Service Profit Chain in Nepalese Commercial Banks

A Thesis

Submitted to

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Faculty of Management

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For the Degree of

DOCTOR OF PHILOSOPHY

By

Santosh Gyawali

Kathmandu, Nepal

September, 2019

DECLARATION

I hereby affirm that the present study entitled **“Service Profit Chain in Nepalese Commercial Banks”** submitted to the Office of the Dean, Faculty of Management, Tribhuvan University, is my innovative research work carried out considering the validity of SPC on Nepalese commercial banks for the degree of Doctor of Philosophy (Ph.D.) under the rigorous supervision of Professor Dr. Dev Raj Adhikari and Professor Dr. Mahananda Chalise. The literatures reviewed in course of my research period have been cited in respective places and I am indebted to early authors. This Study has not been submitted completely or partly elsewhere for any other degree.

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Santosh Gyawali

Ph. D. Candidate

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RECOMMENDATION

This is to certify that the dissertation submitted by Mr. Santosh Gyawali entitled **" Service Profit Chain in Nepalese Commercial Banks"** has been prepared as per the format prescribed and approved by the Faculty of Management, Tribhuvan University for the degree of Doctor of Philosophy. This dissertation is the candidate's original research work. This dissertation has been completed under our supervision and guidance. We are satisfied with the languages and substance of this dissertation submitted to Faculty of Management.

To the best of our knowledge, the candidate has fulfilled all the requirements of Doctor of Philosophy (Ph.D.) degree, Faculty of Management, Tribhuvan University. We, therefore, recommend that this dissertation be considered and approved for the award of Ph.D. degree.

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VIVA-VOCE SHEET

We have conducted the viva-voce examination of the dissertation submitted by

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Entitled

“Service Profit Chain in Nepalese Commercial Banks”

and found the dissertation to be original work of the candidate, as per the format prescribed by the Faculty of Management, Tribhuvan University. We recommend the dissertation to be accepted in fulfillment of requirements for the degree of Doctor of Philosophy (Ph.D.) in Management.

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Abbreviations

ACSI	American Customer Satisfaction Index
AVE	Average Variance Extracted
CAR	Capital Adequacy Ratio
CAR	Cumulative Abnormal Earnings
CDR	Credit to Deposit Ratio
CFA	Confirmatory Factor Analysis
CPSQ	Customer Perceived Service Quality
CPV	Customer Perceived Value
CR	Composite Reliability
CRM	Customer Relationships Management
CS	Customer Satisfaction
C–SQ–P	Capabilities–Service Quality–Performance
CSR	Corporate Social Responsibility
CV	Customers Value
DEA	Data Envelopment Analysis
DMU	Decision Making Units
ES	Employee Satisfaction
GD	Growth in Deposit
GDP	Gross Domestic Product
HNWI	High Net Worth Individuals
HRM	Human Resources Management
IETTL	Interest Expenses to Total Loan
LDR	Loans to Deposits Ratio
ME	Management Efficiency
MI	Modification Indices

MVA	Market Value Added
NIM	Net Interest Margin
NPL	Non Performing Loan
NPM	Net Profit Margin
NRB	Nepal Rastra Bank
OCB	Organizational Citizenship Behaviors
OM	Operations Management
PM	Profit margin
ROA	Return on Assets
ROE	Return on Equity
ROI	Return on Investment
ROQ	Return on Quality
ROS	Return on Sales
SCSB	Swedish Customer Satisfaction Barometer
SEM	Structural Equation Model
SERVPERF	Service Performance
SERVQUAL	Service Quality
SPC	Service Profit Chain
SV	Service Value
WOM	Word-of- mouth
WOM	Word-of- mouth
WTO	World Trade Organization

CHAPTER ONE

INTRODUCTION

1.1 General Background

The declaration of market economy in Nepal after the restoration of democracy remarkable alteration has been viewed in service sectors. Nepalese service sector has produced great employment opportunities so increased income level as well as made changes on consumption habits and liberalization accordingly create the competitive background in similar sphere. Financial institution works as catalyst to accomplish sustainable economic development by providing efficient monetary intermediation. Levin (1997) has documented that significance of financial system to trim down the transaction costs participates significant role in ascertaining rate of savings, venture verdict, technological advancements similarly in economic growth. Especially, the expansion of the private along with public banking industries by means of customized services has made severe competition in the sector and such intense competition has caused wider service gap as private banks offers superior services to internal and outside clients. Such an environment has compelled the bank policy makers to create inner impulse to recognize basic reasons of job satisfaction and the customer satisfaction issues.

Gajurel and Pradhan (2012) advocate, commercial banks in Nepal have always been working in the direction of technological advancement for efficient functioning but they are confronting rising competition caused by globalization of financial systems. In extremely competitive service market like banks, service offering or the service quality has become central factor for reaching a sustainable competitive advantage. Clients are expected to observe services as variety of features that may lead the purchase intentions as well as their service quality perception. Service value is viewed as one of tactical organizational weapon similarly the pushing need for building up robust and healthy service organizations. The rationale of conducting study about service quality and customer satisfaction signifies great meaning in favor of survival and maintaining of profit margin. If managers be familiar with important aspects of customer satisfaction, they could simply control and improve particular features in furthering service deliverance.

As customer service within banking industry has become almost similar, the switching cost of customers has become minimal and inexpensive; hence the competitiveness within industry has seen to be extra challenging. In intense competition, the service organization or the bank that holds leading customer foundation as well as highest customer withholding rate could be market leader (Khong & Richardson, 2002). The customer relationships management (CRM) practices of banks could amplify the income from the customer. For the assurance of success and accomplishment in aggressive market, banks are obliged to compete in rigorous manner using the instrument of competitive advantages for differentiating their services and superiority in quality customer services could be an instrument to acquire the competitive advantages. The service quality of bank is compiled appraisal of services proposed in favor of external client and clients are viewed as autonomous individuals having diverse requirements and from that basis the services would offer. This insists the banks to cautiously select creative and genius employees with high caliber and qualifications.

Heskett, Jones, Loveman, Sasser and Schlesinger (1994) have defined SPC (Service Profit Chain) as structural bond that link service operations, employees' evaluations as well as customers' appraisal with firms' profitability. They further presented the framework and put forwarded hypothesis that revenues were determined by perceptions of service quality which were affected by operational inputs as well as employees' efforts. SPC advocates, contented and loyal employees yield satisfied customers similarly the satisfied and pleased customers have tendency of purchasing extra that ultimately results in increasing revenue or profits of organization. Thus, SPC is structure which connects service operations with customers' assessments and connecting customers' assessments of service delivery with organizations' bottom line profitability. Basic purpose of SPC is presenting a compiled framework to perceive how organizations' operational investment on service quality is coupled to customers' perception and so the behavior, furthermore how those finally transformed in profits.

Service Profit Chain analysis enables the company to foster a customer-oriented work climate with common objectives. In service-offering companies the employees' behavior guaranteed the quality being delivered to the client. Delighted employee is further likely to run extra mile on the way to help the clients, similarly when employees experience appreciation and empowerment they will show willingness to assure conformity with higher service standards. Moreover, it is well documented that discontented employees are less creative and productive and contribute less that may results higher employee turnover in a company. Large number of research in the field of OM (operations management) has been executed to examine operational practices for improving organizational effectiveness (Deming, 1986; Stank, Goldsby & Vickery, 1999; Li, Humphreys, Yeung & Cheng, 2007; Wang, Ng, Cheng & Liu, 2008). Alternatively, human resources management (HRM) related researchers have emphasized to discover linkage between suitable human resources (HR) exercise as well as the efficacy of the firm (Youndt, Snell, Dean & Lepak, 1996; Batt, 2002; Koys, 2001). Conversely, the study to scrutinize interface of OM with HRM has been limited (Boudreau, Hopp, Mc Claim & Thomas, 2003). Heskett et al. (1994), as pioneer in this topic proposed a SPC (service-profit chain) model for service organizations which amalgamates HRM and OB (organizational behavior) for organizational betterment.

Corporate houses or business organizations, mostly, do not prefer the instant profit but to perform in sustainable way so as to survive and maintain their competitive position. Organizations should judge their market from competitive view-point to make sensible investment decisions over the operational qualities to convince their current and potential customers. So, evaluating the features of service which translate customer to happy customer, similarly motivating the customers to pull back to same organization is pertinent problem from service marketing perspective. It is important because repeated business really increases organizations' sales and so increase profitability. Service Profit Chain analysis has established the causal association that illustrates how employees' attitudes influence customers' perceptions about the organization, how employees are responsible to develop satisfying customers as well as how loyal customers could increase organizations' profitability (Haskett et al., 1994). From service manager perspective, what motivates the employees and how the managers could build stronger commitment in order to amplify customer satisfaction are key issues which ought to be addressed.

Grove and Fisk (2001) delineate the service industry's service performance with theatre activities; they assume actors as employees who serve customers, furthermore the audience as customers who feel the presentation. Live actors convey their characters with audience via their personal appearance and by their behavioral approach. Lovelock and Wirtz (2004) further argue, in most of service industries the employees and customers perform as dominant actors and could be compared as the presentation in theater. Additionally, Zeithaml and Bitner (2003) generalize, as the actors' pledges over their parts have solid influence on viewers' perception of performance in the same way employees' loyalty guide environment of customer satisfaction. Concurrently, the audiences' feedbacks to the performance have influence in the role acting of players, the customers' response and comments influence employees' way of doing as well. Actors, actresses and spectators continually share meaning to one another as service offering employees and the customers influence one another by their consistent contact inside the service organization.

Heskett, Sasser and Schelesinger (1997, p. 11) demarcate SPC as "Involving direct and strong relationships between profit; growth; customer loyalty; customer satisfaction; the value of goods and services delivered to customers; and employee capability, satisfaction, loyalty and productivity". Authors suggest SPC as basis of making organizational strategies and they further advise if service profit chain notions are vigilantly translated and adjusted to organization's exclusive circumstances, organizations would proficient on bringing of incredible results. In favor to this notion, Gelade & Ivery (2003) argue disgruntled employees are expected to go away and could degrade the degree of client satisfaction. Similarly, workplace confident employees radiate encouraging influence in performing their work and these desirable emotions are realized by customers, consequently they experience pleasant services.

Organizations require profit, market coverage, retaining of loyal clients, sales maximization etcetera, the service focused industries or manufacturing industry needs to devote a good deal of value to superiority of product. Considering service industry, better customer service is crucial for developing customer loyalty. It is expected higher quality products could breed superior customer loyalty as well as better market access. Service-profit chain represented by Heskett and colleagues (1994) have distinct assumption about profitability and they suppose the earnings drawn from customer satisfaction and dedication are actually secured from customer's wise judgment of value received as well as from the employees’ caliber, productivity, contentment and their loyalty. The customers sense of worth or value is an equation computed regarding the results of perceived service quality and perceived worth of how those have been conveyed.

Offering employees the better internal working atmosphere is about to produce happy employees and are likely to be loyal with organization similarly capable to provide outstanding services to customers. Customers of service firm identify and value the outstanding service provided to them, eventually they demonstrate loyal behaviors like continual purchasing similarly share word of mouth to increase referrals. In service firm, these loyal actions produce increment on market share as well as in profitability (Heskett et al., 1994, 1997). The SPC (service profit chain) permits manager imagining the causal link of operational investments programs focused to enhance employee job satisfaction with business output. Academic research studies of SPC found overlapped with research in HRM (human resource management), OB (organizational behavior), and the marketing. Preliminary element of SPC chain deals principally with HR (human resource) issues and it guides the organizations to give attention over HR issues like recruitment, selection and training of employees that ensure high level of services delivery from employees’ side. These activities generate superior levels of employee job satisfaction that in sequence lead superior employee loyalty (Schlesinger & Heskett, 1991).

Researchers in organizational behavior such as Lau (2000), Koys (2001) and Batt (2002) have spent considerable effort looking the relationship of employee job satisfaction with loyalty and effects to firms’ performance. Alternatively, large numbers of researches in marketing are to be connected with analyzing links of customer satisfaction as well as their loyalty and the business output (Stank, Goldsby & Vickery, 1999; Yeung & Ennew, 2000; Yeung, Lee & Ennew, 2002). At recent time, researchers have paid growing attention to topic that bridges the gap between employee commitment and client commitment. Significant numbers of research advocate the employee loyalty has become requirement for harvesting the advantages of customers’ loyalty and firms' performance (Heskett et al., 1997; Reichheld, 2001).

Service related researcher or even SPC concern researchers have great aspiration of getting remarkable break in academic literature on service management. Loveman (1998), Silvestro and Cross (2000) similarly Kamakura, Mittal, De Rosa and Mazzon (2002) defined SPC as its pervasive role regarding management exercise and they verified with examples of Taco Bell, Southwest Airlines. The interdisciplinary nature of SPC framework includes content from operations (service) management, human resource theory, organizational behavior, marketing as well as personnel psychology and so the less number of empirical studies may have found. The challenging environment create through globalization, rival financial institutions as well as volatile market dynamics oppose commercial banks continually such that they seek fresh approaches of value addition in favor of their services. Taking into account of difficult environment, the query of better performance is laid on apex on mentality of managers and policy makers and so remarkable research attempts have tried to deal with this question. Kamakura et al. (2002) recognized the gap of isolation in the linkage of SPC and tackled with broad and huge study of SPC on Brazilian national bank, employing data envelopment analysis as well as SEM (structural-equation modelling). Various links in SPC tested by Loveman (1998) in US retail bank established positive correlations between internal service quality, ES (employee job satisfaction) and loyalty, CS (customer satisfaction) and loyalty as well as the revenue growth. In similar way, Silvestro and Cross (2000) tried to relate SPC model with UK superstores chain and confirmed the positive linkages of productivity with output quality, via customer measures of service value, similarly customers' satisfaction and their loyalty with the profitability.

More specifically, none of these research studies generated data that confirm all the link in SPC as well as none of validation of satisfaction mirror effect. These works were characterized with methodological limitations for example Loveman (1998) considered just a subset of SPC framework but ignoring measures of employee capability, productivity, output quality, service value and profit, even as research of Silvestro and Cross (2000) simply considered the small sample size of particular organization to observe the validity of SPC. These incidents lead the conclusion of inadequate empirical confirmation supporting all the links in SPC. Postulating SPC as management tool, it has caught substantial consideration of western academia and practitioners. Withal, the SPC agenda has not stimulated immense interest of Nepalese research scholars. Majority of business organizations have used the strategy of customer satisfaction without knowing its precise consequences on financial output, and even they have no behavioral remedies how to retrieve at the condition of decreased profit. The SPC (service profit chain) incorporates answers of above problems.

Studies of service marketing mostly spotlight the service quality then evaluate weight of service quality over the different concepts like customer satisfaction and loyalty, repurchase intention but complete causal chain effects regarding financial aspect is hardly ever examined. High contact service industry like private banks (Lassar, Manolis & Winsor, 2000) similarly the banking services having high net worth individuals (HNWI) have attracted the attention of academic circles regarding chain effect of SPC focusing the profitability. Chase (1981) defines the private banks as real service industry and there services are carried out exclusively in presence of existing customer and so private banks have been centre of attention for analyzing effects of service quality over several dimensions. Some of academic research is not fully convinced with the links of conventional SPC; however some of research studies describe either have small effects or have no significant effect over ultimate outcome of SPC for example the research work of Brown and Chin (2004), Brown and Mitchell (1993), Herrington and Lomax (1999), and Szymanski and Henard (2001). So, in spite of prevalent attractiveness as well as attention in service profit chain, supplementary research is required for the authentication of framework.

Better satisfaction of customers has encouraging effects on loyalty of customers considering the intentions to switch as well as acceptance of price change and hence the customer loyalty make changes on profitability. Customer satisfaction is affected by employee delivered service quality. Whether this construct would be implemented in other sectors like manufacturing, insurance? After deducing the concept, the attitudinal aspect would be greatly focused by employers which enhance the commitment as well as the citizenship attitude of employees and customers that ultimately raise the profitability. Human aspect would expect to be heightened by the managers.

In most recent years, importance of the human resources and operational performance has been noticed and focused by promising researchers like Roth and Jackson (1995) and they exposed the organizational knowledge existing with the employees has been primary antecedents of better service quality and stimulating factor regarding market performance. Hays and Hill (2006) exhibited the serving systems with well motivated employees could be responsible for enhancing the position of quality of service provided, customer satisfaction and customers' commitment. Researchers such as Jacobson and Aaker (1993), Mizik and Jacobson (2007) argue the fact that the managers have a tendency to increase current net income by cutting expenditures even ignoring the long-term gain. Such behavior (specific to say the myopic management) could mostly applicable for marketers since the marketing over and over again involve expenditures (investment in customers as well as to employees) that ultimately pay off in future. Likewise, the survey conducted by Graham, Harvey and Rajgopal (2005) found for the acquisition of short-range goals, most (80%) of business executives could lessen the expenditure over marketing activities. The SPC is the philosophy opposed to myopic management that concentrates over internal as well as external service quality which ultimately focuses to economic outcomes. Indeed, if the relations in service profit chain confirm to be genuine, long-standing success of organization would be ensured. Hence the SPC links should be explored in Nepalese context because most of service sector business even exercised the myopic management practices.

Although service profit chain analysis of service sector has been a popular research of operation management in developed countries however scarce in Nepal because of lack of relevant data, research institutes and lack of corporate culture to preserve the pertinent information about employees and customers attitudinal aspects. The objective of present study is to investigate service profit chain in Nepalese commercial banks. Whether the major theoretical framework is based on Hasket et al. (1994), independent variable employee job satisfaction component is based on Spector (1985) and customer satisfaction dimension is based on Parasuraman, Zeithml and Berry (1990). The antecedents of profitability consider the attitudinal aspects not the monetary (financial measures) dimension. The dependent variable, profitability would be assessed by ROA (return on assets) and ROE (return on equity).

1.2 Problem Statement and Research Questions

Banks deliver services regarding the financial matters; however competition and the intention of acquiring competitive advantage compel its action extending day by day. Nepalese commercial banks have been working assuring the technological advances for efficient banking functions and in parallel they are facing growing competition of globalization of financial systems. As like other developing countries, it is assumed to be major financial institutional system in Nepal. Despite the significant technological changes and growth of commercial banks in terms of number and size, there are no previous studies that incorporate the attitudinal variables which could be the determinants of profitability. Haskett, Jones, Loveman, Sasser and Schlesinger (1994) have put forwarded there exists causal as well as order relations of employee job satisfaction, employee loyalty, service quality, customer satisfaction, customers' loyalty with firm performance in SPC framework. They further argue implementing scientific investigation incorporating all the variables of SPC could represent good research in scientific research arena but abandoning the variables in order or assuming the variable as constant may produce the confusing results. So, examining SPC by dividing the framework in a number of parts may be unsuitable. Authors such as Silvestro and Cross (2000) condemned this model as lack of empirical support that necessitates the data of all possible links and hence the model is unverified.

Early of 1990s, nearly all business firms focused their business activities in way of enhancing service quality; nowadays it is focused on connecting service quality with real business outcomes like profitability and employee retention (Rust, Zahorik & Keinningham, 1995). For this reason strategic focus of business organization has been on exploiting profit through concentrating operational resources toward service quality. In Nepal, even though organizations invest their revenue over employee job satisfaction or customer satisfaction but have not concerned their focus on the amount of profits generated by these antecedents and it is to be explored.

Soteriou and Zenios (1999) mentioned the lack of research studies that comprehensively test the SPC model similarly more empirical study isolated the entire linkage of service profit chain. Large number of researches have tested the link of performance perceptions with service quality such as Parasuraman, Zeithaml and

Berry (1988), link of service quality perceptions with customer behaviors such as Bolton (1998) as well as customer behaviors with profitability such as Carr (1999) but these research investigated each of the links independently, paying no attention to critical gaps of SPC framework. Going through SPC is quite difficult to most of service firms however large efforts have been attempted to model different aspects of service profit chain. Nonetheless, there is lacking of the approach that comprehensive (entirely) test all the links of SPC, most of studies have solely focused to separate links of SPC. The SPC requires the approaches which merge the data of operational inputs, employee satisfaction and loyalty, customer perceptions and loyalty as well as financial outcomes. SPC should provide suggestions and guidelines to the firm in different facets with complete diagnosis and comprehensive assessment. Most of researches studies of SPC offer important insight regarding diverse aspects of service performance but these mostly deal with partial investigation of SPC model and merely of them assess each of the links in single industry. So far, the fundamental nature of Haskett, Jones, Loveman, Sasser and Schlesinger (1994) conceptualization is that business performance of any service organization can also be modeled in SPC.

Earlier research studies in relation to link between employees and customers have found diverse, such as Chi and Gursoy (2009) examined relationship of employee job satisfaction, customer satisfaction, and financial performance, Bouranta, Chitris and Paravantis (2009)performed research study concerning relationship of internal service quality with external service qualities, Gelade and Young (2005) implemented SPC framework in retail banking sector, while the links of organizational resources and work engagement with employee performance and customer loyalty was tested by Salanova, Agut and Peiro (2005). Similarly satisfaction mirror of SPC model considering relationship of employee job satisfaction, customer loyalty, and financial performance of retail banks was checked by Silvestro and Cross (2000). Significance of the SPC model has been accepted in many of fields; on the other hand, empirical studies which try to elucidate causal relationship of customers and employees normally fall short in doing research because of complexity in correctly assessing and analyzing of information. In most instances such as Salanova et al. (2005), Gelade and Young (2005), Chi and Gursoy (2009) and Bouranta et al. (2009) merely the part of SPC has been investigated. Additionally, the importance of SPC model has been tested in several industries of business in several countries, but till the date the given model has not been examined to Nepalese Banking or any other organizational history of Nepal. The Nepalese Banking industry has grown rapidly in current years similarly the industry has encountered severe competition, which demands the effective transformation of service management paradigm that is realizing the thrust of SPC.

The ever changing desires of customers have nearby relations with the banks' capability of continuation, survival as well as ability to transform them with changing scenario. Thus, the organizations boost their potency through activating their services in changed direction. Under the financial and other resource constraints, the customer expectations should be correctly understood and assessed from their perspective, and value addition in service quality should be made. Better service delivery and differences in service is essence of service industries so, Mohamed and Shirley (2009) stressed to develop the caliber of providing services. Gibson (2005) supports, satisfied customers are expected to grow to be trusty patrons similarly they likely to communicate positive words in favor of the organization. Realizing the causes that shape customer satisfaction makes easy the managers to plan and serve service offers which match to the market needs. Further, he stresses on importance of understanding the factors that manipulate customer satisfaction to generate better service delivery, and advocates that satisfied customers turn into repeat purchaser of product and service similarly responsible for presenting positive word of mouth. The SPC offers integrative structure to understand how the firm's operational investment over the service operations is connected to customers' perception as well as their behaviors, similarly how these transform to profits. So, business firms could be benefited by analysis of SPC because it offers the clear picture of the association among operational investments, customer perceptions and the profit.

Loveman (1998) concentrated the research study over particular SPC linkage investigating six key relations utilizing data of single large bank. He discovered, each of hypothesized links supports the correlations however the issues of causality could not be addressed. Further, he speculates that "Future research will employ more sophisticated mitigation methods to improve tests of the service-profit chain model and better discriminate among competing explanations for equivocal results" (p.11). This logic stimulates me to perform the research over SPC with utilization of sophisticated statistical tool Structural Equation Modelling in Nepalese Banking showground.

Kamakura et al. (2002) advocate the methodological justification in their research "Assessing the Service Profit Chain" as, analysis of SPC employing the structural equation model have recognized significant conceptual relationships and carefully communicate the linkage of SPC of related bank. Among several attribute-level perceptions, they found the ability of bank of identifying key determinants of behavioral intentions. Likewise, considering different types of behavioral metrics, bank enabled to discover the behaviors significant to profitability. The given rationales opens up the new insight for the novel research in related fields and so initiate to carry out SPC analysis over Nepalese Commercial Banks.

In general, commercial banks in Nepal enjoy profit for couple of decades (NRB, banking and financial statistics 2017), however the role of attitudinal or behavioral variables over the profitability has not explored till the date. Whether the SPC framework, recommend by Heskett and colleagues (1994), exists in banking industry of Nepal, is main issue of the research. Simply, do employees' job satisfaction and their loyalty essentially produce customers' satisfaction, and are customer satisfaction and customers' loyalty drivers of business profitability? These issues induce the researcher to perform the scientific investigation over the constructs of service profit chain (SPC) considering sample of commercial banks.

The research has following research questions.

1- Whether employees' job satisfaction generates employee loyalty?
2- Do employees' loyalties enhance their service commitment?
3- What is the relationship between employee job satisfaction and customers' satisfaction?
4- What is the position of employee service commitment on service quality delivered by the employees?
5- Does customer satisfaction make certain the customer loyalty?
6- What is the role of customer loyalty on profitability of banks?

1.3 Objectives of the Study

In Nepalese economy, banking sector has become most emerging and is considered as the vital which has significant contribution over the National GDP like other service sectors. Banking sector is laid at the core level of the service sector business. Banks accept deposits, support payment system and provide the large source of funds to market. The understanding of SPC and its components could result to boost up banking performance and to acquire competitive advantages. The study draws attention to association of different links of service profit chain regarding Nepalese private commercial banks.

