. So, being a service industry, banks should focus in service quality to satisfy their customer in every dimensions of service quality.

**5.3. Research Implications**

The findings of this study embrace important practical implications for banks. In specific, every service organizations including banks should emphasis on its service quality to satisfy the customer. Customer satisfaction is the essential for consistent income from existing customer and attract new customer as well. For long term customer relationship and sustainable business banks should deliberate satisfying every customer. For this, banks should focus on improving the basic service quality. Hence providing continuous training to the employees on issues like courtesy, etiquette and communication skills while dealing with customers is of immense importance. In order to retain the existing customers and to improve service quality, the bank should continuously maintain error-free transactions, since bank accounts

and figures are very sensitive for each and every customer. The management needs to improve quality services so as to satisfy customer's needs. The bank needs to pay much attention on the customer complaints in order satisfy the customer's expectation. Individual attention should be given to customers in order to better understand their needs and better satisfy them. The management of the bank should regularly run research activities in order to keep a regular track of customer satisfaction level. Regular research should also be conducted to find out customer expectations about various service aspects. As customer expectations and satisfaction are not static figures, regular research at sufficient intervals should be conducted.

According to literature review and the results of this study there were some direction for future research. Further, research can be taken with others additional factor like communication, system quality, on the basis of these factor organizations can have better understanding to increase their customer. Furthermore, this research can improve by future researcher with applying different methods, sample and variables or changed research design for example comparative study. This study is conducted on banks only future researcher can conduct research on others sector like hospital, colleges/schools.

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# ANNEXURE

Annex 1

Dear respondents,

I am Anup Sthapit, a MBS student of People's Campus. As a partial fulfillment of the academic requirement of the university, I am conducting a research entitled "Effect of Service Quality on Customer Satisfaction in Nepalese Banking Industry" This research is performed to find out the relationship between service quality dimension and customer satisfaction in Nepalese banking industry.

For this, I request you to fill up the questionnaire below. All your answers will be maintained highly confidential and used for academic purpose only.

## Section A: Respondent's Profile

1. Age:
a. Below 20 years
b. 20 – 30 years
c. 31 – 40 years
d. 41 years and above

2. Gender:
a. Male
b. Female
c. Others

3. Education:
a. 10+2
b. Bachelors
c. Masters
d. MPhil/Doctorate

## Section-B

Please indicate your opinion by circling the appropriate number using the scale below:

| Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |

| S.No. | Statements | Level of Agreement | | | | |
|---|---|---|---|---|---|---|
| **4** | **Tangibility** | 1 | 2 | 3 | 4 | 5 |
| 4.1 | The bank has modern looking equipment. | | | | | |
| 4.2 | The physical facilities in the bank is visually appealing. | | | | | |
| 4.3 | Employees at the banks is neat appearing. | | | | | |
| 4.4 | Materials associated with the service (such as pamphlets or statements) is visually appealing at the bank. | | | | | |
| **5** | **Reliability** | 1 | 2 | 3 | 4 | 5 |
| 5.1 | When the bank promise to do something by a certain time, they do. | | | | | |
| 5.2 | When a customer has a problem, the bank shows a sincere interest in solving it. | | | | | |
| 5.3 | The bank performs the service right at the first time. | | | | | |
| 5.4 | The bank delivers the service as promised to the customers within a given time. | | | | | |
| 5.5 | The bank provides secure and accurate service to customers. | | | | | |
| **6** | **Responsiveness** | 1 | 2 | 3 | 4 | 5 |
| 6.1 | Employees in the bank tell you exactly when services will be performed. | | | | | |
| 6.2 | Employees in the bank give prompt service. | | | | | |
| 6.3 | Employees in the bank are always willing to help you. | | | | | |
| 6.4 | Employees in the bank are never too busy to respond to your request. | | | | | |

| 7 | **Assurance** | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| 7.1 | You feel safe in your transactions with the bank. | | | | | |
| 7.2 | Bank employee's behavior will increase customers confidents and trust in quality services | | | | | |
| 7.3 | Bank employees will be regularly courteous with customer queries. | | | | | |
| 7.4 | Bank employees have a knowledge to answer your question. | | | | | |
| 8 | **Empathy** | 1 | 2 | 3 | 4 | 5 |
| 8.1 | The bank has operating hours convenient to all its customers. | | | | | |
| 8.2 | The bank has employees who give personal attention. | | | | | |
| 8.3 | Bank employees have the enthusiasm to understand the customer specific needs. | | | | | |
| 8.4 | Bank employees consider customer needs in the first place. | | | | | |
| 9 | **Customer Satisfaction** | 1 | 2 | 3 | 4 | 5 |
| 9.1 | I would recommend others to open account in this bank. | | | | | |
| 9.2 | I will continue to use this bank services. | | | | | |
| 9.3 | I speak positive things about my bank to other people. | | | | | |
| 9.4 | I am very satisfied with the services offered by this bank. | | | | | |

Thank you for spending your precious time on filling this questionnaire.

Annex 2

*Result of hypotheses test*

| SN | Hypothesis | P Value | Remark |
|---|---|---|---|
| $H_{01}$ | Tangibility has significant effect oncustomer satisfaction. | 0.000 | Accept Alternative Hypothesis |
| $H_{02}$ | Reliability has significant effect oncustomer satisfaction. | 0.000 | Accept Alternative Hypothesis |
| $H_{03}$ | Responsiveness has significant effect oncustomer satisfaction. | 0.323 | Reject Alternative Hypothesis |
| $H_{04}$ | Assurance has significant effect on customer satisfaction. | 0.005 | Accept Alternative Hypothesis |
| $H_{05}$ | Empathy has significant effect on customer satisfaction. | 0.002 | Accept Alternative Hypothesis |