The following research has tried to explore the existence of SPC framework on Nepalese banking sector. The primary purpose of study is identifying positive relationship between employee job satisfaction and customer satisfaction and to witness whether effect on profitability is positive? However, the relationship of customer satisfaction with ROA/ROE is tested in exploratory sense because ROA/ROE are highly influenced by other financial/monetary matters rather than attitudinal factors.

Specifically the research objectives are as follows

1. to identify the relationship between employees' job satisfaction and employees loyalty in Nepalese commercial banks .
2. to identify the relationship between employee loyalty and employees service commitment in Nepalese commercial banks.
3. to measure the relationship between employee job satisfaction and customer satisfaction in Nepalese commercial banks.
4. to measure the relationship between employees service commitment and service quality delivered by the employees in Nepalese commercial banks.
5. to measure the relationship of customer satisfaction and customer loyalty in Nepalese commercial banks.
6. to explore the relationship of customer loyalty to ROA/ROE in Nepalese commercial banks.

1.4 Theoretical Framework and Hypotheses

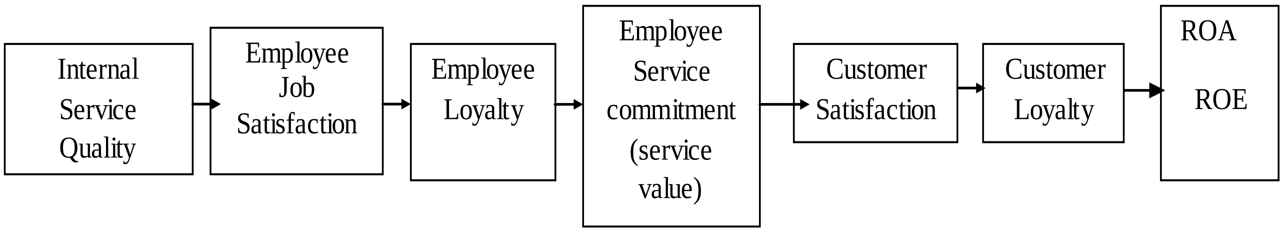
Theoretical framework confers relationship of the variables which are supposed to be essential to dynamic situation being explored. It is conceptual model that theorize how one variable makes logical relationships with several variables that have been identified.

Most promising model, service profit chain (Haskett, Jones, Loveman, Sasser and Schlesinger., 1994, 1997), is employed for empirically testing the linkages of separate building blocks of SPC (employee satisfaction and customer satisfaction) similarly relationship of these blocks, considering Nepalese private commercial banks. The research study has ultimate aim to get back up for positive relationship of employee job satisfaction with customer satisfaction similarly to observe whether the effect on profitability is positive. The SPC mode presents an integrative structure that specifies how employee related variables would concern to customer related variables regarding service quality perception and how these variables finally convert to profits.

Analyzing the information regarding customer satisfaction, the researcher would use the SERVPERF model statements developed by Cronin and Taylor (1992) and initiated through Parasuraman et al. (1990). The SERVPERF model is concerns to differences of expected and perceived service quality, similarly covers five different gaps (reliability, tangibles, assurance, responsiveness and empathy) which can occur in service business. In total, 22 items are employed to portray five determinants; similarly the respondents are requested to rate what they perceived the service.

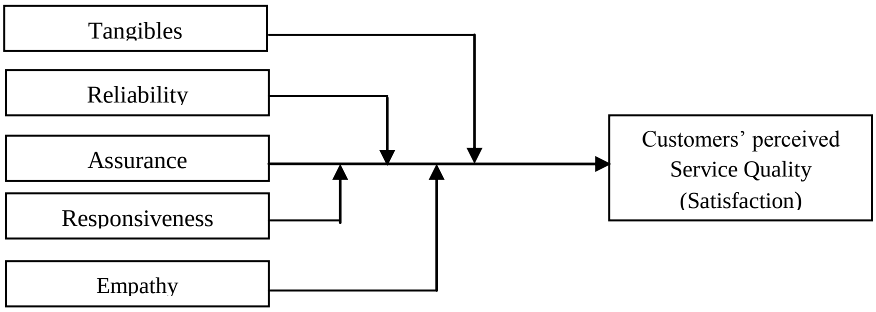
The measure used in the following research regarding employees' job satisfaction would be adopted from Spector (1985). The measure has 24 items to describe six job facets promotion, pay, supervision, work nature, coworkers and communication. In Blau (1999), the coefficient alpha of given measure was 0.89. Furthermore, Spector (1997) found these six job facets were all positively inter-correlated. The profitability of the banks would be calculated by ROA (Return on Assets) and the ROE (Return on Equity). ROA and ROE as measures of financial performance were used by Angle, Nagarajan, Sonnenfeld and Srinivasan (2006).

Figure 1.1. Service Profit Chain Model



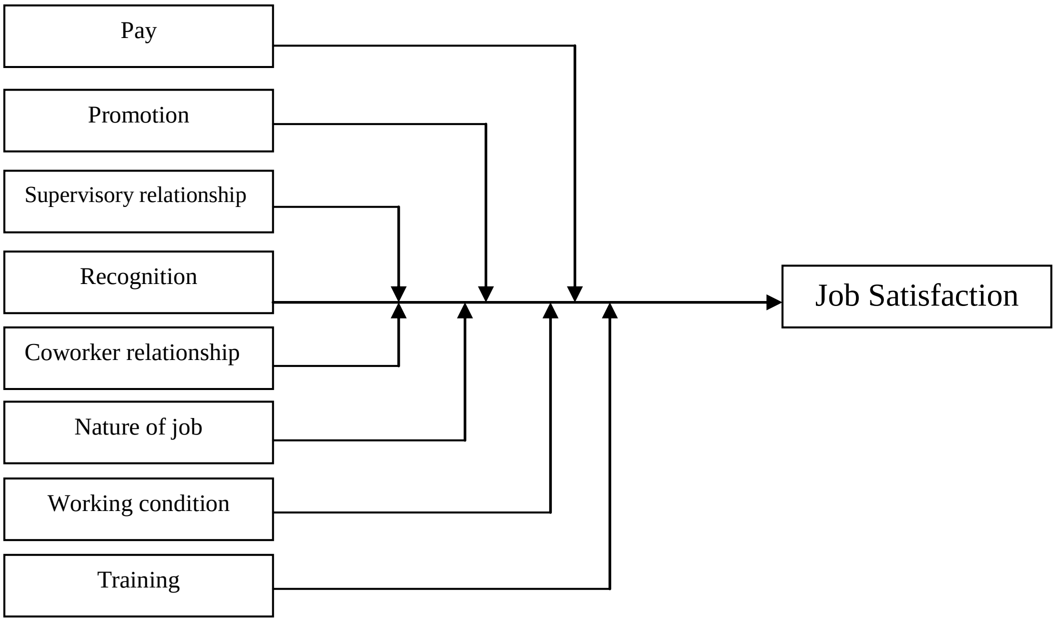
Adapted from "Putting the service profit chain to work" by J. L. Heskett, T. O. Jones, G. W. Loveman, W. E. Sasser and L. A. Schlesinger,1994, *Harvard Business Review*, 72(2), 164-174.

Figure 1.2. SERVPERF Model



Adapted from "Measuring service quality: A reexamination and extension" by J. J. Jr. Cronin and S. A. Taylor, 1992, Journal of marketing, 56(3), 55-68.

Figure 1.3 Employees' job satisfaction



Adapted from "Measurement of human service staff satisfaction: Development of the job satisfaction survey "by P. E. Spector, 1985, *American Journal of Community Psychology*, 13(6), 693-713.

Definition of Variables:

Internal Service Quality- Strauss (1995) and Varey (1995) characterized the internal service quality as, the way of thinking/opinion that the people hold to one another or the approach that people assist each other within organization which is indispensable to exert better external service quality. It is the extent to which employees believe that organization offers internal services of high quality.

Job Satisfaction- Locke (1976) described employee job satisfaction as the pleasant or positive (affirmative) emotional situation resulting from assessment of one's occupation or job experiences or by evaluating organizations internal service quality. The theoretical framework considered the pay, promotion, relationship with supervisor, job nature, coworkers' relationship, recognition, working condition and training as the predictors of job satisfaction. Those factors also indicate the goodness of service quality.

Employee Loyalty-Solomon (1992) defined the employee loyalty as, motivation to continue with organization. Loyalty is the character that demonstrates dedication over employing organization by running hard as well as being devoted to supply services of high quality to clients. It is emotional attachment over the organization. In given framework this psychological measure is assessed by intention to stay, intention of absenteeism, motivation to carry out extra work and the sense of belongingness. Loveman (1998) established the fact of having positive correlation of employee loyalty with service quality.

Employee Service Commitment- According to Schlesinger and Heskett's (1991, p.19), "The cycle of success model proposes that satisfied employees will deliver high service quality because the employees who are satisfied with their jobs tend to be supportive, helpful, polite and caring to both co-workers and customers". Hence, satisfied employees could convey better quality services in favor of internal as well as to external customers. Employee service commitment is the dedication of employees to create and deliver higher service value to customers. It is measured in terms of promise, timely service, trust and understanding the customers' needs.

Perceived Service Quality- It is perception of customers toward responsiveness, assurance, empathy, tangibility and reliability of particular organization. The theoretical framework of service quality is adopted by Cronin and Taylor (1992), where the focus is given to perception of customers, expectation part of SERVQUAL is ignored in framework.

Customer Satisfaction- Customer satisfaction indicates, whether customer or service users are well contended with performance performed (Johnson & Fornell, 1991).It is customers' positive or negative evaluation about the services delivered (Woodruff, 1997). It is pleasurable emotional reaction to customers from the service providers; it is an appraisal of the quality of services that he or she got when making the purchase. It is experiencing emotionally pleasurable feeling from the shop that he/ she engaged.

Customer Loyalty- Oliver (1997) describes loyalty comprehensively as sincerely held dedication to re-purchase or re-patronize favored services or products again and again in future. Thus, customer attempts repetition of same brand name or same brand name set purchases despite of the situational pressure as well as marketing attempts that may cause switching behavior. It is customers' sensation of attachment to the service shop. In given framework, it is measured by priority of purchase, recommendation of brand, good word of mouth as well as encouraging others to purchase.

Profitability- Profitability is indicated by financial performance of organization. In given framework it is assessed by ROA and ROE.

ROA- ROA purely explains how effective the company is regarding the use of those assets to make profit. It gives the big picture view of overall return.

ROA= Net Profit/ Total Assets

ROE- It tells the percentage of profit make for every unit of equity invested in company. Return on equity is as similar calculation as ROA, but it looks at equity, net worth of the company, not by what it owns, but by the accounting rules.

ROE= Net Profit/ Shareholders equity

SPC - The SPC is causal chain framework that links operational investments with financial performance of organization considering mediating role of constructs employees' job satisfaction, customers' satisfaction and customers' loyalty (Anderson & Mittal, 2000).

Research Hypotheses:

H1: Employee job satisfaction is positively correlated to employees' loyalty.

H2: Employee loyalty has positive influence on service commitment.

H3: Employee job satisfaction is positively correlated to customer satisfaction.

H4: Higher the employee service commitment higher the customer satisfaction

H5: Customer satisfaction is positively correlated to customer loyalty.

H6: There is significant relationship between customer loyalty and ROA/ROE of bank.

1.5 Significance of the Study

Recent context exhibits that organizations have become more organic, flexible, and adaptive because of dynamic attribute of external environment so, those organizations need innovative and committed work force to generate high quality service value and to make their customer delightful, to lead the organizations toward the expected direction of profit and prosperity. Service Profit Chain analysis concept deals with what makes employees satisfied, how satisfied employees generate good service values and make customers happy and how satisfied customers influence ultimate aim of organization. The strength of Haskett, Jones, Loveman, Sasser and Schlesinger (1994) contribution rests in reality that the given model interlinks as well as integrates many determinants of performance by drawing together dissimilar claims about these inter-dependencies (satisfaction, loyalty). The present research exhibits how SPC can be widely put into practice at Nepalese Commercial banks.

The researcher receives the firm desire to occupy notable break in scholarly literature of service management. The researcher also found support from Loveman (1998);

Silvestro and Cross (2000); Kamakura, Mittal, De Rosa and Mazzon (2002) since they defined SPC as pervasive role in management system, as confirmation by firms like Taco Bell, Southwest Airlines, Sears, Progressive Insurance and Fairfield Inn. Despite the adoption of this theory in academic writing, as researcher's knowledge, till the date no business or academic has comprehensively proved causal linkages of service profit chain in Nepal. The cause behind this paucity of empirical study restricts from its interdisciplinary nature of framework composed from service management, organizational behavior, operations management, personnel psychology, marketing management as well as human resource management. Globalization, competition from financial institutions, as well as volatile market dynamics has generated the great challenge to commercial banks so constantly that they are looking for fresh means to add value to their services. Inquiry about drivers of profitability is at the pinnacle in mind set of managers as well as policy makers because they are responsible for superior performance and thus striving for it. Significant researches have focused to address this question, which starts from strategic layer and working down to operational level.

Banks and financial institutions have invested large amount of capital in training, career development, allowances and compensation for their employees, however it has left no significant impact on turn-over rate of employees. Inter-organizational turn-over of employees is higher in Nepalese banking sector because of cut throat competition with each another and that results in lapse of confidential information to competing firms. Such type of termination or turnover of employees burdens the serious costs over the mother institutions. It may because of employees' lack of satisfaction, lack of commitment or loyalty and that causes serious effect over their service delivery to customers. That's why it is recommended to perform such research which really helps the policy makers of related fields.

Analysis of SPC is the focus of this study because there is no empirical research conducted using this framework till the date. Interestingly, bank management may not well conceptualize about the term SPC and its consequences. The research over SPC is important in Nepalese service sector, specially banks and financial institutions, because most of the banks have delivered almost similar types of services to internal customers and the external customers and in-depth realization of SPC could help organization to gain competitive advantage even in severe competition.

The poor quality services put the service firm at trouble or in loss to the rest of competition similarly, it possibly force away the dissatisfied customers (Lovelock & Wirtz, 2011), so there have great interest over the service quality. Many researchers argue, mostly the service firms are working in challenging environments and managers recognize that improvement in service quality is being essential gaining competitive advantage (Baron et al., 2009). This paper is the first to study the SPC by examining employee job satisfaction, employee loyalty, firms service quality dimensions, customer satisfaction and their loyalty in banking context of Nepal. Findings can assist the administration of the bank to better understand dynamics of employees, customer in relation to ultimate goal of business entity, the profit. Specifically, this study may provide new empirical evidence of SPC that really converts the operational efficiency to profits. The study suggests to Nepalese managers about non financial measures (attitudinal aspects) of organizational profitability. Result of this study would be highly interested by management of Nepalese commercial banks because profit is prominent issue of interest for banks.

1.6 Limitation of the Study

SPC is complex because of combination of several constructs in single framework and in many instances it is in a weak position of being contradicted in many points. SPC is criticized as the complex and lengthy framework as well as it is also mentioned as the inconclusive decisions regarding possible relations between profit, loyalty and quality, thus the SPC model is expected to be more complex to provide evidence (Buzzell & Gale, 1987). Establishing relationship with nine interrelated variables is problematic. Whether, the study has attempted to analyze the SPC in Nepalese Commercial Banks, it throws the following limitations.

- The subject area has incorporated Nepalese Private, Commercial Banks which were established before of 2003 AD and so, SPC activities are not claimed to pass over other commercial banks.
- Customers who are involved in on line banking transactions are ignored in research.

- The given research has just taken into consideration the private commercial banks of Western, Mid Western and Far Western development region of Nepal.
- The study has adopted the construct of job satisfaction by Spector (1985), customers' perceived service quality by Parsuraman et al. (1990) similarly recognition, working conditions and training related items were adapted from Emerson (2007). Employee service commitment, employee loyalty and customer loyalty questionnaires were adopted from Yee (2006). The items of above constructs may differ regarding the different authors.
- The financial profitability of organization is denoted by the financial performance of organization. Financial performance is evaluated by ROA (return on asset), ROE (return on equity), NPM (net profit margin) and GD (growth in deposit). However, the current research has considered ROE and ROA as indicator of profitability.
- The relationship of customer satisfaction with ROA/ROE is tested in exploratory sense because ROA/ROE are highly influenced by other financial/monetary matters rather than attitudinal factors
- The study has solely followed the SPC framework developed by Haskett et al. (1994) however; more or less the other similar framework has also been developed by different authors.
- The Nepali banking sector is experiencing the profit from the past few years; the result may be varied if the research would conduct in another field.
- Over the time, the attitudinal aspects (satisfaction, loyalty) of employees and customers may vary that may determine the ultimate result of research in the future.
- The present research has been relying on primary survey of data and so it captures an event at a point of time.
- The research does not consider the effects of variables like the size of the bank, effects of inflation, remittance flow, the effect of earthquake reconstruction, changing policies of NRB (Nepal Rastra Bank) etc over the profitability.
- The conclusion drawn from this study might not be generalized for other types of similar or different organizations. Its reliability would solely rely upon certain territory.

- Issue of extraneous variable: economic climate, unemployment, corporate marketing may affect the performance and it is necessary to eliminate the effects of extraneous variables.

1.7 Organization of the Study

This dissertation consists five chapters. First chapter commence the general background, problem statement, research questions, objectives, theoretical framework and significance of study with its study limitation and the way of organizing research.

Chapter two exhibits the complete review of literature with theoretical and empirical evidence of employee job satisfaction, financial performance, employees' loyalty, employees' performance, customers' satisfaction, perceived service quality, customer loyalty, service profit chain and financial performance. It presents the relationship of constructs of SPC. Along with wide coverage of literature, this part also presents the meta-table of empirical studies of SPC and methodological review.

Chapter three is research methodology that presents and put forward the way of carrying out research through the supports of research background, research philosophy, research approach, research strategy and research design. This part also elucidate population and sample, sampling procedures, sources of data, measures to be used, analytical tools, pilot study and the description of instrument.

Chapter four includes data presentation and analysis that explores the status of employee job satisfaction, loyalty and service commitment similarly explores customer satisfaction as well as customer loyalty. It measures factor analysis, reliability and correlation of different job satisfaction facets and customer satisfaction variables. Confirmatory factor analysis has also been carried out for the issues of validity. It draws inference and results conducting the path analysis of structural equation modeling. Concluding remarks presents overall findings of study.

The last chapter (chapter five) is summary and conclusion that comprises summary of research study similarly conclusions. The discussion and implication section of this chapter opens up the new avenues for the managers and academic practitioners.

CHAPTER TWO
LITERATURE REVIEW

2.1 Background

Researchers of marketing put their view as, offering high service quality as well as ensuring the customers' satisfaction has become tactically important to companies to continue to exist in competition, the reason is that expenses of drawing new client is much costlier comparing cost for holding existing one. Hence, experts of academic field support the prerequisite of implementing customer-centric strategy. Quality service would be responsible for offering good returns to service business if it is delivered in better way; researchers argue higher customers' satisfaction is lead by higher degree of service quality offered. As said by Douglas and Connor (2003) similarly Saravanan and Rao (2007), acquiring the customers' satisfaction by providing better service quality may ensure the survival as well as growth of business in extremely competitive markets, service quality has become imperative to practitioners. Nepalese banking sector have experienced lots of changes over the years simultaneously with introduction of new technology as well as the shifting characteristics of consumers. Because of ever changing nature of consumers' needs it is must to study consumers, detect their needs and ultimately making them satisfied. Despite of changing technology as well as local and global challenges, banks are under pressure to present better services to their customers relatively in cost-effective way. This compels the service organization to concentrate in offering better service quality to acquire customer satisfaction similarly the profitability.

Literatures are the materials (written, audio, visual) which are directly or indirectly concern to the researchers' area of interest. Review of literature is activities of locating, acquiring, reading and critically evaluating the required content of researcher's interest and relying in central part of research procedure, it offers the trustworthy inputs to each of operational step. Literature review uncovers the facts those were discovered in research of problem area and relates to present study. The critical literature review supports to identify weaknesses and limitations of writers' theories and identify their inappropriateness to the particular circumstances of the research. It provides a theoretical background and helps researcher to institute relations between the present research and already performed studies.

This chapter presents the literature review related to assumptions, concepts and constructs covered in research problem and theoretical framework of Service Profit Chain. More specifically, this section glimpses background, gap, and conceptual as well as empirical reviews of given aspects.

- Employee Job Satisfaction
- Employee Job Satisfaction and Financial Performance
- Employee Loyalty
- Employee Loyalty and Employee Performance
- Employee Job Satisfaction and Customer Satisfaction
- Perceived Service Quality
- Customer Satisfaction
- Customer Satisfaction and Financial Performance
- Customer Loyalty
- Service Profit Chain (SPC)
- Organizational Performance/Profitability
- Meta Table of Research evidences of Service Profit Chain
- Addressing Time lag on SPC
- Methodological Reviews of SPC

2.2 Employee Job Satisfaction

Several surveys have established the fact that absenteeism, high degree of employee turnover, tardiness and grievances are consequences of dissatisfaction with one's job. Alternatively, improvements in job satisfaction could results in high productivity (White, 2000). Job satisfaction as well as success from the given occupation is major component of personal satisfaction, self growth, self respect, and the self-esteem. Job satisfaction brings a delightful emotional state that over and over again show the way to positive work approach. Satisfied workers are expected to be innovative, flexible, loyal and creative. Most of earlier researchers have argued the job satisfaction ensures efficient operation of an organization; enhance the altruism traits of employees, devotion of employees over the constitution. Large number of researchers and administrators under the scope of management has focused to importance of job satisfaction particularly; unhappy employees are expected to give up their jobs. Therefore, realizing the factors contributing employees' job is important for each of system to survive and flourish (Mrayyan, 2005). Whether or not the global predecessors of job satisfaction are validated in Nepalese case? Hence, the different predictors of job satisfaction are to be investigated among Nepalese respondents. Whether the pay, relationship with supervisor, promotional opportunity and benefits would surely be responsible for job satisfaction, the study has tried to identify that relationship. Such relationship has not been proven and examined in relation of Nepalese service sector particularly in banking industry.

Universally it is accepted that delighted employees yield happy customers, however practices are merely found in Nepalese business organizations. This clichés generalize if management wants to delight its customers, then must fulfill the employees and ultimately they would happen to be loyal to organization (George, 1990). Locke (1976) described employee job satisfaction as pleasant and optimistic emotional situation responding from positive perception of one's occupation or the job. Hackman and Oldham (1980) suggest employee needs could be met if they receive incentives as form of compensation, advancement, recognition as well as meaningful work from the administration that really address or go above their expectation. Customers' demands and desires are met only when they observe the offered goods and services have the worth of satisfying or exceeding the expectation (Anderson & Sullivan, 1993). Thus in that respect, there are likeness between process of employees' job satisfaction and customers' satisfaction.

Job satisfaction is hypothesized from touch on- and knowledge-based notion, by definitions varies as "positive emotional state resulting from the assessment of one's occupation or job experiences" (Locke, 1976), to "all characteristics of the business itself and the work environment which find rewarding, satisfying, and satisfying, or frustrating and unsatisfying" (Churchill, Ford, & Walker 1974, p. 255). The job satisfaction means positive sensitivity observed through employees' assessment regarding entire facets of workplace environment as well as line of work itself (Babin & Boles, 1998; Locke, 1976). It is found to possess optimistic correlation with job performance as well with organizational citizenship behavior (OCB), that in sequence causes substantial influence over employee absenteeism, employees' turnover intention as well as their psychological stress (Davis, 1992). Employees having high degrees of job satisfaction have high possibilities to be engaged as OCB activists (Brown & Peterson, 1993). Additionally, person having high level of job satisfaction may not exhibit tendency to search the new job (Sager, 1994) similarly they have low possibilities to leave the organization.

Literature of human resource management (HRM) focuses to importance of HR and its good practices for organizational prosperity, they advocate employee as means to acquire the competitive advantage similarly good HRM practices may cause better organizational output (Youndt, Snell, Dean & Lepak, 1996). Companies have to be mindful of economic value of their human capital while managing them in strategic way (Barney & Wright, 1998) similarly manager must be aware how could their employees generate competitive advantage. The organizations' internal service quality plays the crucial role in utilization of corporate resources that is organizations' internal atmosphere where the employees work. The employees' satisfaction from internal service quality serves to increase efficiency that ultimately pursues the satisfaction of clients and their commitment. Moreover, customer satisfaction and loyalty could helpful to acquire sound output even in competition.

Service climate is the degree of value of an organization in generating service quality in the course of service production, service delivery as well as the consumption. These perceptions about the organization are developed through employees' experience about different incidents, their practices and procedures within the organization, similarly employees' perception regarding the types of behaviors rewarded, maintained and expected (Schneider, 1990; Schneider, Bowen, Ehrhart & Holcombe, 2000). Service climate commences as particular form of organizational climate supporting this, Schneider (1990, p. 384) explains "incumbents' perceptions of the events, practices, and procedures and the kinds of behaviors that get rewarded, supported, and expected in a setting".

Service climate is responsible for developing significant linkage of transforming internal management ideas to organizational performance (Schneider, Ehrhardt, Mayer, Saltz & Jolly, 2005; Schneider, White & Paul, 1998). Organizations have to develop service climate which guide attitudes as well as behaviors of employees regarding given criteria and procedures. Service environment is determined by managerial viewpoint that gives worth to services and it is originated by common support offered by organization (Schneider, White & Paul, 1998). HR exercises are operated to express strategic intent of organization to employees that clearly demonstrate the condition of rewarding and supporting (Bowen & Ostroff, 2004).

Day (1994) mentioned the factors like human resource management, operations management and finance as inside-out competencies for the firm and such strengths of the organization provide crucial foundation for growth of internal quality which ultimately forecast the QWL (quality of work life). Heskett et al. (1994) proposed the internal service quality for better working environment that plays the role to job satisfaction of employees, Lau (2000) mentioned that term as “quality of work life” or the QWL. Quality of work life is feeling of positive state of mind about the internal climate of workplace which backs and boosts job satisfaction by offering rewards, job protection as well as by career development opportunities.

Surveys have proven the significantly negative correlation of employee job satisfaction with absenteeism of employees’ (Gordon & Denisi, 1995), as well as with employees’ turnover intention (Drago & Wooden, 1992). Loveman's (1998) research study has revealed the fact of employee loyalty and employee job satisfaction and observed positive correlation. Private Banks challenges the competitor by proposing new merchandise and services to gain more market share. Pay and job satisfaction happen to be a primary factor for the bank employees, which needed attention so as to accomplish service firms’ long term goals. The search to enhance the efficiency has been key interest to all the organizations of the modern societies. Employees’ job satisfaction has been identified as imperative reason that influence productivity and so job satisfaction has experienced significant interest (Collins, Jones, McDonnell, Read, Jones & Cameron, 2000) from the researchers.

2.3 Employee Job satisfaction and financial performance

In current years, because of existence of large number of competitors, service organizations have assigned considerable amount of resources for the purpose of employee retention since the majority of hospitality experts as well as research professionals indicate, bringing down turnover rate of employees is expected to have substantial influence on ultimate goal of organization. The literature of behavioral scholars implies the close correlation of employee retention with customer retention. Delighted as well as satisfied employees with their working environment are highly possible to continue their job with the company. This contributes in lowering of employees' turnover and results the good financial output caused by declining cost of attracting new employees as well as their training. Moreover, it is suggested the satisfied and happy employees are expected to offer superior services which could generate pleasing service experience to their customers. The satisfactory response of service experience is expected to impart noteworthy effect on replication of buying and customer withholding. Even the SPC as well as service marketing surveys advocate the sound financial performance by satisfied employees and clients, the empirical evidences proving this relationship is in lack. However, less number of scientific research studies has been performed that links satisfaction with the performance (Zahorik & Rust, 1992; Bernhardt, Donthu & Kennett, 2000).

Surveys indicate the employee job satisfaction contribute main role in assisting organizations attaining financial target (Koys, 2003). If the company plays the role of care-taker in favor of its employees, in similar way the employees would also take care of the clients. The organizations having upper degree of job satisfaction and participation, the customers could realize better service experience. Brown and Peterson (1993) acknowledged weak association between employees' job satisfaction and their functioning ($r = 0.15$). However, it is sensible to anticipate this relationship could be strong in service industries like banking sector.

Taking care and concern of employees can be described as offering them superior payment, ongoing training, and developing feeling of their security (Gursoy & Swanger, 2007; Koys, 2003; Schneider, 1991). Happy and contended workforce are supposed to be inspired as similarly the hard working comparing to dissatisfied ones. Up till now, even if employees, who are enthusiastic to act together, are capable to perform further than the expectations as well as place themselves in manager's command are likely to run efficiently, offer superior services that ultimately produce better level of customer satisfaction (Koys, 2003). Various research reports conveys that examining the direct association of employee job satisfaction with financial outcomes tend to generate insignificant consequences supporting insignificant but direct relationship.

The controversial findings, negative relationship between employees' satisfaction and client satisfaction, are also in existence such as Tornow and Wiley (1991) established negative relationship of employee job satisfaction (considering variables the pay, benefits) with financial benefits. Still, further studies recommend insignificant but straightforward relations of employee job satisfaction with financial performances. Supporting this fact, Wiley (1991) didn't discover noteworthy direct relationship between employees' job satisfaction and the financial performance, and similar conclusion were drawn by Bernhardt, Donthu and Kennett (2000) that association of employee job satisfaction with financial output was not virtually existed.

2.4 Employee Loyalty

The concrete management backup regarding finance, HRM and operations management could produce better and supportive environment which are fascinating to internal customers and that makes them loyal to the house. Gratified and loyal employees with the job display dedication to their employing organization by running hard as well as by devoting themselves in high quality service delivery. The meta-analysis, Petty, McGee and Cavender (1984) indicated the significant predictor of employee loyalty is the job satisfaction. Happy and satisfied employees by means of nature of work, co-workers, pay as well as overall surroundings are intended to continue with organization for long time. According to conservation of resources theory (Hobfoll, 1998), interpersonal job demands of workforce could limit them to utilize their resources. Thus, organizational support plays the role to workers to achieve work objectives, making accessibility of necessary resources to them (Hochwarter, Witt, Treadway & Ferris, 2006) but the scarcity of support from the organizational lead the emotional exhaustion and diminish commitment of employee (Vandenberghe, Bentein, Michon, Chebat, Tremblay & Fils, 2007). The contended employees' commitment to stay with organization is also responsible making workforce further motivated, effective and efficient (Hooley, Fahy, Cox, Beracs, Fonfara & Snoj, 1999).

Loyalty of the workforce revealed in term of permanent status and it is confirmed as one of potent antecedents of employee efficiency and output (Sheridan, 1992; Wayne, Shore & Linden, 1997; Eisenberger, Armeli, Rexwinkel, Lynch & Rhoades, 2001). In word of Heskett et al. (1994), the replacing cost of sales representative of automobile company having tenure of five to eight years with new one could contribute $36,000 lost in sales, despite additional cost of hiring and training. Further, the surveys indicate the employee loyalty greatly influence the customer satisfaction. Similarly, customers believed that loyal (with long tenure) employee have the capability to match their unique needs while comparing to newly appointed employee (Schneider & Bowen, 1985; Silvestro & Cross, 2000). Roughly, 7.5% of annual salary is associated with replacement and training costs (Rust, Zahorik & Keiningham, 1996).

The resource based view regarding the business firm advocates that business organizations place and consume valuable resources in the direction of generating above of average rate of earnings as well as to procure considerable competitive advantage (Amit & Schoemaker, 1993; Oliver, 1997). Thus, loyalty of the employees is seen like valuable, exceptional as well as hard to emulate source of business firms. Providing superior services to the client that finally produces the economic returns, the loyalty values in long term. Acquiring the loyalty of employee through sound and congenial working climate within organization highly values to firms. Loveman (1998) exhibited the positive correlation of employees' loyalty with service organizations' service quality. The negative association of employees' job satisfaction with their turnover intention is supported by literatures of employee turnover such as Steel and Ovalle (1984), Carsten and Spector (1987) similarly Hom and Griffeth (1995). Schlesinger and Zornitsky (1991) found the probability of turnover proportion of discontented employees' three folds more than of the satisfied employees. Hence, it could be summarize that the increment on employee job satisfaction could drop the employee turnover. Competent human resources with work aptitude and the know-how are rarely found in market as well as they have large demand in work market, so difficulties are occurred to recruit. For the long term sustainability as well as to stay alive in highly competitive scenario, it is imperative to hold the resourceful employees by fostering better workplace climate within organization which elevates the job satisfaction.

Service employees are in front line of service organization to symbolize the whole firm hence they are crucial to determine service quality perception of customers

(Parasuraman, Zeithaml & Berry, 1985; Hartline & Ferrell, 1996). Lee and Miller (1999) bring to light the committed employee as valuable, rare, non-imitable and long race strategic source to betterment of organization. However, from managers' point of view, an attempt of employees to maximize the pace of output could reduce their attention in relation to clients similarly declining of time for each customer ultimately supports the erosion of service standards. Bateson (1985) has defined the service organization employees' task as 'three-cornered fight', where the service employees are laid in the middle of two different ends i. e. customers and organization. It is imperative to Service organization employees are required to address the productivity target similarly to accomplish customers' needs as well as the external quality goals.

Banking sector could be weighed as high degree customer associate service industry because these industries involve in those activities where there exists long, close as well as direct interface among service employees and customers (Chase, 1981). The high customer contact service organization is differentiated as lengthy communication time, closeness and familiarity in communication with full of information sharing (Kellogg & Chase, 1995). The nearby contacts of service employees with their customers generate plenty of chances to create their ties as well as possibilities to exchange information about the purchase and this phenomenon ultimately heightens the capability of employees to present quality services, similarly affects customers' buying decisions.

The high quality service is assumed to be positively correlated with loyalty or the commitment of employees (Heskett et al., 1994), however, the organization where interface of employees with customers is not envisioned as chief determinants of service value, Silvestro and Cross (2000) got opposite relationship of employee commitment and organizational performance. Controversially, their findings could not matched with study findings of Heskett, Sasser Jr, and Schelesinger (1997), that says service organizations' success defining through employee job satisfaction is reflected in service value delivered to customers. It indicates the degree of contact of employees with customers possibly reports the variances in relationship of loyalty of employees with financial output.

The relation of employee job satisfaction with their loyalty, similarly employees' loyalty with service quality perception of customers is also explained by social exchange theory. Supporting to this, Blau (1964) states social exchange theory as social exchange produces the sentiments of personal duty and gratitude. The author further approaches, employers are dutiful for setting up the durable employment relationship with their employees by means of offering them encouraging working atmosphere and in response; the employees most probably be loyal over the employer. The enthusiasm to establish affiliation of employer with employees is the central features of social interchange. So, relying on resource-based opinion as well as social exchange theory, it is suggested that better feeling employees with their working environment would feel highly gratified with their job and be extremely patriotic over their organizations.

These hypothesis could be drawn from the review; H1: Employee job satisfaction has positive relation with employee loyalty; H2: Employee loyalty has positive influence on service commitment.

2.5 Employee Loyalty and Performance

Loyal and committed employees are assumed to happen positively associated with better service quality considering the service profit chain. The industries where interaction of customers with employees were not taken as the fundamental factor for enhancing the service value, Silvestro and Cross (2000) found contrary relationship of employee commitment with organizational performance which indicates degree of contact of employees with customers may varies the similar relationship.

The reciprocity states an action exhibited by one party passes reaction to another party. In social exchange theory, the positive reciprocity path suggests the trend of giving back positive behavior in support of affirmative treatment of someone (Uhl-Bien & Maslyn, 2003; Eisenberger, Lynch, Aselage, & Rohdieck, 2004). Additionally, the condition of equity proposes the citizens' expectation of social justice or fairness in each and every interpersonal transaction (Organ, 1977; Cropanzano, Rupp & Byrne 2003). Social exchange theory views, employers are dedicated to build on going employment relationship with their workforce through fulfillment of their needs by providing encouraging and effective working climate and sequentially human resources could be honest over the company and owners. Similarly, employees support their organization by committing themselves to make extra efforts, to present high level quality services to their customers (Wayne, Shore & Linden, 1997; Flynn, 2005). The social exchange theory highlights the manager's enthusiasm of establishing pleasant relationship with employees as well as willingness of acquiring employee's commitment to present better services qualities (Blau, 1964).

Lau (2000) suggests, long term permanent status of service could help the loyal employees to institute individual rapport with customers and further Reichheld (1993) supports, such affinity assists strengthening the series of positive exchanges of service employees with their customers. The industries that demands continuation of constructive relationships with their clients, particularly the service firms those provide personal as well as the professional services, retention of employees is vital and challenging. The foundation of holding of resourceful employees within organization is fully determined by the steps taken in selection procedure. The loyal workforce can prepare themselves as the internal environment as well as are able to fit with each other within organization. So, organizations adopt the common approach to focus on candidates' attitude and outlook more willingly than of the skills in the course of recruitment procedure. One commonly employed approach for recruiting loyal employees is to concentrate more on the applicant's attitude rather than skills during the recruitment procedure since skill and expertise could be installed even after the appointment however attitude can hardly ever be internalize.

2.6 Employee Job Satisfaction and Customer Satisfaction

Employee-customer model (Rucci, Kirn & Quinn, 1998) calls attention to enhancement of workforce abilities for customer satisfaction. They assert that their study has brought transformation regarding business culture of Sears and Roebuck and Co. similarly led the business from huge losses to gigantic profits. Authors suggest workforce attitudes have an effect on their tenure as well as on retention and consider those as antecedents of customer satisfaction which ultimately influence the financial performance. In similar way, Ostroff and Bowen (2000) state, impartial and dependable human resource system (HRS) circulates constructive direction to work force that promotes positive perceptions about organization and a favorable climate. Congenial organizational working environment influences loyalty, motivation and commitment of employees. Positive attitudes of employees lead to supportive behavior such as attachment (regular and timely presence, long time consuming within organization), performing and execution of role tasks as well as organizational citizenship behaviors (intentional pro-social behaviors) which ultimately amplifies organizational output.

In domain of management research, there is large number of research support that holds strong confirmation of positive correlation of employee job satisfaction with customer satisfaction (Schneider, 1973; Hostage, 1975; Schneider, Parkington & Buxton, 1980; Schneider & Bowen, 1985; Carlzon, 1987; Schlesinger & Zornitsky, 1991; Schlesinger & Heskett, 1991; Wiley, 1991; Rosenbluth & Peters, 1992; Dahlgaard, Kristensen & Kanji, 1998). In similar way, Heskett et al. (1997) delineate relation of employees with client satisfaction which expresses the thought that corporate success is derived by means of employee job satisfaction and that is revealed in level of customer satisfaction (satisfaction mirror). Schlesinger and Heskett (1991) argue, workforce disappointment cause the higher turnover intention as well as the poor customer service.

Employee job satisfaction encouragingly manipulates the degree of satisfaction of employees and is supported by Schneider and Bowen (1985); Rucci et al. (1998); Van Dolen, Jos, Ruyter and Jong (2002); Snipes, Oswald, LaTour and Armenakis (2005); Netemeyer and Maxham (2007); though, it is not expected time interval between the employee job satisfaction and satisfaction of customers. Heskett et al. (1994) utter, in SPC the employee and customer satisfaction construct are “mirroring” to one another, specifically employee job satisfaction is “reflected” in form of satisfaction of customer. Rucci et al. (1998) explored the causal relationship among employee service value, customer satisfaction with the profitability and identified, 5 units increment on employee service value grew 1.3 units of customer satisfaction that ultimately explained 0.5% of revenue growth. Soteriou and Zenios (1999) examined the relationship of banking services operating quality and profitability. Locke (1976) describes the employee job satisfaction as pleasant and constructive emotional situation ensuing through assessment of one's job experiences. Heskett et al. (1997) have accepted loyalty and the productivity of satisfied employees. They further put forward logic from the study which was performed in 1991 and revealed about one third of disgruntled employees expected to exit organization. Similarly, they further presented the possible turnover rate of dissatisfied workforce reported three times more while comparing turnover intention of satisfied employees. Sheridan (1992) tried to evaluate the monetary value of long-tenure as well as short-tenure dropped out workforce of accounting firm and notified the firms incur approximate monetary loss of $9,000 while two year old workforce is replaced with new employee, similarly attain loss of $47,000 when three-year old employee is replaced with new employee.

Sheridan (1992) remarks the external service quality as performance delivery to customer in terms of speed, accuracy as well as courtesy. Churchill and Suprenant, (1982) found effect of expected service quality on consumer satisfaction different for durable and non durable goods. Kotter and Heskett (1992) have believed the non direct connection amongst worker and customer satisfaction but is quite intervened by quality features of service and those quality features of service delivered are encapsulated under service responsiveness concept (Gronroos, 1999; Parasuraman et al., 1985) that incorporate time factor and more specifically rapidity on service delivery as well as the employees' skills of responding and resolving customer issues (Sirdeshmukh, Singh, & Sabol, 2002; Berry, Seiders, & Grewal, 2002). Kotter and Heskett (1992) have summarized employee satisfaction guide the intensity of customer satisfaction and enhance service value by offering better client administration. They are further supported by Allen and Grisaffe (2001) reasoning as, an employee having solid and sound affective commitment in favor of organization could internalize core values of organization and is propelled to perform hard facilitating the customers.

Better quality service demands, employees should generate similarly hold enduring acquaintance with customers to realize their needs. Reichheld (1993) agree as customers build up conviction with employees in organization, that bond would be terminated with termination of employees. In this way, fulfilled and faithful workers are essential in the improvement of an association with the client. Day (1994) defines customer linking as generating and managing intimate relationships with customers.

Several studies of service marketing have supported the fact that understanding and fulfilling requests of customers really makes better performance of services (Brady & Cronin, 2001) as well as it promotes innovativeness (Gatignon & Xuereb, 1997; Han, Kim, & Srivastava, 1998; Tajeddini, Trueman & Larsen, 2006). Academics of quality management such as; Antony, Kumar and Cho (2007) indicate the human characteristic like friendliness, helping behaviors have considerable effects over quality service delivery. Theoharakis and Hooley (2008) confirmed, customers' center of attention has important role over customer service practices as well as on organizational innovation and continuous organizational innovation requires the companies to develop capabilities to generate and sustain better customer relationship.

Mathieu and Zajac (1990) conducted the meta-analysis of satisfaction and the performance; they found employee job satisfaction has less significant direct effects over business output. Even though large numbers of researches correlate the employee job satisfaction with different paradigm of personal work behaviors like turnover, lateness, absence, taking drugs but the research that measure relationship of employee job satisfaction with operational performance is not as much conducted. Yet, regarding the operations management, employee job satisfaction incurs the cost considering the fact that dipping expenses for employees is feasible option to attain operational efficiency. The investment over operational activities of employee like training and development (T&D) programs has proven to be positively affecting employee job satisfaction (Heskett et al., 1994; Petroni, 2000; Griffith & Lusch,, 2007). The given result is grounded on premise that workforce in organization have their exclusive career needs and those could be addressed while investing on HR development (Schein, 1980; Chen, Chang & Yeh, 2003). Broadening gap of employees career needs and the operational investment for personal growth makes their inner needs unfulfilled and that ultimately barricade the job satisfaction of employees (Robbin, 1998).

Tornow and Wiley (1991) conducted study to identify the link of job satisfaction (considering the predictors pay and benefits) with gross profit and established negative association between those variables. Investment over operational activities could be time consuming to reveal the preferred effects. The advantages of training and development (T&D) as well as long-standing initiatives of organization could only be appreciated by employees and this realization results to better customers service. Hence, it could be resulted the investment on operational activities have effects over employees' job satisfaction but long to be wait.

Research on consumer psychology such as Howard and Gengler (2001) suggest revealing customers in front of happy employees' makes the customers positively biased toward the products. The organizational behavior research exposed, the aggressions of employees directly invade on mood of customers and could be antagonistic (Doucet, 2004), and those ultimately guide customer dissatisfaction despite of the operation of core tasks to meet client demands. The theory of emotional contagion set up direct affiliation of employee job satisfaction with the satisfaction of customers (Sutton & Rafaeli, 1988; Hatfield, Cacioppo & Rapson, 1994; Barsade, 2002). Emotional contagion portrays the predisposition of person of automatically imitating and synchronizing examples, postures, as well as communicating to unite emotionally and psychologically (Hatfield et al., 1994). Emotional contagion takes place during unconscious or conscious stimulation of emotions and attitudes (Schoenewolf, 1990). Author like Barsade (2002) presented the emotional contagion model to elucidate the operation of group emotional contagion processes. He put forward logic when individuals join group they exhibit themselves as same emotions as other members have. Initially, he or she observes other group members' sentiments or the emotion communicated by nonverbal signals, facial lexis, voices, movements and postures and later on those group members' articulated emotion is transmitted into him or her. Such transfer entails simulating facial expressions, imitating speech rates similarly the body movements. It could be generalized when service employees of high degree of satisfaction confront the customers in balanced and delighted way ,eventually contribute to positive effects on satisfaction magnitude of customers (Homburg & Stock, 2004). Contrary, discontented employees are possible to present disagreeable sentiments to the customers and so may reduce customer satisfaction by emotional contagion.

Generally, relationship of client satisfaction with employee job satisfaction is such an association that probably not generates contradictory outcome. Surveys (Tornow & Wiley, 1991; Wiley, 1991; Spinelli & Canavos, 2000; Matzler & Renzl, 2007; Wu, 2007) propose positive correlation of employee satisfaction with customer satisfaction. As SPC suggest, assigning employees the better-quality internal working atmosphere results employees happiness and loyalty that enable to offer outstanding customer services with which ultimately grow up the satisfied customers; similar links between employee job satisfaction and client satisfaction is justified by Bernhardt et al. (2000), Harter, Schmidt and Hayes (2002), Koys (2003) and Wangenheim, Evanschitzky and Wunderlich (2007). Owing to this relationship, job satisfaction has drawn substantial concentration of researchers and happened to be critical issue of service marketing in two final decades (Matzler & Renzl, 2007). Lam, Baum and Pine (2001) assure the significance of employee job satisfaction in service business because of service dominance nature of industry.

Customer satisfaction is of the essence for companies to continue to exist in severe competition. Surveys point out, to satisfy customers as well as preserving them is cost-efficient and is supported by Naumann (1995) who suggests, it bears cost of almost five folds more in money, resources and time to magnetize new customer as it hold the existing one. As a consequence, it is likely to presume rising customer satisfaction as well as maintaining them could be successful survival strategy in favor of service organizations. Additionally, customer satisfaction presume as significant touchstone for defining the quality and can be transmitted to customers by offering better quality products and services so, there is mounting concentration over customer satisfaction seeing instrument of measuring quality. As a result, it is viewed as unanimously established measurement (Morgan, Anderson & Mittal, 2005), similarly as dominant performance measure (Luo & Homburg, 2007) in assessing competitiveness of the firm.

Brooks (2000) conducted the study regarding possible relationship among employee related variables, customer related variables and the financial performance and research finding suggests 40 to 80 percent of customers' satisfaction and the loyalty are established through customer-employee relations but the magnitude varies by market segment and the industry types. Brooks (2000) performed the study on "The Royal Bank of Canada" and found 40 percent difference in customers' service perception was explained by bank employee-customer relationship. The elements similar to successful organizations emphasize to greater degree of interest for both employees and clients to bring about better outcomes. High degree of customer satisfaction is expected while employees are pleased as well as loyal to organization. Among customer variables with employee variables and financial performance, there exist the direct and quantifiable links. The employee job satisfaction may also be limited by the nature of task. The perception of job attractiveness may be influenced even by evaluation of fellow workers or customers' and so on. When job is appreciated by fellow workers, customers, seniors, subordinates or by the externals, and they are able to communicate their agreement and happiness straightforwardly to employee; would be significant to employee satisfaction.

One of Ph.D. dissertation presented at April 2007 titled “The Effects of Employee Satisfaction and Customer Retention on Corporate Profitability: An Analysis of the Service-Profit Chain”, that was purported to examine relationships of employees’ job satisfaction, client retention and the profitability deduced, direct and important linkage among relations of employees, customers and profitability, similarly revealed positive consequence of job satisfaction and retention of customers on profitability of the firms (Emerson, 2007).

Bernhardt et al. (2000) longitudinally assessed association between job satisfaction, client satisfaction with profit and they uncovered; though effect of job satisfaction of employees’ and clients’ satisfaction on profitability at specific time period was not noticeable but appeared to be visible and prime in the fullness of time. Likewise, they observed positive relationship of degree of customer satisfaction with degree of sales and so profit, similarly positive relation of amount of job satisfaction with amount profit and strong association of employee job satisfaction with satisfaction of customers at certain moment. With introduction of e-commerce, electronic payment, transactions, online registrations of accounts and other advanced technologies help the organizations to detect and deliver service features, and it is important not merely to assure customer requirements but to insure repeat business and finally increase bottom line output. Ryan, Schmit, and Johnson (1996) exhibited, medium degree of employee job satisfaction, positive perception of employees towards team and feeling of less stress in finance company branches are coupled to higher market share, less debt offense, and negligible amount of credit loss.

Koys (2001) observed intensity of job satisfaction and organizational commitment in chain restaurant was positively linked to firm’s profitability. Similarly retail business exhibits, positive perception about service climate has linked positively to financial performance of the store (Borucki & Burke, 1999), similarly the sales volume and revenue is increased by positive job-related attitudes (Rucci et al., 1998). Additionally, there is relation of positive mood of store supervisor to sales volume (George & Bettenhausen, 1990). Harter et al. (2002) conducted meta-analysis covering the large survey of employees' perceptions with financial performance of 7,939 work units of 36 companies; they observed small significant correlation of units' productivity with profitability, and employee engagement. Pugh (2001) established, the demonstration of affirmative emotions by employees in bank is optimistically linked to customers' positive influence to their service quality evaluation. Review of above literature insight the hypothesis; H3: Employee job satisfaction is positively correlated to customer satisfaction.

2.7 Perceived Service Quality

It is believed that customer satisfaction leaves positive impact on customers' intention to repurchase. Generally, customers' dissatisfaction may generate bad image of business units and so that may cause of diminishing customer loyalty consequently hazards for firms' long term profitability. To enhance degree of customer satisfaction the firm should spend more to better employees similarly to dependable equipment. Quadrant Research Services (1992) conducted the study throughout State of Victoria employing the telephone survey and discovered weak customer service was the prime reason for the consumers to consider about switching of banks and the bank accounts.

Service quality is crucial issue in service marketing because of its direct link to competitiveness position, market share and ultimately the profits. The organizations suppose the service quality as long term efforts or the dedication to address ongoing and ever-changing customers' requests. Continuously growing competition in banking industries and offering different services to attract the limited customers make worth of consumer crucial, so the given study is focused to assess overall consumer satisfaction generating from the employees' satisfaction in banking industry. Customers Value (CV) is one of predictor of satisfaction as well as loyalty of customer. The concept relies on two key premises; value to customer exists only in their perception referred as CPV (customer perceived value) and value perception is relied on customer's perception about way of offering types of services and it is labeled as CPSQ (customer perceived service quality). Parasuraman et al. (1988) suggest, perceived service quality is decided through five major factors (responsiveness, assurance, reliability, tangible and empathy) experienced at time of acquiring personal service.

Service profit chain is framework of organizations internal service quality, external service quality, loyalty and its link with profitability. Firm's profit or growth is primarily stimulated by loyalty of customers. Heskett et al. (1994) stated, "Loyalty is a direct result of customer satisfaction. Satisfaction is largely influenced by the value of the services provided to customers. Value is created by satisfied, loyal and productive employees. Employees' job satisfaction results primarily from high quality support service and policies that enable employees to deliver results to customers"(p. 164). Concentrating on given statement of SPC, numbers of quantitative research regarding different links like employee to customer satisfaction, customer satisfaction to profit model have been performed. In most of cases, research indicate causal and positive relations from customers service quality perception and customers relationship value to satisfaction of clients, to loyalty of customers, customers supporting word of mouth in favor of organization and finally their relation with profitability.

Shillito and De Marle (1992) define value by four different approaches: intrinsic value, exchange value, utilitarian value and use value. Object-based values are exchange and intrinsic value while utilitarian and use values are subjective in nature. SPC structure holds absolutely the subject-based value but no space for object-based value. Subject based view considers the service quality as an attribute that determines only by the customers extrinsically but not as intrinsic property. Perceived service quality of customer is amount of difference between service perceptions with expectations of customers (Sasser, Olsen & Wyckoff, 1978; Zeithaml & Parasuraman, 2004). Perceived quality is customers' opinion on product's superiority. Nevertheless, it is noteworthy to mention several dissimilar concepts of quality (Holbrook, 1994). Such as, the standards of product features defined the quality in economics and marketing (Hauser & Shugan, 1983). Regarding operations management (Juran, 1988; Garvin, 1988), quality is characterized by assessing; whether the service or product performs what is it believed to perform, similarly whether the features of product or service match customers' need and to what degree does the product far away from imperfection. However, services literature defines the quality as entire evaluation of the product offered (Parasuraman et al., 1985) and in this perspective service quality is supposed to be depending on differences between delivered (perceived) and desired (expected) service offering of particular dimension.

The financial system of contemporary world is now transforming its concentration to service business. Central Intelligence Agency (2011) has published the book named "World Fact Book" that states, service sector business presently contribute 63% of world GDP (gross domestic product) similarly contributes 76% GDP for U.S. Considering workforce working in manufacturing sector, almost 65-75% is performing service jobs (Horwitz & Neville, 1996). So, excellence in service has happened to be crucial factor that determine the consistent profitability of firms. Reichheld and Sasser (1990) calculated the economical value of quality service and mentioned, 5% dropping in service defect of insurance firms could make 85% extra profit as well as auto service could collect 30% more revenue. Escalating customer service performance by one standard deviation above the mean, the business firms could make almost 1% better revenues to shareholders (Ogden & Watson, 1999). Several business firms begin to "view service quality or service excellence as a strategic imperative or, at a minimum, a strategic opportunity" (Schneider, 1990, p. 399).

Hallowell, Schlesinger and Zornitsky (1996) suggest, better internal service quality derives through better supporting service environment and firm policy which permit human resources to offer quality service. In other word, Heskett et al. (1997) purpose internal service quality summarizes the components that add value to job satisfaction as well as cultivate creativity to customer value. Study of Silvestro and Cross (2000) support that internal service quality of organization is positively correlated with the financial output.

Analytical tools such as SERVPERF derived by Cronin and Taylor (1992); EP/NQ model developed by Teas (1993), SERVQUAL (Parasuraman et al. 1988); Qualitometro (Franceschini, Cignetti & Caldara, 1998); Bahia and Nantel (2000) developed bank service quality model as well as two-way model derived by Schvaneveldt, Enkawa and Miyakawa (1991) measure service quality of organization. It is projected each tool is pertinent regarding prescribed situation of industries; however SERVQUAL is pioneering most of academic research. Parasuraman et al. (1988) derived SERVQUAL similarly Cronin and Taylor (1992) derived service performance (SERVPERF) model permit to perform research surveys and identifying the authenticity of model. But appropriateness of instrument is even on debate and so, further investigation is required on different service fields and the territory.

Schoeffler, Buzzell and Heany (1974) considered fifty seven corporations by 620 different business entities and displayed positive outcome of product quality on ROI (return on investment) of the firm. Succeeding surveys, such as Rust and Zahorik (1993) have developed mathematical structure to judge the financial worth of client satisfaction. Continuing them, Rust and the colleagues (1994, 1995) have built up the notion of ROQ (return on quality) as managerial tool to direct quality enhancement activities. Specially, the service organizations concentrate their attention on customers' perceived quality that may believe to be significant factor for financial success. Some of the studies openly think, service quality impact on financial performance, whilst others consider service quality as predictor of customer satisfaction for that reason the recent research concentrates on the impact of satisfaction and loyalty over financial output of the service firm.

Taking into consideration the PIMS (profit impact of market strategies) data, Buzzell and Gale (1987) found short range elasticity of ROI in relation to quality is 0.25. Anderson, Fornell and Lehmann (1994) confirm this elasticity range of 0.2 relevant to Swedish data. Nelson, Rust, Zahorik, Rose, Batalden and Siemanski (1992) drew conclusion from 51 hospitals that particular dimension of service quality describe 17% to 27% difference in earnings, ROA and net revenue. Utilizing information from 8,000 regulars of national hotel chain, Rust et al. (1995) found that ROI of cleanliness (one of dimension of service quality) is about 45%. Similarly, survey of 1,000 customers from 34 firms, Aaker and Jacobson (1994), conclude the assumption that customers' quality perceptions influence positively the stock returns. Jointly, the given research works demonstrate strong and positive effect of customers' satisfaction on financial performance of the firm. Thus, quality improvement programs are designed to exhibits the benefits of quality with profit.

Service quality is accompanying with loyalty of customer though numbers of researchers have stated the buyers' satisfaction exhibits considerable stimulation on buying intentions as compare of the service quality (Cronin & Taylor, 1992) and some other have put forward the concrete empirical confirmation backing up that better service quality multiply buyers' willingness to stay in organization. Supporting with example, Buzzell and Gale (1987) observed, service quality impacts repetitive sales and customer loyalty and so the market share. Investigation performed by Zeithaml, Berry and Parasuraman (1996) reasoned if organizations improve service caliber, customers' positive behavioral intents are boosted up whereas adverse intentions are decreased.

Heskett et al. (1994) remarked that employee job satisfaction is established by internal service quality of organization, satisfaction makes employee loyal that influence efficiency. Employee efficiency (productivity) induces external service value that results buyers' satisfaction. Clients' contentment reveals their loyalty that is reflected in terms of profitability as well as in growth; the similar fact is also assisted by Heskett, Sasser, and Schlesinger (2003). The SPC (service-profit chain) framework deduced by Heskett et al. (1994, 1997) is established on assumption that revenue of corporation is originated through satisfaction of customers and their loyalty. Similarly these are consequences of customer's judgment of value perceived; and equally responsible factors are employees' ability to perform the service and their loyalty as well. Customers' judgment of value is assessed by quality perception of services that they received as well as quality perception about the way of delivered. Thus, in most of researches definition of service quality is grounded on Parasuraman et al. (1985; 1988) which hypothesize service quality as customer's feeling during service delivery.

Zeithaml (1988,) Day (1990) Bolton and Drew (1991), Gronroos (1996), Woodruff and Gardial (1996), Woodruff (1997), Anderson and Narus (1998), Eggert and Ulaga (2002) argued the perceived value from customers' perspective as, customer's overall judgment about value of product established through perception of receiving as well as giving. The customer's value perception is the subjective assessment that evaluates the balance between perceived benefits against perceived costs and in service-profit chain framework this attribute is adopted by Heskett et al. (1994).

According to Cronin, Brady, Brand, Hightower and Shemwell (1997), and Hallowell and Schlesinger (2000) service quality of a service firm is positively connected with offered service value. Yi (1990) declared the service quality as crucial predictor for satisfaction of customers. SPC assumption advocates, customers' perceived service value regarding the service firm is coupled to entire pleasure and satisfaction of customers (Heskett et al., 1994). Better quality service provided by service firm could guide customer satisfaction and it is perceived regularly by service industries. A study conducted in service organization by Voss, Tsikriktsis, Funk, Yarrow and Owen (2005) found, client satisfaction and organizations' service quality are positively associated equally in private and in non-profit motive organizations.

Exploring the association of service quality with client satisfaction, Cronin and Taylor (1992) found customers' service quality perception determine their satisfaction and customers' satisfaction positively manipulate their purchase intention. Oliver (1980), Swan and Trawick (1981), Bearden and Teel (1983), LaBarbera and Mazursky (1983), Oliver and Swan (1989), Rust and Zahorik (1993) and Dabholkar and Thorpe (1994) have supported the significant positive relationship of satisfaction to purchase intention. Boulding, Kalra, Stalin, and Zeithaml (1993) studied, how service quality perception of customer affect their behavioral intention and found that perceived service quality is influenced by expectation and service delivery experience of customers, that in turn, left the effects on behavioral intentions like eagerness to offer positive word of mouth to externals, intention to repeat the business. Yoon and Suh (2003) advocate, happy and contended employees are additionally expected to labor harder so deliver better services to customers through OCB (organizational citizenship behaviors). So, the satisfied employees with their jobs are likely to be highly concentrated with employing organizations similarly highly enthusiastic to offer high level services.

Researchers such as Bowen and Schneider (1985); Hartline and Ferrell (1996) suggested service quality as consequence of employee job satisfaction. Hartline and Ferrell (1996) got the confirmation that job satisfactions experienced by high contact service industry workforce were related to service quality. Anderson et al. (1994) put forwarded the example of auto industry as “The U.S. auto industry provides an interesting example of the effects of expectations on customer satisfaction. The reputation of Detroit's products suffered in 1970s and a good portion of the 1980's. Past negative experiences, broadly spread through word of mouth and media sources, contributed to lower overall expectations with the goods and service that accompanies them. It is likely that overall customer satisfaction in the late 1980s was therefore lower due to not only customers' experiences since 1970s and 1980s, but also anticipated lower quality. A case in point is the Mercury Tracer and Mazda 323, two virtually identical cars. Mazda customers were more satisfied because Mazda customers had higher expectations than Mercury customers (continued reliability, durability, positive service encounters). This, of course, is contradictory to the belief that firms that exceed their customers' expectations will enjoy an immediate increase in customer satisfaction, but it is consistent with the cumulative notion of satisfaction" (p. 57).

Quality expectations of customers regarding offered goods and services also leave encouraging effects on their satisfaction. Quality expectations may generated through quality information transmitted from the source like; media, positive word of mouth, advertising. Similarly, perceivers' positive experience, widespread positive information of the services could also influence expectations optimistically. Clients make use of their past knowledge and know-how as well as utilize non observed knowledge to predict service providers' capability of delivering quality. This expected future quality is noteworthy because of its link with customer satisfaction and their retention similarly, relation to long-standing relationships with customers (Bateson, 1989; Czepiel & Gilmore, 1987; Gronroos, 1990; Lovelock, 1984; Shostack, 1977). Taking into consideration of durable goods, the level of performance of presently acquired product to meet customer requirements and their expectations of service determine the customer satisfaction. Customer satisfaction with reference to their service provider relies on expected worth of upcoming service similarly capacity of satisfying future demands, so better to suggest positive effects of expectations over the satisfaction.

The assumption which put forward employee job satisfaction gets better the service quality of organization is viewed from approach of equity theory of social exchanges (Gouldner, 1960; Homans, 1961; Blau, 1964; Organ, 1977). Even though in that respects different perspectives of social exchange theory are in existence, majority of theorists accept social exchange captures chain of interactions generating the obligations or responsibilities (Emerson, 1976; Cropanzano & Mitchell, 2005). Social exchange expects the two-way operation which means returning something in turn of acquiring something and such transaction may have possibilities of producing better quality relations together with involving participants (Cropanzano & Mitchell, 2005). According to Organ (1977) and Cropanzano et al. (2003) equity assumption of social interactions/exchange suggest each individual in society wait for social impartiality or social fairness in each and every interpersonal transaction. Social exchange theory in organizational context describes, employers' efforts of making positive working environment make the employees satisfied and later on they would tend to be devoted to exert extra efforts in favor of their organization reciprocally (Wayne et al., 1997; Flynn, 2005), contributing high degree quality service. So, aligning with equity theory in social interchanges, it could put forward assumption that employee job satisfaction goes to higher service quality.

Service offering happens to be identical in schemes and product design in context of similar industries. When customer becomes highly sensible about different dimensions of service quality, they will also suppose to be price conscious as well as value focused (Bojanic & Rosen, 1994). The abovementioned discussions noticeably highlight the influence of service quality in relation to banking activities. Generally, the commercial banks possess broad branch networks similarly they take care financial motives of public; they have high frequency of interaction to general public so are always dedicated to get better their service quality as well as the productivity. Innovative and successful banks require qualities on service offering; however the central bank policies compel the commercial banks to offer a virtually same service; that's why the researcher concerns about how these services would be delivered to stand on competitive arena or to be an awesome. So, service quality is considered as important phenomena for modern banking industry. Above literature recommend the hypothesis; H4: Higher the employee service commitment higher the customer satisfaction.

2.8 Customer Satisfaction

While developing the SPC framework, Heskett et al. (1994) accumulated subjective empirical data considering twenty big service firms and got support in many of linkages but not to all links of chain. Similarly, they could not succeed to analyze entire bonds of the chain specializing the particular organization. On other hand, methodological insufficiency is also detected regarding considerable amount of data about employees' aspect, customers as well as business output.

Globalization of economy and market has rapidly make changes on global as well as domestic market place. To stand in competition as well as to offer acceptable level of profit to shareholders in contemporary business environment, managers or the executives have deeply focused to effective counter of market dynamics. In service organizations, the power to react promptly as well as effectively (time-based competition) along with satisfying the clients' requests has happened to be influential feature of competitiveness and success (Gursoy & Swanger, 2007). Thus, customer satisfaction has become frequently tested issue in hospitality, tourism and other service sector literature. Early research findings have accepted the employees' significant role in relation to customer satisfaction (Spinelli & Canavos, 2000; Wu, 2007).

Customer satisfaction is customers' personal knowledge or the value experience about offered services. Heskett et al. (1997) further advocate, generally the customers are highly value-focused and they prefer results as well as quality in service processing that goes above the acquisition costs they invest for that service. Business person may equalize the value with quality to attain satisfaction of customers. There is the possibility of judging service quality low even the customers are satisfied, in support of this statement Lau (2000) puts forward the logic, it may happen when the service price decreases in favor of customer's budget similarly when service is priced lower consistent with inferior quality. Customers' delightful emotional reaction generated from quality perception about his/her real purchase is customer satisfaction and degree of value perception ensures its magnitude.

Clients contended with value of money, after-transaction service, customer serving, grievance handling procedures could provide positive emotional response to organization. Jones and Sasser (1995) mentioned exceptionally satisfied customers as "loyalists" similarly Heskett et al. (1994) marked them as "champions" and "apostles". Gremler and Brown (1999) advocate, highly committed customers with service firm could exert the loyalty ripple (both direct and indirect) effect by promoting new customer patronage through developing interest in firm and originating the behavior which generate value of the firm.

For high value referrals who are persuaded by positive word of mouth and for revisiting in service firms, customer satisfaction contributes the significant role (Soderlund, 1998). Supporting the given statement; Reichheld and Sasser (1990) got, references from friends as well as from the relationship bring twofold the effects as compared to paid advertisement as clients ensure purchase. Heskett et al. (1997) support the importance of customer satisfaction as, U.S. Office of Consumer Affairs recognized discontented customers inform as a minimum 11 others about their dissatisfaction but satisfied buyers simply notify to 5 people regarding their experience of satisfaction. However, Reichheld (2001) reports, satisfaction experience of people are conveyed only to eight friends; while the unpleasant experiences would communicate with other twelve. Soderlund (1998) put forward the view that, explaining pleasant or unpleasant experience is due to asymmetrical cause of positive and negative effects. WOM (Word of mouth) is considered as principal referral means (Ennew, Banerjee & Li, 2000). Referrals recommended by happy and contented customers sustain long while getting trust from new clients to purchase service seem to be riskier (Heskett, 2002). Word of mouth is regarded highly believable comparing to other information sources; similarly satisfied as well as loyal clients are ready to convey word of mouth support (Zeithaml & Bitner, 2003). In support of WOM Palmer (2001) suggests the appointment of opinion leaders for communicating supportive word of mouth because of its credibility to the consumers.

Fornell and Wernerfelt (1987) remarked the companies focusing on generating fresh customers do so within expense of existing customers. They further warned the existing customers' perception of exploitation and ignorance induces them to shift to new service suppliers. Hart, Heskett and Sasser (1990) hypothesized that expense of drawing new customer could be fivefold higher while comparing the expense of satisfying and maintaining the current client. In similar way, Reicheld (1996), Reicheld and Sasser (1990) confirm the affirmation that expense of pulling a new customer could be significantly higher than the costs of fulfilling current clients.

Academic research revealed the fact of having positive association between customers' satisfaction and their loyalty with the accounting returns (Fornell, 1995), similarly with market price of common equity (Ittner & Larcker, 1998), in the same way with price to earning rations (Ittner & Larcker, 1998), correspondingly with stock market performance, likewise with Tobin's Q, equally with sales growth (Nowak & Washburn, 1998), also with profitability (Soderlund, 1998) as well as risk measures (Ittner & Larcker, 1998). Anderson and Mittal (2000) have proved 1% growth in customers' satisfaction directs the 2.37% growth in ROI, whereas 1% dip in satisfaction diminishes ROI by 5.08%. Surprisingly, Nayyar (1995) revealed, positive or optimistic news of client assistance contributes to increment in CAR (cumulative abnormal earnings) of approximately 0.46%, whilst the rumor about declines in client service results 0.22% decrement in CAR. Anderson and Mittal (2000) reviewed large number of research studies and concluded asymmetric as well as the nonlinear results of linkage in service profit chain. Roy (1999) suggests, underestimating the strength of satisfying physicians by 31% could contribute underestimation of revenue by $150 million. Anderson and Mittal (2000) identified the go down in satisfaction generate twofold the effects on ROI comparing to increment produced by satisfaction. In contrary, Nayyar (1995) found unpleasant reports about customer service had just half the result on CAR comparing with result of positive reporting and it is caused by depressing word of mouth. Although diverse studies have recognized asymmetric as well as nonlinear connection of satisfaction with profitability, right degree of nonlinearity ought to be test further.

Using ACSI (American Customer Satisfaction Index) of 140 firms on five distinct service industries, Ittner and Larcker (1998) discovered that ACSI has insignificant but positive influence on market value regarding manufacturing firms; however they observed positive as well as the significant effect over market value regarding utility, transportation and communication industries. Completely negative impact was observed retailers case. Anderson, Fornell and Rust (1997) identified the tradeoff considering productivity and the customer satisfaction, and tradeoff is more in case of services comparing to goods. Particularly, 1% amplification in amount of customer satisfaction and in productivity is to be expected to amplify ROI (return on investment) with 0.365% for goods, although 0.22% in favor of services. In similar way, Anderson, Fornell and Mazvancheryl (2004) discovered dissimilarities regarding satisfaction and profitability linkage of industries of dissimilar nature. They observed 1% fluctuation in satisfaction cause 1.016% changes over the value of shareholder i.e. Tobin's Q. However the changes limits to 2.8% in case of department stores whereas limits to just 0.3% in discount shops. Similarly exhibited, simply the 14.5% of difference in association of ACSI with Tobin's Q were caused by industry variations, but 85.5% variation was just because of dissimilarity of the firms regarding the similar industry base. Gruca and Rego (2005) noticed features of the industry explained 35% of variation in growth of cash flow as well as differences of 54% in variability of cash flow.

Using longitudinal data considering 77 business firms of U. S. Mittal, Anderson, Sayrak and Tadikamalla (2005) got positive association of customer satisfaction with long range financial output of organization. Similarly, financial performance found pretty stronger to those firms that simultaneously put emphasis on customers' satisfaction as well as their efficiency. Further, their database revealed fact about a particular firm having $46 billion market value, they calculated single unit amplification in ACSI represents worth of $1,613 billion market value for high-efficiency firm but just $298 million market value in view of low efficiency firm. Storbacka, Strandvik and Gronroos (1994) suggest customer satisfaction as predecessor for strong and durable customer relationship, similarly advantage of holding on-going customer is highly beneficial than of developing or acquiring new customer.

Different authors put diverse views about nature of satisfied customers such as; Gelade and Young (2005) believed them as quantity purchaser as well as Towler, Lezotte and Burke (2011) marked them as having better retention rate.Tsai and Huang (2002) demonstrated the clients' in store positive frame of mind and their perceived openness decided their time engagement in store similarly customers' enthusiasm to reappear in organization and to refer the store to others. Higher customer retention promotes bulk repeat buying as well as is accountable to test other products. Customers' retention increases revenues by bringing down cost of marketing similarly increase sales by positive word of mouth (Reichheld & Sasser, 1990). Consequently the loyal and preserved customers are highly responsible for generating revenues and are believed as fund raising asset to the firm. In initial stage, net income might be found negative because of acquiring cost of new customer later on that would be stabilize and ultimately would gain profit by their loyalty.

Customers will be profitable if they would serve for long period of time. Many examples have found that measure the value of customers. Blattberg and Deighton (1996), Wayland and Cole (1997) generalize, in preliminary phase firms invest their resources to make customers (all the investment are involved under the acquisition cost), after acquisition they are required to train (maintenance cost) and all the given costs are balanced by the revenue generated by customers. So, their argument put forward the bottom line as deduction of acquisition cost and maintenance cost by revenue. Cost of acquisition customer is preliminary expenses to the firm but the revenue appears over a long period of time. Concentrating exclusively on retention of customer may overlook the customer satisfaction. Maintaining the customer satisfaction ensures the future revenue of firms as well as downsize transaction cost, similarly diminish effects of price elasticity and limits the customers' agony against quality fluctuates (Anderson & Sullivan, 1993). Better satisfaction of customer trims down costs related to substandard goods and services like replacement, after sales service, warranty, complaint handling. In similar way, positive word of mouth of satisfied and loyal customers automatically reduces pulling cost of attracting new clients. Contrary, similar action of disappointed clients obviously has reverse result (Danaher & Rust, 1996). Given long run advantage of customer satisfaction leads long standing influence over the profitability, and customer retention could earn by different measures like price promotions, superior product quality, switching barriers, rebates and others.

Linkage of customer satisfaction with their loyalty is also supported by Zeithaml et al. (1996), they observed solid confirmation in favor of linkage of service quality with loyalty of customers, their retention and customers' readiness to pay. There exist some supports that prove positive association among customer satisfaction, customer loyalty with financial output. Anderson et al. (1994) argued if the firms actually accomplish good level of customer satisfaction they would enjoy better economic returns as well. Customers' favorite service perception and their satisfaction lead the significant amount of sales (Ahearne, Mathieu & Rapp, 2005; Schneider et al., 2005). Observing ACSI (American Customer Satisfaction Index) of Fortune associated 200 service firms, Schneider, Macey, Lee and Young (2009) discovered that ACSI significantly correlates to firms' Tobin's Q. However, Liao and Subramony (2008) marked 1% gain of ACSI level contributes 11.4% gain (in figure 94 million dollar) in ROI (return on investment), 654 million dollar growth in grocery stores' equity value, similarly 55 million dollar gain in net operating cash flow of a medium size business firms (Anderson & Fornell, 2000; Gruca & Rego, 2005).

Customers' satisfaction is fundamental motto and is crucial asset for success of an organization. Customers' belief about better service value expected to motivate them to exhibit loyal behavior, continuation of relationship, amplification degree of relationship as well as to show word of mouth promotion to support service suppliers (Hallowell, 1996). Research study by Mittal and Kamakura (2001) suggested, demographic features such as education, age, gender of customer group could control nature of association between customer satisfaction and their repurchase or the retention behavior.

Share of wallet is share (ownership portion) of business firm over the wallet of customer and specifically it defines percentage (amount) of money that customer assigns to particular firm. Customer satisfaction has immense influence on their retention and loyalty, so service firms always try to shield customers closer and that ultimately contribute to significant portion of their wallet. Thus, managers are continually concentrated on improving customers' level of satisfaction to amplify their portion of spending (shares of wallet). The positive relationship of satisfaction with the share of wallet have been observed in case of fleet tracking, pharmaceutical, institutional securities (Perkins-Munn, Aksoy, Keiningham & Estrin, 2005), in retail banking sector (Baumann, Burton & Elliott, 2005), metal processing industries (Bowman & Narayandas, 2004), as well as grocery retailers (Magi 2003; Silvestro & Cross 2000). In conclusion, empirical researches confirm the positive linkage of satisfaction to share of spending across the industries.

Customer satisfaction has encouraging relationship to loyalty of customers and it is additionally investigated and assessed by Loveman (1998), Hallowell and Schlesinger (2000). Rust et al. (1995) didn't differentiate between client satisfaction and service quality but presume direct relationship of client satisfaction with financial performance of organization. Similarly, Meyer Goldstein (2003) analyzed effects of customer satisfaction over income generation and profits; similarly they observed positive associations of customer satisfaction with revenue expansion. Reichhald and Sasser (1990) examined effect of loyalty of customer over profit across the industries and remarked client loyalty as dominant influencing variable of profit comparing to market share. Moreover, they observed 5% escalation of customer loyalty contribute 25% to 85% increment in profit. Rucci et al. (1998) revised the contemporary SPC model and named that as "employee-customer-profit chain". Employing the “employee-customer-profit chain” model, they performed research on US retailers named Seas and Roebuck Company. Employee-customer-profit chain model was simple and uncomplicated judging against the framework of Haskett et al. (1994), however research finding indicates 4% increment in employee job satisfaction leads 4% rise in customers’ satisfaction within periods of twelve month and 4% progress of customer satisfaction generate revenue above of $200 million.

Customer satisfaction in particular is significant for service sector business because it is precondition of loyalty and recommendation (positive word-of-mouth) activities (Spinelli & Canavos, 2000). Technical Assistance Research Programmes (TARP, 1986) and Gursoy, McCleary and Lepsito (2007) manifest keeping on hand customer pays significantly less rather drawing the fresh customer; additionally Reichheld and Sasser (1990) advocate in favor of repeat customers and suggest they are noticeably profitable in comparison with single contract customers. Clifford and Cavanagh (1985) put views that emphasizing on principal success component the organization could ensure growth even in stage of declining. They rationalize the statement considering the survival and flourishing of Southwest Airlines, and financial chaos of other challengers. Further, they argue how Krispy Kreme could walk out from being "Darling of Wall Street" after investigation of the Securities and Exchange Commission. Gursoy and Swanger (2007) argue; as indication of Steroid Theory, selected business firms perform secure business by identifying and utilizing in-house strategic success factor and similarly get benefits from external environment by diminishing threats. So, they spotlight over core competencies to enhance performance. The overall study result recommends customer satisfaction as crucial triumph factor to boost up service organizations’ internal performance.

Customer satisfaction holds long-standing influence on financial aspect of the business (Nagar & Rajan, 2005). Firms’ satisfied customers are expected to buy regularly in bulk quantity as well as try to purchase other commodities or services provided by similar service firm (Anderson et al., 1994; Gronholdt, Martense & Kristensen, 2000). Ittner and Larcker (1998) articulate the clients’ satisfaction as intangible star indicator for organizational revenue. Similarly, Hays and Hill (2006) support the given statement and put forward the customer satisfaction and loyalty as primary for economic result of organization. Customer satisfaction positively influence the profit making ability of the firm because, customer satisfaction may enhance loyalty of customers as well as manipulates repurchase intention and behavior of customers (Stank et al., 1999; Verhoef, 2003) and that ultimately causes increment on profitability of the firm (Anderson et al., 1994; Mittal & Kamakura, 2001). Likewise, contended customers have willingness of paying premium costs as well as they are supposed to be less sensitive in cost (Anderson et al., 1994). So, customers should be developed in such a way that they could compensate for benefits they acquired and made patient in price increase. This sooner or later increases economic benefits of business firms. An investigation of 700 executives revealed, 64% of total specifies the client satisfaction as their principal priority while remaining 36% specified that as one of the priorities (Shoultz, 1989).

Exploring the SPC model (Anderson & Mittal, 2000), service firms' customer service operation found linkage with organizational accomplishment because better quality customer service, as observed by Anderson and Sullivan (1993), Berry and Parasuraman (1991), Reichheld (1993), Rust and Zahorik (1993), is responsible for better retention rate of customers and ensure larger sales, better market share, cut downs in cost of acquisition and servicing, as well as improvement in efficiency. Hence, organizations always try to renovate it to stay front line of competition such that customers would cause no reason to change to a competitors offering and would continue stronger. Cronin and Taylor (1992), Anderson et al. (1994), Gotlieb, Grewal and Brown (1994) suggest service quality as predictor for satisfaction of customers. Empirical results demonstrated, the service quality relates with customer satisfaction (Babakus, Bienstock & Scotter, 2004). Gratified customers with service providers' service quality have supporting emotional response in favor of the firm. Westbrook and Reilly (1983) have described customer satisfaction as emotional reaction acquired through experiences of particular service or products. Equally, Oliver (1997) marked the customers' judgment about goods or services could generate certain level of satisfaction. Lau (2000) suggests the service suppliers ultimately to enhance service value because of customers' nature of exploring new service options, otherwise will be discard.

In words of Jones and Sasser (1995), highly satisfied customers would expect to repurchase six folds extra comparing to just-satisfied employees. In similar way, Storbacka et al. (1994) and Gummesson (1993) argued over the linkage of satisfaction and loyalty and found influence of customer satisfaction to their loyalty was positive. Yi (1990) evaluates numerous researches and drew conclusion that customer satisfaction is responsible to manipulate purchase intention as well as change the post-purchase behavior. Jacoby and Kyner (1973) specify the customer loyalty as behavioral loyalty and attitudinal loyalty. Attitudinal loyalty points out the customer's connection or affiliation to organization, products or the services. Conversely, behavioral loyalty describes the increased level of relationship as well as purchasing habits from the similar provider (Lau, 2000).

Fornell (1992) advocates superior customer service ought to show higher fidelity to customers, should reduced price elasticity, should insulate current customers against efforts of competitors, should lower transaction expenses, lower expenses of drawing new customers as well as should enhance firms' status. Higher customer loyalty indicates higher repurchase. If business house has loyal customer, it reflects in firm's return of investment because it assures regularity in future cash flow (Reichheld & Sasser, 1990). Higher customer loyalty contributes the continuous buying from similar service provider for long future. The collective worth of dedicated customer to business firm is reasonably important. In support of statement of customers loyalty Anderson et al. (1994) forward the example, considering the lunch tendencies of different three customers who frequently patronize restaurant near of their office. They suggested, for the meal of value $6 in average if the group of three people go to the restaurant thrice a week, there would be $2,700 annual revenue generation while there would be $90,000 revenue generation by 100 loyal customers. Similarly, this group would be value approximately $500000 over next five years although group of three plans to hide the restaurant from access of the others. So, better the customer satisfaction better the firms' value, firm's customer assets as well as the future profitability of the firms.

Satisfied customers have better willing to pay to their advantages that they get likewise they can also tolerate the price increment which cause higher margins as well as higher loyalty of customers (Reichheld & Sasser 1990). They further suggest minimum amount of customer satisfaction indicates higher customer turnover, elevated replacement costs and higher customer acquisition costs. Decreased price elasticity leads to better profits for the firms providing higher client satisfaction and similarly higher customer satisfaction should less cost of transaction. If service firm maintains better retention of customers, that need not to be spends more to gain fresh customers. Happy and satisfied clients are possible to buy in bulk volume frequently as well as could buy other commodities and services provided by firm. However, Shugan (1989) says the measures to satisfy customer satisfaction; such as promoting the personal service, offering the different product features, acquiring best quality raw materials; surely increase the costs of operation. So, there may be negative returns to the firms in the name of improving service value and customer satisfaction.

Anderson and Sullivan (1993) estimated that one unit improvement in customer satisfaction level increases .0058 units improvement in repurchase probability. For this reason, experiencing 3% increment on average satisfaction level 67% could result differences in repurchase probability of similar firm by 75% to 76%. Correspondingly, Mittal and Kamakura (2001) observed the relationship of satisfaction and repurchase intention (behavior) as nonlinear and fluctuated in relation of customer segment. Using correlation as similarly employing regression statistical analysis, the firms could gauge association of satisfactions with customers' repurchase intention, Ralston (1996) approximated, one unit differences appearing in customer satisfaction results 6% difference of probability in continuation of use. ACSI (American Customer Satisfaction Index) and Swedish Customer Satisfaction Barometer are well renowned national database which are developed by University of Michigan (Anderson et al., 1994; Fornell, 1992) to acquire customer related data. Those databases have confirmed the relationship of customer satisfaction with their repurchase intent. Those data have demonstrated the asymmetric relation of satisfaction to re-buying intention specifically; the dissatisfaction holds bigger influence over repurchase intention comparing to satisfaction. The nature of industries and firms could explain the nonlinearity pattern and coherently Ngobo (1999) searched the nonlinearity relation of customer satisfaction with their re-buying intention regarding insurance, retails, bank as well as camera and detected the differences in nonlinearity.

Mittal and Kamakura (2001) have tried to associate the customer satisfaction with repurchase intention and repurchase behavior regarding automobile industry and confirmed asymmetric as well as nonlinear relationship between satisfaction and repurchase behavior. Likewise, they observed nonlinear and asymmetric relationship between customer satisfaction and their repurchase intention. They presumed that due to diverse characteristics of nonlinearity, the word ‘intention’ and ‘behavior’ are not supposed to be treated in substitution and further suggest if the research study aims to manifest the relationship of customer satisfaction with their retention, it will be suggestive to incorporate repurchase intention and the repurchase behavior differently. Zineldin (2000) specifies the retention as, promise developed by the customers to perform transaction in continuing basis in relation to specific organization. He further argued, customer retention earns advantages like employee job satisfaction and retention, superior service, minimum operational costs (Reichheld, 1996), less sensible about price, optimistic word-of-mouth, high market share, superior efficiency as well as elevated productivity (Zineldin, 2000). Ruyter and Bloemer (1999) believe the customer retention as the capability of an organization to continue lively relations with their existing customer. In response, Andreassen (1994) suggests the revenue accumulation happens to be gradually profitable because of minimal attempts involved in analyzing their needs.

Better degree of employee retention and customers’ level of loyalty (retention rate) explains higher profit amount (Palmer, 2001). However, no attentions on key stakeholders (like customers, employees, owners) result costs to cash flow that is from agitated and indecisive customers, inactive workforce and from temporary owners. Even for employees or customers, satisfaction is crucial determinant of retention. Ranaweera and Prabhu (2003) perceive the brand switching barriers and trust of customers as dominant influencing factor of retention. They put forward; considering the low customer contact business or mass service providing business; satisfaction plays powerful role in relation to customer retention. There is optimistic effect of trust over retention however, lack of confirmation that trust is highly important than of satisfaction. Customers are eager to acknowledge confession presented by the service suppliers to acquire trouble less service. Ranaweera and Prabhu (2003) further suggested the significant influence of switching obstacles over customer retention. In business of switching barriers, even though customers felt less satisfaction from service experience, the service providers are expected to protect those customers.

Yet there exists some controversial findings, regarding scientific review paper of service quality and profits Schneider (1991, p. 154) posits, “customer service-quality perceptions and satisfaction are sometimes, but not always, reflected in profits”. Tornow and Wiley (1991) establish negative association of client satisfaction with gross earnings; similarly revealed optimistic link of client satisfaction with customer retention. Wiley (1991) reasoned all the customer satisfaction dimensions negatively relates with financial performance which is conflicting to conclusions concerning financial performance. Schneider (1991) likewise observed positive relationship of client satisfaction with business performance.

2.9 Customer Satisfaction and Financial Performance

Customer satisfaction is positively related to firms’ profitability because customers’ satisfaction improves customers’ loyalty as well as manipulates future repurchase potentials and behaviors of customer (Stank et al., 1999; Verhoef, 2003) and the given action ultimately enhance profitability as suggested by Anderson et al. (1994) and, Mittal and Kamakura (2001). Likewise, customers’ with higher satisfaction are ready to pay extra costs and are supposed to be less cost sensitive. This indicates the customers’ willingness to compensate the advantage they receive as well as their patience regarding increment in price; finally those could assist in economic performance of the firm. Assumption is that, the superior reputation of the firm could be favorable to establish and sustain the attachment to prominent distributors or the suppliers (Anderson et al., 1994). In addition, Nagar and Rajan (2005) have suggested the long-standing financial effect of buyers’ satisfaction on business performance.

Service firm allocates the considerable amount of assets to employees and their customers to make them fulfilled as well as ensure their retention, because basic assumption of SPC suggests satisfied employees could produce happy and dependable customers that would assure higher sales consequently superior financial output. Still, some of researchers have mentioned the serious worries just about emphasis put on customer and employee job satisfaction and whether or not they connect to bottom line performance (Zeithaml, Parasuraman & Berry, 1990; Bernhardt et al., 2000). Gursoy and Swanger (2007) generalized the attention to service as well as customer satisfaction in tourism and hospitality industry as given factor because it has become predicted and natural part of daily operations. Hospitality industries and tourism sector business cannot stay alive without satisfied clients but satisfied clients may not always ensure success in those industries because to acquire achievements the service firms ought to be honest than of its rivals in generating satisfactory experiences in favor of their employees and customers. Although customer and employee contentment and their retention have been reading widely, effects of employee job satisfaction simultaneously the client satisfaction over financial output have not taken in care as much.

Management theorists and chief executives frequently argue, excellent financial performance relies critically on way to satisfy customers and their magnitude of satisfaction such as Watson (1963), Peters and Waterman (1982), and Heskett et al. (1997). Researchers of consumer behavior such as Anderson and Sullivan (1993), Zeithaml et al. (1996) have shown that the gratified customers with their suppliers exhibit deep interest to buy from similar suppliers comparing to dissatisfied ones. But, the linkage of customer satisfaction with actual purchase is supposed to be rarely instituted. In some cases the effects are found controversial, such that; Bolton (1998), Bolton and Lemon (1999) confirmed the positive findings, similarly Hennig-Thurau and Klee (1997); Verhoef, Franses and Hoekstra (2001) observed null findings. Rucci et al. (1998) have reported that while employees' attitude experience improvement of 5 unit point that make 1.3 unit point progress in satisfaction of customers that successively contribute 0.5% expansion in growth of revenue, but their research criticized as they employed inadequate statistical details to evaluate these vital findings.

Numerous researches have been executed to gauge the economic outcomes from nonfinancial activities like customer satisfaction by employing managers and employees on survey (Chenhall, 2005; Grafton, Lillis & Widener, 2010; Ittner, Larcker & Randall, 2003). Alternatively, some schools of thought propose to restrict outcomes of studies regarding the employees and managers because that reflects firm's actual work performance and sometimes their answer may create situation of conflicts (Schall, Sundem & Geijsbeek, 1978). So, many of contemporary surveys have started to examine objective fact of performance like ROA (return on assets), ROE (return on equity) as well as the stock market functioning to sweep over the biasness of study.

Financial performance takes account of two major concepts, first profitability and second value of the firm. ROA (return on assets), PM (profit margin) and ROE (return on equity) disclose the profitability of business firm (Ross, Westerfield & Jordan, 2003) where as MVA (market value added) and Tobin's assess value of the firm (Gapenski, 1996). Scrutinizing the ACSI (American Customer Satisfaction Index) of 200 Fortune service firms, Schneider and colleagues (2009) observed that ACSI significantly correlates to the service firms' successive Tobin's Q. To the same extent, Liao and Subramony (2008) marked increment of 1% in ACSI score estimates escalation of 11.4% ($94,000,000) on ROI (return on investment) similarly growth on market value of equity by $654,000,000 (Anderson & Fornell, 2000) as well as amplification on net operating cash flow by $55,000,000 regarding medium size business firms (Gruca & Rego, 2005).

Referrals are who explains positive or negative communication between or among groups of product supplier, autonomous experts, friends or family as well as to actual consumers or prospect. Positive word of mouth (WoM) is similar to referrals but comprises oral means of communication. Stokes and Lomax (2002) believe the recommendation of present customers to the new clients as an uppermost mode of positive communication. This requires serious endeavor to management to boost up customer satisfaction by generating the better value to referrals (Soderlund, 1998). In support of word of mouth communication, Reichheld and Sasser (1990) put forward the fact; recommendations and suggestions of friends bring two fold effects as compare to paid advertising while clients decide to buy.

United States Office of Consumer Affairs discovered, the discontented clients inform no less than eleven people about their disappointment while contented customer just convey to five people about pleasure perception (Heskett et al., 1997). The similar incidents are generalized by several authors such as, Reichheld (2001) put forwarded the theme of his research as, people just inform eight colleagues about their real pleasure experience, while unpleasant experience conveys to 12 friends. Zeithaml and Bitner (2003) assume that individual frequently consult with others for market information instead of getting information from traditional marketing channels. Word of mouth is believed to be trustworthy comparing to other information sources, satisfied and loyal clients are highly responsible in offering positive word of mouth about the organization (Zeithaml & Bitner, 2003). Service firms are needed to develop trust to referrals of satisfied clients as well as to new customer for making purchase decisions (Heskett, 2002). Palmer (2001) suggests, opinion leaders should employed to communicate strong word of mouth because of its credibility to consumers.

Rely on SCBS (Swedish Customer Satisfaction Barometer) data of 125 business firms Anderson and Mittal (2000) computed the changes over ROI (return on investment) of the business firms having dissimilar customer satisfaction status. They detected, almost 1% improvement in current status of customer satisfaction justify almost 2.37% increment in ROI of firms, while shrinkage in customer satisfaction by1% explains decline of 5.08% in ROI. This suggests, fall down in customer satisfaction cause two times more deleterious while comparing the advantage associated with corresponding increment in satisfaction. Similarly, they forwarded the argument that single unit deterioration in customer satisfaction makes two-fold effects on ROI as the similar increment in satisfaction.

Reichheld and Sasser (1990) conducted research study on dissimilar nature of service companies and exhibited, 5% development of customer retention could cause 25% to 85% increment on firms' overall profitability. Considering five service companies for research study; Gupta, Lehmann and Stuart (2004) observed 1% progress of retention could get better profitability by 5%, however similar type of improvement in acquisition costs could experience the growth of 1.1% and 0.1% in profit. Reinartz, Thomas and Kumar (2005) noticed, 25% less expenses on customers' retention activities less the ROI by 55%, but similar less expense on acquisition shrink 3% of total ROI. Considering the facts, they have made optimum allocation on budget like 79% on retention as well as 21% to acquisition. Research study of pharmaceutical companies, Thomas, Reinartz and Kumar (2004) observed the parallel results regarding the proportion of budget allocation and in figure that was 86% in retention similarly 14% in acquisition. Some of the researchers in management think retention as less crucial in defining profitability. Coyles and Gokey (2002) observed large number of families (1600) of 16 different industries and got retention is less crucial than of margins and cross-selling; as well as they reported only 5% customers of retail banking verify their defect accounts annually that contributes 3% decrement on banks' deposit balances. Quite the opposite, 35% of bank customers take out cash and cut down their balances level that affects bank balances by 24% negatively.

Progress of customer satisfaction of any business firm leaves considerable positive impact on financial output. Anderson et al. (2004) collected data from 200 Fortune firms across 40 industries and exposed, shareholders' value is not influenced by market share and 1% difference in ACSI (American Customer Satisfaction Index) causes 1.016% differences in value of shareholder while evaluated through Tobin's Q. It indicates 1% up gradation in satisfaction of sample firm would contribute increment in value of the firm by approximately $275,000,000. Ittner and Larcker (1998) employed financial data with ACSI considering 140 service firms and discover almost similar result as earlier. They revealed, one point increment in ACSI (0-100 points) causes $240 million raise in value of the firm. In the same way, using the ACSI, Gruca and Rego (2005) detected, one point better output of ACSI results increment of $55,000,000 in net operating cash flow of next year and variability in cash flow decline by 4%. Satisfaction index (data base) of Sweden is called SCSB (Swedish Customer Satisfaction Barometer); using that indicator, Anderson and Mittal (2000) evaluated profitability of 125 Swedish business firms and identified that 1% improvement in satisfaction level leads to 2.37% increment in ROI. Similarly, data acquired for year 1989 to 1992 from SCSB, Anderson et al. (1997) observed satisfaction elasticity of ROI varies 0.14-0.27. Correspondingly, Anderson et al. (1994) announced one point annually increment regarding the SCSB for five years values $94 million or the value of 11.4% of existing ROI.

Occupying the retail bank data considering 59 divisions and 12,000 customers, Hallowell (1996) supported the findings of SCSB presenting one point development in satisfaction level (1-7 scale) elevated the ROA with figure of 0.59%. Similarly, the data of 106 firms of 68 industries in duration of 1981-1991, Nayyar (1995) got increment in customer service result growth of average CAR (cumulative abnormal earning) by 0.46% and market value of $17,000,000. Supporting the above statement, Ittner and Larcker (1998) found, positive improvements in ACSI leads increment to abnormal returns by 1% in duration of 10 days. Considering the transformation of Sears, Rucci et al. (1998), have developed the model that incorporates customer satisfaction, attitude of employee and growth in revenue. The findings suggest as five point development observed in employee attitude that contributes 1.3 point progress observed to customer satisfaction that sequentially assists 0.5% growth in revenue. Similarly, they anticipated 4% enhancement of customer satisfaction explains $200,000,000 additional revenue within 12 months and that added revenues increased market capitalization of Sear by $250,000,000.

The Economist conducted the worldwide investigation of 681 higher-ranking executives in October to December, 2002 and there 65% participants reported clients as their center of attention on next three years while mere 18% respondents central focus were shareholders (The Economist, 2003). Even though, executives are well known about the role of customers regarding organizations' financial performance, still they rely on different financial measures because of ambiguous customer metrics (Ittner & Larcker, 1996). Oliver (1993) defines the satisfaction as an instant post purchase assessment or opinion or the emotional response of customer about the goods or services, called transaction specific. Considering the global viewpoint, Anderson et al. (1994, pp 54) define customer satisfaction as "overall evaluation based on the total purchase and consumption experience with a good or service over time".

Surveys accomplished at National Quality Research Center (University of Michigan) found positive relationship of customer satisfaction to financial output like ROI (Fornell, 1992; Anderson et al., 1994; Fornell et al., 1996) similarly the Tobin's Q (Anderson et al., 2004). Among those, Anderson et al. (1997) examined relationship of satisfaction with ROI. They identified the variation in relationship respectively for goods and services such as; 1% improvement in customer satisfaction marks 0.37% increment regarding ROI of goods although just 0.22% inflation in ROI in case of services. Regarding the findings, they argue the incident is happened by reason that, the services incorporate trade-offs in quality due to customizability. Several studies scrutinize data from particular firms and affirm positive effect of service quality with perceived satisfaction on financial outcomes. Many early surveys observe effects of satisfaction as well as service quality either on customer purchasing behavior (Bolton, 1998, Mittal & Kamakura, 2001), or revenue effects (Ittner & Larcker, 1998). Although, comprehensive study relating firms' operation to perceived customer satisfaction as well as to financial output are initially introduced (Loveman, 1998, Evangelist, Godwin, Johnson, Conzola, Kizer, Young-Helou & Metters, 2002).

Behavioral researchers of marketing have built up literature pile exploring predictors and outcomes of customer satisfaction particularly in personal level. Regarding the customer satisfaction at least two concepts are in existence, the cumulative and transaction specific (Boulding et al., 1993). According to Oliver (1977, 1980 and 1993) the transaction specific approach views customer satisfaction as the evaluative decision after the specific purchase made. Cumulative type of customer satisfaction considers the whole evaluation of customer relied on complete purchase as well as consumption experience of goods or services over the time (Johnson & Forell, 1991; Fornell, 1992). Transaction approach of satisfaction offers particular analytic information of particular product but cumulative satisfaction indicates business firms' prior, existing as well as upcoming performance. The cumulative satisfaction trigger off investment of the firm in favor of customer satisfaction and the recent research study has its focus on economic returns via customer satisfaction, so given theoretical framework assumes customer satisfaction from cumulative approach.

Reinartz and Kumar (2000) put forward the logic that long term customer, who were satisfied would not be always highly profitable clients to business firm because the monetary value of attending those customers found excessive than of profit generation. Ittner and Larcker (1998) conducted scientific study relating to financial institution and found satisfaction had positive relationship with retention as well as with revenues however no relation with margins. Similarly, they disclosed surprising findings that the bank branches having lowest customer satisfaction rank could not display significantly lowest return on sales (gross profits/ sales) comparing to branches having highest ranks in customer satisfaction profile. It may be reason that the branches having high satisfaction profile emphasize on revenue improvement by customer satisfaction but paying less interest to cost associated with satisfaction. Inconsistent to given findings, Kamakura et al. (2002) concentrated investigation on Brazilian bank and observed, the branches having better customer satisfaction as well as good retention profile were highly profitable than of the branches those were ineffective regarding both or one.

As advised by SPC, relation of client satisfaction with financial output should have positive, similarly better the satisfaction level of customer, favorable the financial performance. Even so, some research hint there exist positive relation as supported by Bernhardt et al. (2000) and Nelson et al. (1992), while other researchers such as Schneider (1991) suggest clients' positive perception of service quality and their satisfaction are rarely translated in profits. Bernhardt et al. (2000) recommended the existence of significantly positive relationship of variation in satisfaction with firms' financial performance.

Controversially, various studies indicate the relations of customer satisfaction with firms' financial output not necessarily to be positive (Wiley, 1991; Tornow & Wiley, 1991). Considering the hospitality industry, customer satisfaction lies in core of its operations and is believed as the "given" factor that is expected in routine activities, Gursoy and Swanger (2007) argue the customer satisfaction having no result in higher financial performance. Tourism as well as hospitality businesses merely survive without satisfying clients because consumers are expected to meet necessities while they patronize to specific service firm. In summary, a mass of elements may possibly mask the genuine bond of these constructs. For instance, when business firm makes decisions to raise customer satisfaction by launching different customer supportive programs, they could stop investing significant amount of capital in executing, and conversely amount of investment regarding the training, up gradation of facilities may make a business capable to enhance level of customer satisfaction however financially derived result could be frustrating.

Internal cost reducing actions for instance, decreasing training expenses as well as adjourning of facility up-gradation may compose a firm appear to be more profitable, even though customers are not satisfied. If assessment is relied on the authentic data acquired from the business, numbers of factors could manipulate factual relations of customer satisfaction with the financial output. If direction and degree of connection between satisfaction and performance construct is scrutinized employing data acquired from different industries and branches, the results could exhibit authentic associations among those constructs. Although, different actions of firm could not ensure the customer satisfaction but bear substantial effects on profit generation, however for long range profitability customer satisfaction could be assumed as major pillar of the structure. Therefore, this could be hypothesized the considerable positive relationship between customer satisfaction and financial performance.

Business globe, where there exists severe competition, companies require to distinguish themselves from other similar companies to maintain their belongingness with their clients. Such focus to maintain customer relations generate transformation from transaction to relationship marketing (Sheth & Parvatiyar, 1994; Gronroos, 1994). Numbers of research behave the satisfaction as basic principle to withhold customers similarly satisfaction of customers has arrived in peak of relationship marketing dimension (Mithas, Krishnan & Fornell, 2005; Luo & Homburg, 2007; Al-Fawaeer, Hamdan & Al-Zubi, 2011). Wilson (2002) says, the business firms invest considerable resources to enhance customer satisfaction but as consequence, overall costs associated with customer satisfaction explain significant percentage of yearly marketing budget. Additionally, Sheth and Sisodia (1995) have confirmed the cost associated to marketing activities comprises nearly 50% of entire costs. In western societies, experts and industry managers have deep trust over value of customer satisfaction similarly they are becoming quiet sensitive regarding its effect on financial performance however it is a new area of interest in Nepalese scenario.

Scientific research studies that examine financial output generated through customer satisfaction have certified positive effects on financial output of firm (Anderson et al., 1997; Tuli & Bharadwaj, 2009; O'Sullivan & McCallig, 2009; Grewal, Chandrashekaran & Citrin, 2010). Alternatively, number of studies argues relations of customer satisfaction with financial performance may be inconclusive, mixed or not positive (Gursoy & Swanger, 2007). In support of given argument, Foster and Gupta (1997) suggest to employ diversified questions that consider different variables of satisfaction construct and they argued that there could possibility of having negative, positive or the insignificant relationship of satisfaction with profitability. Moreover, Anderson and colleagues (1994) observed positive relationship between customers' satisfaction with ROI (return on investment) of manufacturing firms in Sweden but in context of service firms weaker or the negative relations appeared.

Contemporary research findings indicate the customer satisfaction as exceptional meter for company's future earnings. The studies conducted by Zeithaml (2000) as well as by Rust, Moorman and Dickson (2002) observe positive influence of customer satisfaction over financial performance like ROI (return on investment) and ROA (return on assets). In the same way, a scientific research of Manafi et al. (2011) link customer satisfaction with net profit. In meta-analysis, Farley and Hoenig (1990) discovered from 20 different studies supporting encouraging relations between quality service and financial returns. Similarly, Phillips, Chang and Buzzell (1983), and Buzzell and Gale (1987) reported significant association between quality perception and ROI of the firms.

Controversially some academia assures, there exists negative relations of customer satisfaction with profitability, and supporting this Tornow and Wiley (1991) claim the majority of elements consisting to satisfaction of customers hold negative relations with the profitability of firms. Moreover, it has been imperative to identify how customer satisfaction affects value of the firm. Scholarly articles (Gruca & Rego, 2005; Fornell, Mithas, Morgeson & Krishnan, 2006) at present indicate that customer satisfaction makes better the shareholders value by mounting the cash flow and by uncertainty reduction. Study by Aksoy, Cooil, Groening, Keiningham and Yalcin (2008) remarks that future cash flows, shareholders' value, stock performance as well as the long term financial measure could be gauged by customer satisfaction. Moreover, Anderson and colleagues (2004) and Schneider et al. (2009) support positive association of amount of customer satisfaction with concurrent financial market indicator like stock, market to book ratio or the Tobin’s Q. Banker, Potter and Srinivasan (2000) conducted the research study in eighteen hotels and got the evidence of positive linkage between customer satisfaction and firms’ future accounting performance. Relevant to linked matter, Denizci and Li (2009) realized positive relations between client satisfaction and different financial measures regarding tourism as well as in hospitality business. They identified customer satisfaction as significantly associated with financial productivity, like ROA and Tobin’s Q.

2.10 Customer Loyalty

Oliver (1997) labels loyalty comprehensively as sincere dedication to repurchase or repatronize favored products or services without fail in future, as a result causing repetition of similar brand or similar brand set purchases, regardless of situational controls and marketing efforts. In word of Zeithaml et al. (1996) consumer loyalty could be manifested by different behaviors such as assigning the higher percentage of wallet to particular service provider, communicating positive word of mouth, as well as repeating the purchase to continue the relationship with focal firm. Loyalty could be measured behaviorally by assessing the frequency of repeat purchase or by comparing the volume of purchasing (Tellis, 1988); similarly could be measured attitudinally by assessing repurchase intentions (Reynolds & Arnold, 2000), willingness to suggest to outsiders (Mattila, 2001) and possibility of switching as well as possibility of huge purchase. Zeithaml et al. (1996) unite separate facets of loyalty and develop a new construct incorporating propensity to switch, loyalty, willingness to pay more, and external response to service problems. Dick and Basu (1994) assume loyal customers have the capability to develop desired attitudes towards business firm in high level; they have ability to motivate others by supportive word of mouth a well as by recommendations. As said by Zabin and Brebach (2004), Kraft Foods believes loyal customers purchase at least 70% of same brand of specific category within three years and on the foundation of given benchmark, 40% of Kraft's buyers would have been sorted out as loyal, however at present time that number is closer to 15%.

Loyal customers eager to have repeat purchases that ignore any changes in market. Their purpose could be demonstrated by various ways, such as recommending similar service firm to friends or outsiders and buying the same or something else from similar supplier. Customer satisfaction through high service value affects loyalty of customers of service providers (Heskett et al., 1994). Empirical studies performed by Jones and Sasser (1995), Hallowell (1996), Heskett et al. (1997), Stank et al. (1999), Gronholdt et al. (2000) have disclosed the positive and noteworthy relationships of customer satisfaction with loyalty as well as customer loyalty with performance of sales. Satisfied and happy customers with quality services of service provider are expected to carry on repeat purchases. It is expected that satisfied customers are engaged in repeated purchases of wider variety of products in greater volumes. In word of Stank et al. (1999), satisfied customers have low reaction in price change, so, they provide potential to make profit to service providers as well as minimize the risk occurring from defective products.

Loyal customers give reason for higher share of sales as well as escalation of profit of the service firm. Assisting experienced and veteran customers has effect on productivity because they have knowledge about service delivery system as well as express strong word of mouth in favor of organization. Lau (2000) advocates, faithful customers provide suggestions to make the service better similarly they seem to be cooperative and ultimately productivity gain for the service firm. Heskett et al. (1997) focus to significance of customers' lifetime value and suggest, service firms require to be think about way of retaining customers for long, way of maintaining active relations through retention, related sales, and referrals or '3Rs'. Growth of the service firm relies on the service providers' ability to sell new products to present customers and customers' positive word of mouth to possible customers. In support, Reichheld and Sasser (1990) examined the result of loyalty over profitability and they set that client loyalty is prominent factor to assure profit in comparison with market share and further established a five (percent) point gain in relation to customer loyalty could increase the profit by 25% to 85 %.

Companies have minutely observed the effects of service quality perception on repurchase intentions. Such as, Toyota automobile discovered that repurchase intention increase 37% to 45% by positive sales perception of customers while repurchase intention increases 37% to 79% by positive service experience similarly increases 37% to 91% simultaneously by positive sales as well as by positive service perception (McLaughlin, 1993). In the same manner at AT&T, Gale (1992) evaluated the relations of service quality level with motivation to purchase and found the customers who rate the entire quality of company as excellent, 90% or more of them express their motivation to buy again from AT&T. Similarly, the customers rating of quality as good, as fair, or as poor, willingness to purchase decreased to 60%, 17%, and 0% accordingly. Agreeing of given information, readiness to repurchase amplifies on steeper pace. When service quality improves to 'good' from rating 'fair' the intention to repurchase increase by 43%, when it runs from poor to fair repurchase intention rises by17% and good to excellent quality improvement cause 30% increment could experience in repurchase intention. Therefore, the results recommend importance of service quality over the motivation to repurchase.

Many investigation have observed the positive correlation of intention with the real purchasing behavior and is supported by Juster (1966) and Kalwani and Silk (1982). Survey of 900 customers to identify purchase intentions and their genuine trial regarding five durable and nondurable goods, Jamieson and Bass (1989) segregated customers into three different clusters relying on their buying intention (those were definitely or probably won't buy, might or might not buy, similarly definitely or probably will buy). The genuine trial rates were observed as 12.6%, 24.3% and 36.0% regarding nondurables goods similarly 4.1%, 55%, and 10.0% for durable goods correspondingly. These answers indicate when a relation between intention and behavior (actual) is positive; improvement is required to translate intention to purchases.

In investigation of SPC, Loveman (1998) employed the data considering 450 bank branches and detected significant relations between job satisfaction and employees' loyalty but was not linked to lengthy job tenure. He further found the positive link of customer satisfaction with retention behavior and share of wallet. Using the structural equation, Kamakura et al. (2002) examined bank data and observed coefficient 0.27 (positive path) between customers' willingness to recommend intention and their number of transactions. Additional sequence of studies by Morwitz, Johnson and Schmittlein (1993), Dholakia and Morwitz (2002 a); and Dholakia and Morwitz (2002 b) displays the consumers' increasing purchase intention raise the purchase behaviors. In service marketing a novel theory is coming forward as defensive marketing (Fornell & Wernerfelt, 1987) and theorists have noted the major weakness of gaining new customers, they argued acquiring new customers makes the current customers disregarded, so there might be possibility of switching to opponent service firms. Reichheld and Sasser (1990) reiterated the same idea in their research work and reached on conclusion that, the customer loyalty (quality market share) is good predictor of business success comparing to number of market share. They further analyzed and observed 5% growth of customer loyalty could lead profitability from 25% to 85%.

Number of studies have justified the link of customer loyalty with profitability such as, higher loyalty of customer decreases the cost of advertising (Nowack & Washburn, 1998; Anderson & Fornell, 2000), increased customer loyalty causes increased referrals (Anderson et al, 1997; McDougal & Levesque, 2000), increased customer loyalty positively influence the repurchase (Anderson et al, 1994; Sirohi, McLaughlin & Wittink, 1998) and increased customer loyalty leads lowering of cost of transaction (Potts, 1988; Anderson et al, 1994; Anderson et al, 1997, Mittal & Lasser, 1998).

Anderson and Srinivasan (2003) believe customer satisfaction as well as low perceived values force the customers to switch in the direction of competing lines to experience comparatively better service value, which ultimately contribute downfall in loyalty. Late, the research study by Chiou (2004) experienced the perceived trust manipulates customer satisfaction directly as well as positively and as similar to customer loyalty. Acquiring new customer has been expensive and hard job to business firms because of considerable time, efforts and the investment, similarly, customer retention issue is believed to be key interest of organizations to develop solid foundation of loyal customers. So undeniably, holding the existing customers is found highly profitable to business firms rather investing significant amount in drawing new clients and it is supported by Ennew (2003) and Weinstein (2002). In real business ground customer holding is natural effect of customer loyalty that positively linked with financial performance for example profitability and market share (Anderson et al., 1994). Reichheld and Sasser (1990) supported this view, they observed improved customer loyalty effects in increased revenue as well as in increased market share however reduce the customer acquisition and maintenance costs. In similar way, Rust and Zahorik (1993) formally noticed the sequential relation of customer satisfaction, their dedication with market share.

Client retention is the chance of a customer being live with the firm or probability of repeat buying from similar firm. It is the inner commitment made by customers to business or to make transaction with specific company continually (Zineldin, 2000). Reference from Dwyer (1997), Jain and Singh (2002), there exists two retention models first "lost for good" and another "always a share". The initial model “lost for good” believes customers’ changing loyalty as permanent, whereas “always a share” believes customers switching behavior to support of competitors as momentary. In word of Reicheld (1996) 5% increment in customer loyalty could improve 100% profitability. Customer who responses satisfaction score of 5/5 is expected to repurchase six folds compare to customer having answers 4/5 similarly the disgruntle customers recorded 30% excess intention to dump than of satisfied customers (Heskett et al., 1994).

Customer retention brings the benefits like employees' retention as well as their satisfaction, quality service delivery, lowering advertisement cost (Reichheld, 1996), less price sensitivity about products, supportive word of mouth to business firm, market share growth, higher productivity of firm (Zineldin, 2000). Customers' retention indicates the capability of organizations to sustain active and lively relations to their existing customer foundation (Ruyter & Bloemer, 1999) and that in turn, increases revenue and ensures the profitability, caused by less effort needed to analyze their necessities (Andreassen, 1994). Higher degree of employee retention as well as the customer retention (loyalty) increases the profit in significant level (Palmer, 2001). Ranaweera and Prabhu (2003) believe satisfaction as the chief driver of retention in similar way they presume brand substituting barriers and trust could also have independent or tandem influence over retention.

Customers would build up loyalty in favor of specific firm if they have belief of obtaining superior value as compared to other competitors (Bitner & Hubbert, 1994; Sirdeshmukh, et al. 2002). Study performed by Lam, Shankar, Erramilli and Murthy (2004) demonstrates the customer value positively correlates to customer satisfaction and their commitment similarly they found switching cost and customer loyalty positively correlates and affects customers' inclination to recommend others. Switching cost has become one of element among all which have an effect on loyalty (Zeithaml, 1981; Gronhaug & Gilly, 1991; Heide & Weiss, 1995). Investment of time on doing transaction, money and psychological effort are involved in switching costs and these forces compel the customers possibly to refrain from changing over to another provider of similar products or services (Dick & Basu, 1994).

Emotional contagion frame related to Pugh (2001) similarly the research of service linkage (Wiley, 1996; Schneider et al., 2005) have suggested, employees' attitudes as well as service performance could be translate into customer satisfaction. Schneider et al. (1980) and, Schneider and Bowen (1985) support that boundary spanners, employees' service delivery approach and their service delivery operation could inform the customers regarding internal affairs of organization. Customers' attitudes like positive disposition, openness and time in store could directly shaped by contagion process and employees' attitudes (Pugh, 2001). Employees' proper and right service behaviors as well as their customer focused OCBs (organizational citizenship behaviors) straightforwardly generate pleasing experience to customers which ultimately lead the perception of superior service quality (Bell & Menguc, 2002), positive mood in store (Gracia, Cifre & Grau, 2010), long time engage in store (Morrison, 1996) as well as the intention of purchasing more (Tsai & Huang, 2002).

Jones and Sasser (1995) argue the competitive environment of service sector is differentiated by those forces that have an effect on link of customer satisfaction and the loyalty. They further put forward the market which has large selection facilities to customers similarly low switching cost; customers would not be loyal even they were fully satisfied. Resource-based aspect of firm advocates customers' loyalty as rare resource of the firm that is valuable and almost impossible to imitate (Amit & Schoemaker, 1993; Oliver, 1997). It is believed the service firms look dynamic and active competition (Roth & Jackson, 1995) comparing to firms where the product quality believes to be primary interest of purchase. Customers' loyalty with respect to specific business firm can distinguish it from the near rivals; hence it is permissible to maintain its superior status in marketplace. Developing the loyalty through offering them better quality service that meets their needs, service firm could produce higher economic return (Koufteros, Nahm, Cheng & Lai, 2007), thus firm maintains the competitive advantage (Oliver, 1997). Regarding the social exchange (Blau, 1964), client would be highly dedicated to service firms if those firms will loyal to develop continuing rapport with them by presenting quality service to meet their demands. Service providers' intent to produce long-standing acquaintance with customer is revealed through their endeavors of offering quality services to their clients. So, if the actions of service provider support the customers to make repurchase decision, loyalty will breed on customers.

Referrals are the persons or agencies those express positive or negative communication with families, friends, and actual customers or with potential consumers about organization and goods or services. WOM (word of mouth) is similar as referrals but it constitutes verbal communication. For referrals, WOM is seen as prime medium to communicate message (Ennew, Banerjee & Li, 2000). Stokes and Lomax (2002) suggest, referring of present customers to potential buyers present higher degree of positive communication in favor of organization. Great effort is required to heighten customer satisfaction and pleasure, not exclusively for repeat transaction, but for the referrals (Soderlund, 1998). The study of Reichheld and Sasser (1990) documented that the references by friends and by social contacts or relationship carry twofold impact comparing to paid advertising while consumers decide to purchase. According to Heskett et al. (1997), US Office of Consumer Affairs found the customers who were dissatisfied inform to as minimum 11 people about their dissatisfaction, while satisfied customers simply suggest to 5 people about their satisfaction. The similar argument is documented by Reichheld (2001) as, the people only suggest to 8 friends about genuinely satisfying experience, at the same time bitter incidents may be circulated to 12 others. For the given statement, Soderlund (1998) put forward the view of theory of asymmetrical consequence of positive and negative effects. Zeithaml and Bitner (2003) supposed that individuals generally turn to experienced customers to seek market information rather than acquiring information from marketing channels. So, the referrals of satisfied clients travel long path in getting trust required for new clients to acquire service which may seem risky (Heskett, 2002). WOM (word of mouth) is perceived as highly believable as other information sources; similarly the satisfied as well as loyal clients are expected to impart solid word of mouth support (Zeithaml & Bitner, 2003).

Williams and Hazer (1986) claim the job satisfaction as predicting variable of organizational commitment, although Bateman and Strasser (1984) specified the given relationship as opposite. Heskett et al. (1994) claimed, perceived service value of customers would increased with higher productivity of employee, similarly employee retention as well as productivity were associated to customers' perceived service value. They further calculated the customers having their satisfaction indicator five points out of five demonstrated six folds higher repurchase rate comparing to customers who rated the satisfaction as point four. McDougall and Levesque (2000) indicated the significant and direct effect of satisfaction over the loyalty. Similarly, Eggert and Ulaga (2002) revealed the significant relationship of satisfaction with repurchase as well as word of mouth. Surveys conducted by Morgan and Hunt (1994) and, Mayer, Davis and Schoorman (1995) exhibited that trust of customers is linked with their loyalty because if the service providers take action to promote customer trust automatically the perceived risk of service will decrease. In addition, Doney and Cannon (1997) demonstrated that trust over suppliers or the salesperson is associated with repurchase intention.

In SPC, the highly explored construct is customer loyalty that manipulates financial performance as Heskett et al. (1997) portrayed. Even if, Meyer Goldstein (2003) as well as Gelade and Young (2005) left to incorporate customer loyalty, but found customer satisfaction as enough to change financial output. The research works of Rust et al. (1995); Zeithaml, Berry, and Parasuraman (1996); Loveman (1998); Pont and McQuilken (2005), and Gupta and Zeithaml (2006) suggested that separate customer loyalty model could value add to research. Zeithaml et al. (1996) suggested that customer loyalty included quite a lot dimension of loyalty as form of repetitive purchases, cross buying, extra buying, switching behavior and references or recommendation.

Rust and Zahorik (1993) performed the research on 100 customers of retail bank applying logistic regression and noticed; mounting of customer satisfaction from 4.2 to 4.7(considering 1-5 scale) is expected to improve retention rate from 95.9% to 96.5%. Employing 2,500 customers of telecommunication industry, Ittner and Larcker (1998) inferred, 10 point improvement in satisfaction (considering scale 0-100) improves retention rate by 2% as well as enrich per customer revenue by $195. Using data of 73 bank branches; they have also demonstrated, positive relationship of satisfaction with revenues as well as to number of customers. In similar pattern Bolton (1998) examined the length of relationship considering 650 cell phone users through observing their real behavior over 22 months period and she documented that satisfaction is positively linked with duration of the relationship, although that contribute only 8% of the variation. Hallowell (1996) conducted research study on 59 retail banks engaging 12,000 customers and observed the positive relation of satisfaction with retention as well as with length of tenure. Contrasting to Bolton (1998), he uncovered that satisfaction explained 37% of variance on customer retention and duration.

Loveman (1998) conducted survey over 45,000 customers regarding 450 branches of bank and found that satisfaction has positive link with client retention, types of service used (cross sell) as well as share of wallet of customers. He mentioned customer satisfaction as strong predictor of cross selling. Contrary, Verhoef et al. (2001) took on account of 2,000 insurance clients on two different time points and observed no influence of customers' satisfaction over cross buying of products.

Coherent with study of Bolton (1998), they ascertained effects of customer satisfaction on cross buying would increase with increment on length of relationship. Verhoef, Franses and Hoekstra (2002) employed the insurance data to observe effect of trust, satisfaction as well as commitment over customer referrals and their cross selling. They found satisfaction, trust and affective commitment positively linked to customer referrals however just affective commitment positively influenced the (cross selling) frequency of services purchased.

Above literature review could assists to generate the hypotheses as; H5: Customer satisfaction is positively correlated with customer loyalty and H6: There is significant relationship between customer loyalty and ROA/ROE of bank.

2.11 Service Profit Chain

Less number of researches has concentrated over effects of job satisfaction and loyalty on customers' service quality perception, their satisfaction and loyalty, similarly on financial performance of firm (Lai, Cheng & Yeung, 2005; Loveman, 1998; Ngai, Lai & Cheng, 2008; Rucci et al., 1998; Ryan et al., 1996; Spinelli & Canavos, 2000). The validity of SPC framework is examined in context of retail banks by Loveman (1998). Rucci et al. (1998) explored the linkages of employee behavior intention, customers' satisfaction with financial output at Sears. Considering the hotel industry, Spinelli and Canavos (2000) examined the association of workforce job satisfaction with satisfaction of customers. They observed the correlations among the SPC variables i.e. employee loyalty, customer allegiance and financial performance of the bank, was positive. Their study was limited to particular service industry and in similar way; the recent research is also solely confined to banking industry of Nepal.

The SPC (service profit chain) is complete structure that ties jointly the various aspects of service firms' activities. It conveys the issue of relationship through operating strategy and delivery system of service firm taking into account the customer's perceived service quality as well as its impact over financial performance (Heskett et al., 1994). SPC (service profit chain) locates the causal chain that links operational investments with financial output by mediation of employee job satisfaction, satisfaction of customers and their loyalty (Heskett et al., 1994; Anderson

& Mittal, 2000). Similar to service profit chain, Roth and Jackson (1995) commenced the new framework in service management named "operational capabilities-service quality-performance" (C-SQ-P) model.

Lau (2000) defines SPC as good received model that elucidate competitiveness of service organizations. SPC model attaches service organization's financial as well as market output with employees and customers (Heskett, 2002). Organization's internal service quality is responsible to instigate the chain effect of organization's profitability (Silvestro, 2002). SPC is strategic approach that indicates concrete and straight forward link of customer satisfaction (Andreassen, 1994), customer loyalty (Ruyter & Bloemer, 1999) with service value (Silvestro & Cross, 2000).

Bonnarens (2003) defines four main parts of the SPC. Foremost, internal component of organization is established by business itself similarly, main variables are internal service quality, job satisfaction and loyalty of employee. Second, service component could generate the service value to be delivered. Third, external part of chain concentrates to make the customer satisfied as well as to enhance loyalty and the final is financial component. For the business firms, revenue increment and so the profit are important and SPC demonstrates the profitability is immediately connected to all parts of the chain. Starting point of SPC is the internal service quality, it relates to the feelings and attitudes of employees in the direction of their jobs, contemporaries, companies that contribute to employee job satisfaction. Heskett and collegues (1994) characterized SPC as having five different facets like workplace outline, job design, selection and development of employee, employee compensation and rewards, and customer serving tools.

Relied on literature of service marketing, Halloweil et al. (1996) defined internal service quality comprised eight components incorporating tools, teamwork, policies and procedures, rewards and recognition, goal alignment, effective training, communication and management support. Stereo and Zenios (1999) investigated SPC framework in strategic level as well as in operational level, operational level analysis investigates the relational linkage of framework, however, strategic level highlight the strength of links of the model. Ho and Cheng (1999) believe the customer value as crucial elements to service profit chain, considering from employees as well as customers point of view. Andreassen (1994) and Silvestro (2002) suggested that output quality and firm's productivity are related with capability, satisfaction and loyalty of employees.

Significant amount of surveys have been carried to evaluate linkages in service profit chain, like outcomes of employees attitudinal variables on customers' satisfaction as well as financial performance, however quite mixed findings have observed. A survey on Sears by Rucci et al. (1998) demonstrates five unit increments in attitudinal variable of employee leads 1.3 unit raise in satisfaction of customers that would contributes 0.5% increment in revenue. Exploratory survey research of SPC was conducted by Silvestro and Cross (2000) considering the 15 supermarket outlet in United Kingdom, they found correlations in each of links in service profit chain with some space of contradiction as well. Bonnarens (2003) examined the authenticity of SPC employing information of pharmacy industry. Correlation analysis indicates significant association of five different linkages apart from satisfaction of customers' to their loyalty as well as from loyalty of customers' to growth in revenue. His findings were supported by earlier empirical study of SPC model of different industries.Research survey of Yingzi Xu (2004) investigated the causal links in SPC using data of Chinese security market. Researcher found positive links of employee factor with customer factor similarly with profitability as well as positive linkage of employee job satisfaction with customer satisfaction. In similar way, Pletcher (2000) explored SPC framework in hospital and observed no evidence of employee-patient-profit chain but agreed to hypothesis of job satisfaction with one dimension of employee loyalty.

There is general understanding so as to employee job satisfaction is positively associated to satisfaction of customers (Schlesinger & Zornitsky, 1991; Schmit &; Schneider, 1991; Tornow & Wiley, 1991, Allscheid, 1995; Koys, 2001; Homburg & Stock, 2005; Wangenheim et al., 2007; Brown & Lam, 2008). Connection of employee job satisfaction with organizational output supposed to be less clear, for example Schneider et al. (2005) found positive but pathetic relations of job satisfaction with organizational performance while the study of Silvestro and Cross (2000); Bernhardt, Donthu and Kennett (2000), similarly Homburg, Wieseke, and Hoyer (2009) disappointed to recover significant correlation of employee job satisfaction with profitability. In the same way, Wiley (1991) and Tornow and Wiley

(1991) concluded that relation of employee job satisfaction with financial performance was almost non-existed. Harter et al. (2002) performed meta analysis take in account the manufacturing as well as service firms and identified job satisfaction of employees moderately correlated to profitability with r value .15.

To stimulate repeat purchase as well as loyalty, the satisfaction of customer is supposed to have the significant role (Fornell, 2001 & 2007) however; there exist different connection between satisfaction and performance issues. Schneider (1991) exhibited, firms profitability occasionally relates to perceived quality and customer satisfaction but not the always, however no correlation found in case of customer satisfaction and profitability (Bernhardt et al., 2000). Tornow and Wiley (1991) got negative association between client satisfaction and profit as similar Wiley (1991) concluded, facets of customer satisfaction were negatively linked with financial performance of the firm. Anderson et al. (1997) indicated that connection between variation in client satisfaction and variation in productivity negatively associated to ROI where as customer satisfaction and productivity were associated positively with ROI. Gupta and Zeithaml (2006) exhibited strongly positive connection of client satisfaction with financial performance, in their meta analysis.

Chi and Gursoy (2009) employed SPC (Service Profit Chain) framework in hotel industry to scrutinize relationship of employee job satisfaction, satisfaction of customer and financial performance. They revealed that customers' satisfaction has substantial and positive impact over financial output, in similar way employee job satisfaction found non direct effect over financial output considering mediating character of customer satisfaction. Taking into consideration of Chinese security firm Xu and Heijden (2005) carried out the research study to measure significance of employee factors and they uncovered positive relations of employee factors with corporate profitability similarly significant consequence of firms' internal service quality to employee job satisfaction. Excessive level of job satisfaction reduces employment possibilities in organization by bringing down turnover rate similarly the employees' permanent status of job affects profitability. Considering franchise firm, Maritz and Nieman (2008) assessed the validity of Service Profit Chain and found positive relation between employee attitudinal variables and customer attitudinal variables. Particularly, they observed positive relation between SPC model and service quality as well as positive association of relationship marketing with service quality.

Heskett and his colleagues (1997) put forwarded the crucial role of internal service quality in delivery of external service value and they suggested that employees' aptitude affects job satisfaction. In similar sense, Hallowell and colleagues (1996) suggest to upgrade internal service quality of organization to motivate employees to deliver unique and quality services to their customers. Kang, James and Alexandris (2002) discovered the influencing role of reliability and responsiveness on overall service quality of the firm. Correspondingly, Bruhn (2003) uncovered the positive effect of internal service quality on employee job satisfaction as well as their maintenance. Numerous studies affirm the robustness of SPC linkage such as, customer satisfaction contributes significant influence on intention to purchase (Bolton & Drew, 1991), similarly Mittal and Kamakura (2001) observed, customer satisfaction has effect on their retention, in the same way, financial performance is affected by customer satisfaction (Anderson et al., 1994; Keiningham, Goddard, Vavra & Iaci., 1999; Leung, Li & Au., 1998; Zahorik & Rust, 1992). Besides these, there is plenty and strong conviction among researchers (Brookes & Stodin, 1995; Wiegran & Koth, 1999; Sheth, Sisdodia, & Sharma, 2000; Zeithaml, 2000) that linkage exists between customer satisfaction and share of wallet.

Morrison (1979), Jamieson and Bass (1989), Manski (1990), Morwitz et al. (1993), Bemmaor (1995) inspected the relation of repurchase intentions with actual repurchase behavior and they established a positive relationship between repurchase intentions and actual repurchase, they further discovered that customer satisfaction was positively associated to customer behaviors those were favorable to business outcomes. Some early research got the positive alliance of customer satisfaction with purchase intentions (Oliver, 1997; Anderson & Mittal, 2000), with customers' retention behavior (Anderson & Sullivan, 1993; Bolton, 1998), customers' positive word of mouth (Anderson, 1998) and ultimately with organization's financial output (Rust & Zahorik 1993; Anderson & Fornell, 1999). The surveys of Coyne (1989), Jones and Sasser (1995), Anderson and Mittal (2000), Keiningham and Vavra (2001) revealed that, the effects of clients' satisfaction over their behavior as well as over firms' performance are thought to be asymmetric and nonlinear. The asymmetric and nonlinear relation of customer satisfaction with their repurchase intentions has authenticated by the study of many researchers such as Bloemer, Kasper and Lemmink (1990); DeSarbo, Huff, Rolandelli and Choi (1994); Mittal and Baldasare (1996); Oliver, Rust and Varki (1997) as well as Mittal, Katrichis, Forkin and Konkel (1998). Mittal and Kamakura (2001) instituted that asymmetric and nonlinear link found valid for customer repurchase. Additionally, Anderson (1998) observed asymmetric and nonlinear relation of customer satisfaction with positive word of mouth.

Loveman (1998) comprehensively examined the SPC model and got verification in entire links of the chain. Predominantly, strong linkage observed organizations internal service quality with job satisfaction of employee, job satisfaction of employees with their loyalty and satisfaction of customers, similarly linkage of customer loyalty with firms' profitability. In the same way, Harter et al. (2002) established link of job satisfaction with customer satisfaction, productivity and profit. Kamakura et al. (2002) offered general support of service chain, however suggested the well management of employee input factors as well as customers input factors to raise the profitability. Schneider et al. (2005) discovered the modest support of framework that connects service leadership to service environment and customers' behavior that sequentially raise the customers' satisfaction and the sales unit. Similarly, Schneider et al. (2003) presented the verification that job satisfaction of employee is causally associated to market as well as to financial performance.

Kamakura et al. (2002) employed sophisticated multi equation technique to weigh up SPC relations at operational as well as in strategic level. They used two stage analysis approach and employed structural equation model (SEM) in strategic level after that they utilized data envelopment analysis (DEA) to measure efficiency of bank branches in operational level. Their SEM was characterized by five construct to describe and examine link of operational efforts of the firms, customers' perceptions about services and firms' financial performances. They observed negative effects of service quality (investment over service quality dimensions) on firms' profitability as advised by Rust, Zahorik, and Keiningham (1995) in Return on Quality model similarly they got construct equation simultaneously positive.

Rather the contrary, in that respect several studies have found no empirical confirmation in different linkages of SPC. In the word of Schneider (1991), employees' attitudinal variables and customers' attitudinal variables are not always related to profits. From the case of hospital, Nelson et al. (1992) observed, the patient satisfaction perceived through nursing services is not associated with profitability of hospital. Likewise, the survey conducted by Bernhardt et al. (2000) revealed, take into account of particular fast food retail station the satisfaction of customer is related with profitability but they found no support national wide. In support of given statement, Kordupleski, Rust and Zahorik (1993) mentioned, entire investments that enhance service quality could not assure the financial returns in all the time. Similar study on SPC model, Kamakura and colleagues (2002) found, even the advanced service quality do not ensure firms profitability.

2.12 Organizational Performance/Profitability

Financial infrastructures for example commercial banks, development banks, cooperatives as well as finance companies are widely established in Nepal. Gajurel and Pradhan (2012) mention the commercial banks as key drivers of financial institutions of Nepal. They further advocate, commercial banks are largely established and operated after the economic liberalization (1980's), deregulation, advancement in information technology and globalization. Financial performance of the industry or firm has become matter of interest to researchers, managers and investors from last decade. The rising interest is concerned with profitability of banking institutions that possibly escalate the economy. This research could assist policy makers as well as to managers in instituting better strategies to cope mounting uncertainty of vulnerable environment. For economic resource allocation commercial banks plays the crucial role within country. Otuori (2013) says commercial banks contribute for economic development of country by making funds accessible to investors to borrow and by expanding financial services in the country. Capability of maintaining sustainable profitability is key indicator of the bank performance. Whether organizational performance covers many variables but in case of profit making organization, performance is reflected in profitability. Financial performance indicates the firms' profitability.

The performance assessment of bank requires to stakeholders for instance depositors, investors, bank managers and regulators. The evaluation of business firm's financial performance usually utilizes the financial ratios method because that informs a simple description about the firm's financial output in comparison with previous periods. To investigate how the banking system has performed and maintained the risk under the past economic and financial market conditions, broad range of financial ratios need to be analyzed.

The ratio analysis in terms of financial aspects supports in determining financial position of one bank compared to other ones. Financial ratios like return on equity (ROE), return on assets (ROA) , non performing loan (NPL) ratio, interest expenses to total loan (IETTL), capital adequacy ratio (CAR), net interest margin (NIM) and credit to deposit ratio (CDR) would assist to show the state of capital, management, assets quality, liquidity and earning position of the banks.

Bank's Internal variables that influence profitability:

The internal factors (environment) are bank specific variables those are vary from bank over bank. However, well-liked bank specific model that is widely utilized in most of research studies is labeled as CAMELS framework (Christopoulos et al., 2011).

Capital Adequacy (C)

Karlyn (1984) demarcate capital adequacy by capital deposit since prime risk is the depository risk drawn by significant deposit withdrawals. Key ratios viewed by banks to ascertain capital adequacy are CAR (capital risk weighted assets ratio) as well as tier I capital ratio.

Asset Quality (A)

Asset quality index emphasizes the utilization of NPL (non-performing loan) ratio that is alternative of asset quality and provision to loan losses reserve. NPL are the loans that unpaid fully or partly from 90 days (Frost, 2004), so it includes loss loans, bad loans and sub-standard loans.

Management Efficiency (ME)

Being important internal factor, the management efficiency plays considerable role in assessing the success of bank. CIR (Cost to income ratio) is also defined by efficiency ratio and it is in general, understood as indicator of ability of management to control the costs. So, it exhibits the management ability in handling operations of the bank (Baral, 2005).

Liquidity Management (L)

Liquidity is important to both internal as well as external analyst of business firm because it has close and near relationship with day to day business operations (Bhunia, 2010) and LDR (Loans to deposits ratio) indicates the position of liquidity.

Sensitivity (S)

Sensitivity indicates the degree of expected fluctuation of exchange rates, interest rates, equity prices or commodity prices that influence profit of bank and it is sensitivity to market risk (Bohn et al., 2003).

Macroeconomic (external) Variables

Real GDP growth rate

Research studies consider real GDP growth as key independent variable in terms of measuring profitability of banks and GDP growth is greatly responsible to change demand and supply of loans as well as the deposits within country (Masood & Ashraf, 2012). Better GDP could magnetize financiers to make venture in respective country which increases business of banks contrary the low GDP diminishes return of banks as well as change the loan portfolio

Inflation: It is an increase in general price level and so, it depreciates the value of money. Inflation is expressed as annual percentage rate of change.

Interest rate: There is significant impact of interest rate over the profitability of banks (Vong & Chan, 2009).

Government debt: The debt owed by government is government debt and it is classified by internal debt (debt from within the country) as well as the external debt (debt from overseas country).

The concept ‘performance’ has been defined considering the diverse nature of stakeholders. From depositors’ points of view, it is ability of bank to manage their savings. Equity holders’ perspective defines the performance as attaining satisfied degree of profit. Bank managers’ perspective defines performance in terms of profit as well as considering employees' requests (Socol & Danuletiu, 2013). This research has concentrated the perspective of equity holders.

ROA (return on asset), ROE (return on equity), NPM (net profit margin) and GD (growth in deposit) assess the financial performance of organization and percentage indicates these values. ROE and ROA as measurement tools for financial performance were implemented by Angle and colleagues (2006). Net profit margin as tool to evaluate financial output was employed by Waldman, Ramirez, House and Puranam (2001). Growth in deposit do not measure the profitability directly however enhances lending competencies of financial firms. Since, interests rate on loans levied by banks is always higher comparing to rates on deposit, so GD supports to profitability enhancement of the business firm (Upreti, 2016). In word of Socol and Danuletiu (2013), there exist major three categories of performance measures. First, traditional measures that includes return on assets, cost to income ratio, return on equity and net interest margin; second the economic measure that involves risk adjusted return on capital and economic value added; and third market based measure which comprises return on total shares, price earnings ratio, credit default swap and the price to book value.

In performance literature, the ROA has widely used and it is consistently presented either of measures used. Olson and Zoubi (2011) claim, ROA directly reveals income to expense level. Similarly, degree of leverage employed does not vary the ROA however affects the ROE (Golin & Delhaise, 2013), so ROA is highly preferred in financial performance research. European Central Bank (2010) suggests higher ROE reflects excellent profitability or restricted equity capital. ROA would become core profitability indicator when profitability is measured in bank's asset base.

Petria, Caprau, and Ihnatov (2015) argued that the factors influencing banks' profitability could be classified in two major clusters; bank specific or internal factors similarly industry specific external factors. Analyzing the study results regarding different sample and data; the financial measures and other factors like credit risk, capital adequacy, management efficiency, liquidity risk, bank size, inflation, banking system, economic growth found responsible for the banks' profitability. Molyneux and Thornton (1992) conducted research to assess banks' profitability in eighteen countries of Europe for period of 1986 to 1989 and observed significant as well as positive association of ROE with rate of interests, banks' concentration and ownership pattern (government). Goddard, Molyneux and Wilson (2004), performed research over banks of six European countries examined for the duration of 7 years (1992-1998) and observed the positive relationship of bank profitability with risk but found bank size had insignificant effects over the profitability.

Bourke (1989) found amount of staff expenses negatively influence the ROA of bank similar to assumption that employee expenses could inversely related with profitability. On the other hand, Molyneux (1993) observed the positive association of staff expenses with gross profits. The researcher further recommends high profit making firms of regulated industry could be appropriate for higher payroll expenses. Similarly, the consequences of inflation could be significant and it could weaken the constancy of financial system as well as capability of regulator to control the solvency of financial intermediaries. Level of inflation could be responsible for variations in profitability of banks (Revell, 1979). In the same way, Hoggarth, Milne and Wood (1998) support the statement by arguing inflation generates huge difficulty for "assessment of loan decisions" because arrangement of loans on expected inflation rate may consider being insignificant when inflation is surprisingly minimum. Management decisions regarding the loan portfolio concentration is an important determinant that contributes to bank performance (Zimmerman, 1996).

High customer contact service firms specially involve in activities that customers and employees engage in direct and close interactions for lengthy period (Chase, 1981). The high-contact service environment is illustrated as the long duration of communication, closeness in communication as well as higher degree of information exchanged (Kellogg & Chase, 1995) and that help the service employees and customers to develop strong bond of their relationship as well as exchange the information regarding purchase operations. Such activities heighten the capability of service employees in presenting quality services to customers that eventually affects purchase decisions. McCartan-Quinn and Carson (2003); Haugh and McKee (2004), and Coviello, Winklhofer and Hamilton (2006) advocate, service organizations may suffer from experiencing limitation of organizational resources, thus they highly focus on employees motivation to equip them with good serviceability. The arguments discussed above make certain that satisfied employees of high contact service firms hold bigger effects on high value service, customers' purchase as well as sales operation. Hence, the high customer contact service industries could be appropriate for investigating how employees' job satisfaction influence organizational output via service quality. Firms' profitability indicates the financial performance and financial operation of store. Consistent with early research study, Staw and Epstein (2000); Schneider, Hanges, Smith and Salvaggio (2003) chose ROA (return on assets), ROS (return on sales), ROI (return on investment) as well as the overall profitability as signals of a firm's profitability.

Upreti (2016) conducted the research over 17 finance companies considering 136 employees in Nepal on December 2013 and observed significantly weak relationship of CEO leadership style with the profitability (ROA, ROE and GD) of organization. His study disproved mediating role of employee job satisfaction in relation to CEO leadership style and profitability. The research conducted by Wu and Shen (2013) demonstrated the CSR was positively associated with financial performance (ROA, ROE, net interest income as well as non-interest income), controversially, CSR (corporate social responsibility) observed negatively associated to non-performing loans.

The crux of multi dimensional literature review is presented in meta-tabular form that helps to comparison of findings, methodology and others.

2.13 Empirical Evidences

Reichhald and Sasser (1990) have discussed outcome of loyalty of customers on profitability regarding dissimilar nature of industries, they found customer loyalty as the key factor of profitability comparing to market share. Further, they investigated the effects of customer retention on profitability, and found small degree of increments in customer retention produce positive result on profitability. Empirically they observed, 5% increment (reached 85% to 90%) on customer retention contributes profit increase by 60% (soaring 35% to 95%). Correlation of customer satisfaction with financial performance is found in restaurant sector (Bernhardt, Donthu, & Kennet, 2000) while in retail sector, superior customer satisfaction leads the increased cross selling at branch level (Rucci et. al.1998; loveman, 1998) and in bank branches the customer satisfaction is leading indicator of growth and revenue (Ittner & Larcker, 1998). An empirical study in 59 retail bank conducted by Hallowell (1996) about the association among customer satisfaction and profitability, suggests the significant relations between these two constructs.

SPC considers the satisfied employees as highly productive as well as quality service provider comparing to less satisfy ones, and they lead to high degree of customer satisfaction (Schlensinger & Zornitsky, 1991; Ulrich, 1992). Wilson, Zeithaml, Bitner and Gremler (2012) suppose the customer satisfaction as an assessment of a product/service if that could address customer's requests or expectations. On the other hand, Yee et al. (2011) believe customer satisfaction as pleasant emotional position of customer followed by their product or service experience. So, Heskett and colleagues (1994) believe in SPC link, satisfied customers could likely to be more loyal.

Harter, Schmidt and Hayes (2002) did the meta-analysis taking reference of 36 companies' 7,939 work units based on the employees' perception and business unit performance and they observed employee engagement is correlated to customer satisfaction similarly; employees' favorable workplace experience is associated to customers' positive experiences. Jones and Sasser, (1995) performed the cross-sectional research study in five service industries over 30 sample and found customer satisfaction was positively correlated to customer loyalty.

The predominant assumption in service quality is, customer satisfaction could be maximized if service is devised and dispensed to address target customers' expectations (Hallowell & Schlesinger, 2000). Brady & Cronin (2001) suggest customer orientation directly links to customer's assessment of employee's service value delivery. The service value is the results or the benefits received comparing with total cost (Heskett et al., 1994). Likewise, Hong et al. (2013) argue, escalating customer service performance by one standard deviation over the mean, business firms make roughly one percent better return in favor of shareholders.

Satisfied and committed workforces likely to give up their temporary interests and focus to organization's long-range benefits so they provide finer service to customers. In other hand, discontented workforces are not as much liable to care customers with god faith (Hallowell & Schlesinger, 2000). Moreover, the loyal employees have deep interest to make attachment with organization for long and results minimal staff turnover which reduce employees' recruitment and training costs as well as ensure their retention and that ultimately expected to increase productivity as well as the service quality (Hallowell & Schlesinger, 2000). Koys (2001) got the proof of positive association concerning employee job satisfactions or employee commitment with profitability in restaurant chain outlet.

Yee et al. (2011) suggested that high or low degree of job satisfaction have direct effects on customers' service experience. They further advocate the exchange of sentiments among or between employees and customers could be observed in service firm, named as emotional contagion, play significant role in performance of business firm. Rust et al. (1996) stated that employees, who recognized and have good relationships with customers, provide better services. Loveman (1998) tested SPC in regional bank branches over 450 samples and concluded the positive significance relationship of employee job satisfaction with loyalty. Fornell (1992) found if customers are satisfied, it would lead to increase loyalty for the organization and the customers reduce switching for competitor. Similarly, Rust and Zahorik (1993) affirmed that superior customer satisfaction led the better intention to repurchase and customer satisfaction had direct impact on loyalty. Lau (2000) investigated the relations of internal services quality with organizational output over 29 samples and extracted result, the service organizations those focus to internal services quality contributed in sales growth as well as significant improvement in return on assets. Brooks (2000) has summarized the large number of studies relating employees' and customers' behavioral aspects with financial performance and concluded, 40 % to 80 % customer satisfaction as well as their loyalty has been determined through customer-employee relationship but depending on industry and market segment. Pugh (2001) revealed that exposure of positive sentiments of bank employees within office environment observed positively associated with customers' evaluations of service quality.

There exists positive association of job satisfaction with customer satisfaction (Payne & Webber, 2006). Homburg and Stock (2004) have defined employees’ job satisfaction as an attitude which derives through evaluation process or comparison of standard with reference to work environment. Schneider and Bowen (1995) as well as Magi (2003) argue service providers or the sales employees’ attitudes may possibly leave long-term impression on satisfaction, repeat buying as well as financial performances. So, researchers have exerted their efforts in examining relationship of employee job satisfaction with customer satisfaction. Voss et al. (2005) look at the effect of employee job satisfaction over service quality as well as on customer satisfaction and revealed that employee job satisfaction positively influences both the variables. Similarly, Homburg and Stock (2004) observed that highly satisfied service employees with their job, become visible in balanced and pleased manner to the customers and lead positive impact on customer satisfaction.

The preliminary research in support of the SPC (Heskett et al., 1994) was stood on data assembled from twenty booming big service companies, for instance Xerox , Taco Bell and Banc One. Loveman (1998) put forward the logic that numbers of studies are available supporting the chain link but have less number of scientific studies performed regarding entire chain of SPC. Yee et al. (2011) performed the research study aiming to high customer contact service firms by employing SEM (structural equation modeling) and their research output suggested that almost all the linkages in SPC are significantly higher. So, the model is supported across different sectors of business. They further put forward the service corporation where employee job satisfaction and loyalty improve customers' satisfaction that really increases the revenue. They conceived, the study could provide robust empirical verification that employees’ job satisfaction and their loyalty status influence directly to operational performance.

The research accomplished by Myrden et al. (2015) illustrated the effects of leadership behaviors on employees’ behavioral intentions, job satisfaction and customers’ satisfaction. Kamakura et al. (2002) carried out wide range survey to evaluate the SPC considering the data of 5055 Brazilian national bank customers and their findings widely assisted the sequential links of SPC. Exploration of SPC model on 15 grocery retail stores in UK, Silvestro and Cross (2000) noticed correlations among internal service quality and service value, customer satisfaction and loyalty and profitability, but observed no evidence of employee job satisfaction and loyalty over above mentioned variables.

Karimi et al. (2014) conducted the research on 1342 sample of Bank Melli of Iran (BMI) and found employee job satisfaction had noteworthy and strong positive influence on the loyalty of the employees, employee loyalty had no significant and positive influence over the service quality. Similarly, they uncovered service quality had strongly positive and significant effect on customer satisfaction, and its positive effects over loyalty of customers and significantly positive influence of customer loyalty over financial performance of the firm. Silvestro and Cross (2000) performed exploratory research about applicability of SPC in six grocery retailer in UK and observed that service value is not significantly correlated with employee job satisfaction and employee loyalty. Similarly, negative but strong correlation experienced regarding firms’ internal quality and employees’ service value where as no relationship was detected between employee job satisfaction and satisfaction of customers. Surprisingly, employee job satisfaction was negative and significantly associated with profit margin of the store.

Table 2.1
Meta Table of Research evidences of Service Profit Chain (SPC) and related

Year	Author(s)	Description	Sample Source	Sample Size	Findings
1990	Richheld and Sasser	Examining relationship of customer retention with profit.	Service firms	large	5% improvement of customer retention can improve in profitability by 25% to 85%.
1992	Nelson et al.	Investigating relationship between service quality and financial performance.	Hospitals with 300 patients (as sample).	51	17% to 27% of differences in financial output of hospital are derived through service quality.
1993	Rust and Zahorik	Examining relations of customer satisfaction with their retention.	100 Retail banks customers	100	Increment of 4.2 to 4.7 in customers' satisfaction is likely to raise annual retention by 95.5% to 96.5%.
1994	Heskett et al.	Investigating relationship of employee job satisfaction, employee loyalty, service value, customers' satisfaction and loyalty and profit/growth.	Service organization	20	A SPC model is proposed
1994	Anderson et al.	Study of customer satisfaction and ROI	Customer Satisfaction Barometer (SCBS) data and ROI	77	1 unit increment in SCBS results 11% increase in existing ROI (of value $94 million).
1995	Jones and Sasser	Computing the relations of customer satisfaction with loyalty implementing cross-sectional study.	Automobile, hospitals, airlines, local telephone service and personal computer	30	Positive correlation between customer satisfaction and customer loyalty, similarly service industry's competitive environment affects their relationship.

1995	Nayyar	Empirical Study (1981-1991) of customer service and CAR (cumulative abnormal earning)	Firms of 68 industries	106	1 unit increase in customer service results .46% increase in average CAR and 1 unit decrease in customer service results .22% decrease in CAR.
1995	Rust et al.	Exploring the relationship between customer satisfaction and return on quality.	Customers of National hotel chain.	7882	Service quality indicates 44.6% projected return on quality.
1996	Hallowell	Surveying effects of customer satisfaction on ROA employing cross-sectional study.	59 branches of retail bank and 12000 customers	59	One point increase in satisfaction results 0.59 point change on ROA.
1998	Loveman	Cross sectional quantitative survey of SPC on retail branches.	Branches of regional bank in U.S., with customers (45000).	450	Positive and significant relation of employee job satisfaction with loyalty except the employment tenure. Positive and significant relation between customer satisfaction and loyalty.
1998	Ittner and Larcker	Examining the relationship among customer satisfaction, retention and revenue growth.	Telecommunication customers	2491	10 unit increments in satisfaction level (0-100 scale) results 2% expansion in retention as well as $195 increment in per customer revenue.
1998	Rucci et al.	Empirical examination of relationship among employee attitudes, satisfaction of customer and financial output of Sears	Sears Stores	800	5 unit developments on employees' attitude leads to 1.3 unit progress in satisfaction of customer, 4% improvement in customer satisfaction translates$200 million additional revenue.

1999	Stank et al.	Cross-sectional research study investigating supplier's service performance, customer satisfaction as well as store managers loyalty.	U.S. Fast food chain restaurants	287	Weaker link of relational service performance with customer satisfaction comparing to link of operational service performance with customer satisfaction.
2000	Lau	Investigating relationship of internal service quality with sales growth and profitability.	Quality of life providing service organizations.	29	Organizations that focus on internal service quality in favor of employees can cultivate superior sales growth and ROA.
2000	Silvestro and Cross	Exploratory study of application of SPC in grocery retailers.	Grocery retail stores in U.K.	6	No noteworthy correlation of employees' job satisfaction or loyalty with their generated service value; strong but negative correlation of internal quality with service value, no association of employee job satisfaction with customer satisfaction; employee job satisfaction has negatively significant correlation with grocery firm's profit margin.
2000	Gronoholdt et al.	Cross-sectional examination of relationship of customer satisfaction with their loyalty.	Telecommunication industries, retail banks, super markets, soft drink industries and fast food restaurants in Denmark	30	Customer satisfaction and their loyalty are positively correlated, and their positive effect simultaneously intensifies with competitiveness of market.

2000	Anderson and Mittal	Empirical examination of satisfaction with ROI (reference of Swedish Customer Satisfaction Barometer i.e. SCBS).	125 firms and SCBS	125	1% increment in customer satisfaction results 2.37% improvement in ROI and declining of satisfaction by 1% causes 5.08% fall in ROI.
2000	Spinelli and Canavos	Examining relationship of employee job satisfaction with guest satisfaction (reference of hotel industry).	Hotels in U.S.	6	Positively correlation between employee job satisfaction and guest satisfaction.
2000	Yeung and Ennew	Evaluating effects of customer satisfaction on firms' financial performance.	ACSI (American customer satisfaction index), financial database of Standard and Poor.	Large	Positive effects of customers' satisfaction on firm's financial performance.
2002	Silvestro	Evaluating relationship among employee job satisfaction, employee loyalty and firms' profitability of single multisite super market.	Branches of supermarket in U.K.	15	Negative correlation of employee job satisfaction as well as their loyalty with firms' profits.
2004	Anderson et al.	Examining relationship of customer satisfaction and firm's value.	200 Fortune firms considering 40 industries.	200	1% improvement in ACSI cause 1.016% improvement in Tobins' Q or $275 millions in value of firm.
2005	Mittal et al.	Examining association of customer satisfaction with long range financial output of firm.	ACSI and longitudinal data of 77 business firms in USA.	77	Strongly positive association of customer satisfaction with financial performance.
2005	Gruca and Rego	Analyzing effects of firms' customer satisfaction over its cash flow.	ACSI and Compustat data of 105 firms in 23 industries.	105	One unit increment of ACSI causes $ 55 million improvement regarding cash flow of next year.

2009	Chi and Gursoy	Exploring the relations of employee job satisfaction, customer satisfaction over financial output.	Three star (250) and four star (250) hotels, 2023 employees and 3346 customers.	250	Positive effects of customer satisfaction on firm's financial performance; but employee job satisfaction do not have direct effect on financial output.
2010	Yee et al.	Examining the relations of employee loyalty, firms' service quality, satisfaction of customer, loyalty of customer and firms' profitability	Employees and customers of 210 high-contact service shops in Hong Kong.	210	Significantly higher correlation of employee loyalty with service quality. Firm's service quality directly influences customer satisfaction; There is association of customer loyalty with firm's profitability.
2012	Evanschitzky et al.	Examining longitudinally the linkage of operational investments with employee job satisfaction, and customer satisfaction with operating profit.	Longitudinal survey from 2001to 2003A.D. for customers (407238) and employees (16463) of 119 outlets of a European retailer.	119	Direct but non-significant linkage of operational investments with employee job satisfaction, and as similar to customer satisfaction with operating profit.
2013	Sun and Kim	Empirically examining the relationship of CSI (customer satisfaction index) with firm's financial performance.	ACSI of hotel, restaurants, and airlines.	large	Customers' satisfaction positively influences profitability as well as value of the firm.
2013	Timmerman	Exploring relations of employee service delivery, customers' loyalty, and financial performance of hotel industry at North America.	60,000 customers of 314 hotels over two year period of time.	314	Employees' service delivery is correlated strongly with customers' loyalty. But does not support that customers' attitudinal loyalty influences financial outcomes.

2015	Bressolles et al.	On line survey of SPC on e-commerce context.	2813 internet customers of seven countries considering 28 wine web sites.	28	There is effect of e-service quality on online customer value and those simultaneously influence satisfaction that ultimately shapes e-loyalty. So, result validates the partial chain of SPC regarding e-commerce.
2017	Hogreve et al.	Comprehensive meta-analysis of SPC	Literature of different years.		All the proposed links are statistically significant and substantial.
2018	Solnet et al.	Examining validity of SPC in restaurant chain	Data from employees and customers of 5 Australian restaurants.	5	SPC directly influence revenue rather than profit. Time interval (lag) matters regarding relation of organizational actions, employee behavior, satisfaction of customer and financial performance.

2.14 Addressing Time Lag effect on Service Profit Chain

In SPC, Silvestro and Cross (2000) emphasized the presence of time delay (lag) between employee job satisfaction with loyalty as well as customer satisfaction with loyalty and ultimately with business outcomes. Considering 472 restaurants with 342,000 respective consumers for 12 month study period, Bernhardt et al. (2000) observed, customer satisfaction of time t1 could no effect on financial output at t1, but they experienced significant effect of variation of customer satisfaction in financial performance at time t + 1 and similarly the effects of satisfaction of time t + 1 at financial output of t + 2. They found, restaurants have satisfaction indicator more than 0.1 comparing to average restaurant could generate 30% better improvement in profitability than of average performer.

Bernhardt et al. (2000) similarly Gomez, McLaughlin and Wittink (2004) conducted longitudinal survey to examine the link of satisfaction and performance; they detected positive but lagged effect of customer satisfaction over operating profit. Large number of researchers argue lagged (time delay) effect of customer satisfaction could be observed on customer retention, customer loyalty as well as in cross-buying that in turn effects on high degree of customers' share of wallet (Rust & Zahorik, 1993; Edvardsson, Michael, Gustafsson & Strandvik, 2000; Verhoef et al., 2001; Magi, 2003; Harris & Goode, 2004; Bolton, Lemon & Verhoef, 2004; Fornell, Rust & Dekimpe, 2010). Customers' loyalty and retention are future directed concepts simply transforming customers' intention to buy in real purchase. This indicates the outcome of customers' satisfaction over the profit and in support of the statement Anderson and Mittal (2000) argued that profit take time to spread or propagate from customers' satisfaction. Hence, it is supposed the presence of time lag between customers' satisfaction and profit of the firm.

2.15 Methodological Reviews of SPC

It is recommended that operational investments of one period could have direct and negative effects on financial performance of organization of same period because higher-amount increment in investment of operational aspects could shrink the earnings immediately. The findings from Buzzell and Gale (1987) related to investment indicates when investment amount raises, business firms' ROI noticeably fall down because investment concurrently raises total investment in short term. Even, the time series data offers great opportunity to match wave-to-wave data of satisfaction with individual customer statistically, but impossible in banking industries because of facing low retention behavior of employees. So, the cross-sectional data were considered as by Kamakura et al. (2002).

Mittal et al. (2005) performed research study on long run financial effects of customer satisfaction; they employed customer satisfaction data (firm-level) of ACSI and matched with financial data to calculate efficiency of individual firm using DEA (Data Envelopment Analysis). DEA is operation research tool that is extensively employed in different perspective like efficiency evaluation of school districts (Bessent, Bessent, Kennington & Reagan, 1982) and bank branches (Soteriou & Zenios, 1999). Considering the employees behavioral aspects, DEA could also be applied in comparing efficiency of resource utilization of bank branches (Frei & Harker, 1999; Kamakura et al., 2002). Being mathematical programming technique, the DEA evaluate relative efficiency of different decision making units like firms or branches. Relative efficiency of branch or DMU (decision making units) is the ability to translate inputs of each link into output and is expected to be different. From DEA perspective, branch manager should understand how better the branch is performing comparing to others. It is employed in efficiency evaluation of schools, departments of university (Post & Spronk, 1999), power plants (Athanassopoulos, Lambroukos & Seiford, 1999) as well as bank branches (Sherman & Gold, 1985; Schaffnit, Rosen & Paradi, 1997; Soteriou & Stavrinides, 1997; Thanassoulis, 1999; Zenios, Zenios, Agathocleous & Soteriou, 1999). The efficiency of DMU is assessed by comparing inputs it requires in relation to highly efficient units of similar conditions to yield similar amount of outputs. Anderson and Mittal (2000) suggest that DEA compares the business units of similar levels by discovering piecewise linear efficiency frontier with which DEA model incorporates nonlinear relationships of service perceptions, intentions as well as the actual behavior.

Soteriou and Zenios (1999) accept the service firm as combination of operation system, service quality system with profits and they suggest three stage model of evaluating operations, quality as well as profit competency of branches. Their three-stage model comprises "Operational Efficiency", the DEA model which uses labor, equipments as well as number of accounts served by branch as inputs of production process and as output, the workload i.e. transaction hours of accounts. The DEA of Service Quality uses almost same inputs (labor, equipment and number of accounts serviced) as in Operational Efficiency model.

Stodnick (2005) on his PhD dissertation named "Driving Retail Store Performance: A Service Profit Chain Perspective" critically judge the methodology adopted by Loveman (1998) and rationalized even though he explored the service profit chain in commercial banks industry and for the purpose he analyzed the data of employees, customers and performance of 450 bank branches but unconvinced about causal relationship among the links of SPC and didn't test the causal linkages in particular. He further justified the SEM as (structural equation modeling) research tool that appropriately analyze the links of SPC regarding the service setting and so SEM tests the theory's validity. That's why it could be suggest, service profit chain framework establish the relationship of operational practices of service firms with performance. Even though the service firms in similar market bring about the same line of merchandise in the same way have similarities on operating procedures but what makes the firm performance so different from one to another? It should be evaluated through the chain structure of the Service Profit Chain. Similarly, Kamakura et al (2002) implemented SEM to test SPC in Brazilian banks but the study focused only to portions of later half of the service profit chain.

2.16 Research Gap

The worldwide economic system has slowly altered its concentration from manufacturing sector to service. Central Intelligence Agency (2011) publicized the World Fact Book, which uncovered that service sector explained above 63% of world GDP (gross domestic product) similarly contribution over U.S. GDP by76%. Of the work force engaged in manufacturing sector, almost 65%-75% workers also performing the service related tasks (Horwitz & Neville, 1996). At present time, the service excellence is considered as crucial factor for firms' long-term profitability. It assumes, dropping of service imperfection by 5% in insurance firms could generate 85% more profit similarly in auto service firms the similar improvement can generate

30% higher profit (Reichheld & Sasser, 1990). Sears implemented the SPC model companywide and as consequence, in 2 years the company covered deficit of $3.9 billion to profit of value $752 million (Rucci, Kirn & Quinn, 1998). So, Loveman (1998) suggests the need of empirical evidence to validate service profit chain theory. The topic is not selected in the history of Nepalese research arena ever. The bankers have focused their attention over the different aspects of the investment rather the attitudinal and behavioral aspect of employees and the customers for their profitability increment. It would expose how those antecedents consequence the profits. The recent topic would be the pioneer in case of banking industry proposing the attitudinal variable as one of the antecedent of profitability.

In Nepal, based on researchers' knowledge, very limited or even no research has been conducted that link the employees' job related attitudinal variables with customers attitudinal variables and that is ultimately, specifically, linked to organizational performance in terms of ROA and ROE. So, the present research will be presented as the milestone to fulfill that observed gap. Similar to present research, Upreti (2016) conducted empirical research on leadership style, employee job satisfaction with profitability in Nepalese financial institutions; he mentioned the financial performance in form of ROA (return on asset), ROE (return on equity), NPM (net profit margin) and GD (growth in deposit). Chalise (2011) examined the contribution of knowledge management to banking performance of Nepalese private and public sector commercial banks in his PhD dissertation named " Knowledge Management: A Comparative study of public and private commercial banking sector undertaking in Nepal", however, he left to report financial variable (ROA, ROE) as the performance indicator. Shakya (2012) conducted the research study on organizational learning and performance of Nepalese service sector and evaluate the effect of organizational learning on performance, she just focused to market based variables as the organizational performance. Khadka (2013) researched about the employees empowerment and performance of Nepalese banks in his PhD dissertation, he considered operating profit, NPA, value of share and standardized customer service as performance outcomes, however, operating profit has not found properly synchronized with sound statistical tools and similarly, researcher would not consider the profitability (ROA, ROE) as the indicator of organizational performance.

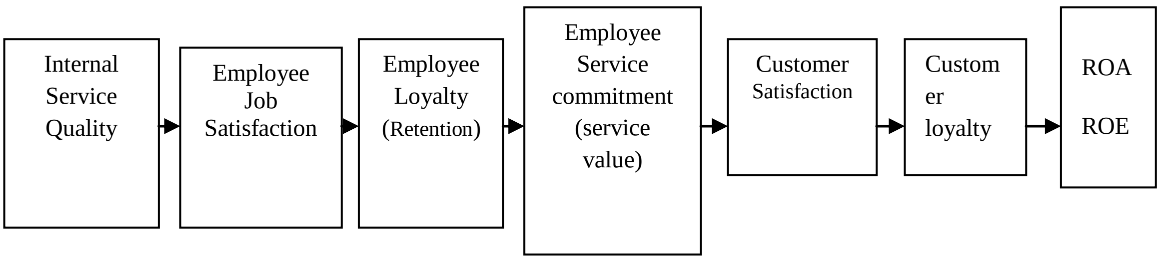
Shrestha (2009) measured the influence of corporate culture over the organizational performance and, he reported return of total assets, profit margin, return on funds and debt to equity ratio as the indicators of performance. Whether, outcomes are almost similar to current research of SPC, there is a difference in predictors. Maharjan (2016), in her PhD dissertation named "Effective Knowledge Management for Creativity and Performance in Hospitality Industry in Nepal" has considered the performance in terms of market shares, profits, growth in sales, employee job satisfaction, public image and productivity. But the profit, market shares and revenue are not presented in numeric value (financial measures) however; the present research considers the profitability in terms of ROA and ROE, which are the concrete financial measure that measure profit. Similarly, Pandey (2014) in his PhD dissertation named "Human Resource Practices and Organizational Performance: A Comparative Study of Nepalese Joint Ventures and Other Financial Institutions", has measured the organizational performance in terms of employee job satisfaction, employee commitment, employee turnover and employee productivity. However, concrete indicators of organizational performance, i.e. profitability (financial variable) is not taken in consideration and so, researcher is interested to perform research over the profitability of the organization in the form of ROA and ROE.

The following research is the novel research for conducting the Service Profit Chain (SPC) analysis in Nepalese Banking history considering the large number of employees, and the customers for questionnaire survey and no similar research found early on behalf of the same industry. The present era of business has experienced its paradigm shift from transactional marketing to relationship marketing and Nepalese industries are practicing the same. Generally, Nepalese banks experience almost similar interest rates (deposit or loans), they use almost similar technologies (software, hardware), their branches are almost nearby to each another, they offer almost similar products (schemes) to customers and they have almost similar but limited market; in this sense only the service value (delivery) could contribute to acquire competitive advantage. Specifically, aim of given study is to examine financial performance of customer loyalty on Nepalese banking sector considering all the financial measures constant. Since, till the date just financial measures (such as Capital adequacy, Liquidity Management, Sensitivity, GDP, Interest rates) are taken as the dominant factor for the profitability of the banks. However, this study considers attitudinal variables of employees and customers as determining factors of profitability as Boudrea (2004) views; the significance of employee attribution like job satisfaction, employee loyalty as well as organizational commitment and its' impact on operational performance is highly ignored in literature of operations management. The findings of this study would help to identify whether or not to invest over internal or external marketing.

2.17 Study Framework

Heskett, Jones, Loveman, Sasser and Schlesinger (1994) developed the SPC (service profit chain) framework that links service operations, employee opinion and customer opinion to profitability of service firms. They further presented the framework and theorized that revenues are guided by service quality perceptions, which in turn are influenced by operational inputs and employee efforts. The SPC presents an integrated structure to understand how the organization's operational investment regarding the service quality build linkages with customer perceptions and their behaviors, ultimately how these transform into profits and this research holds the given study framework.

Figure 2.1. Service Profit Chain Model



Adapted from "Putting the service profit chain to work" by J. L. Heskett, T. O. Jones, G. W. Loveman, W. E. Sasser and L. A. Schlesinger,1994, *Harvard Business Review*, 72(2), 164-174.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Background

Fundamental purpose of present study is evaluating association of different constructs of service profit chain; Employee Job Satisfaction, Loyalty of Employee, Employee Performance, Perceived Service Quality, Satisfaction of Customer, Customer Loyalty and Organizational Profitability. For the above mentioned purpose, this chapter highlights the methodological and statistical measures to be adopted. This chapter elaborates the research philosophy, approach adopted in research, research strategy and design, population and sample, method of sampling to confirm sample size, demographic profile of respondents, sources of data, data collection procedures, data analysis tools, time lag adjustments measures used and pilot study of the area of interest.

3.2 Research Philosophy

Research philosophy comprises the beliefs as well as assumptions regarding development of knowledge. Conscious and consistent set of assumptions compose a trustworthy research philosophy that ultimately strengthen the selection of research approach, strategy of research and the design. At every stage of research, the researcher develops number of assumptions (Burrell & Morgan, 1979) such as epistemological assumptions, ontological assumptions and axiological assumptions.

This research holds the objectivist ontological assumption that presumes reality is objective and beyond our influence because considering the employee job satisfaction, employee loyalty, firms’ service quality, satisfaction of customers and their loyalty as well as profitability are objectively defined; are assumed as certain construct (supporting by different authors) and used structured questionnaires to define them. So, the researcher has objectivists’ way of looking social phenomena.

Epistemological philosophy aims at discovering the true meaning of knowledge and way of acquiring. From positivist view assumes researchers and objects of survey (respondents) are autonomous from one another and those should be examined without interferences of researcher, it defines how the researcher proves his or her view point. Present research supports positivists' view of epistemology which deals with the positivist aspect of procuring knowledge. This research topic is dealing with employee job satisfaction, employee loyalty, service quality of firm, customer satisfaction as well as customer loyalty through view point of employees and customers. These objective measurements are measured with the constructs developed by Spector (1985), Parasuraman, Zeithml and Berry (1990), Emerson (2007) and Yee (2006) utilizing questionnaires survey.

3.3 Research Approach

The plan or the procedure that infer steps to specify data collection methods, similarly data analysis and data interpretation is research approach. Research approach is fundamentally divided into two categories: data collection approach (qualitative and quantitative) and data analysis approach (inductive and deductive).

The researcher has adopted the deductive approach because the research problem comes from existing theories. The researcher presumed hypotheses (problem) on the basis of a particular domain or the theory and are further forwarded to empirical analysis.

3.4 Research Strategy

Major two strategies executed in research are quantitative and the qualitative strategies. Quantitative strategy give emphasis to collection of quantitative data as well as its analysis similarly it requires deductive approach testing the relationship. The research strategy adopted in recent research is quantitative in nature because several hypotheses are developed in relation to employee job satisfaction, loyalty of employee, service quality of firms, customer satisfaction and loyalty, and the profitability; data are collected by likerts type questionnaires survey. Those hypotheses are tested by different statistical tools to draw the inferences.

3.5 Research Design

The blue print or the detailed framework regarding collecting, measurement and analyzing of data is research design which delineates how the research could be carried out. It bonds overall research process and convey answers of various queries such as the techniques to be employed to assemble data; the sampling techniques to be used, the way of collecting the data, the type of statistical measures to be used etc. The study follows descriptive and analytical cross-sectional (social survey) research design measuring the banks service quality from view point of customers, customer loyalty, employees' job satisfaction, employee loyalty and profitability. Cross-sectional analysis is suitable to display the existence of relationship between two constructs without consideration of how the time change affects the relationship.

The statistical tests of this research are based on the study of discrete parts of SPC (the employee satisfaction and loyalty, customer satisfaction and loyalty as well as profitability) and association among these blocks. Data from Nepalese commercial banks match the requirements for evaluating the SPC (service profit chain). How employee job satisfaction and the customer satisfactions are associated, has been measured similarly the links of customer variables with profitability has also been tested. Employee and customer data, and quarterly profit data were collected by surveys of questionnaires and the secondary sources.

3.6 Population and Sample

Population:

It is the study of SPC of Nepalese private commercial banks prior the membership of Nepal to WTO (world trade organization), since Nepal formally entered to WTO regime at 2004. Eleven private commercial banks of Nepal licensed by Nepal Rastra Bank under the Rastra Bank Act were considered as population for the study. Selected banks were large banks with national branch networks and established early of 2003 A. D. They had almost similar number of customers (at least 5000 on each branch). Those banks serve almost similar combination of corporate and private customers, as well as had almost similar types of products that they served such as types of account, mortgage, and ATM service.

In SPC, each and every bonds of chain are equally important and the decisions about bonds play significant role in validation of SPC, so the bank branches were believed as the population of the study.

Most of literatures consider the SPC as one of domain of operation management and SPC proposition is claimed as a field of operation management (Loveman, 1998) to explore the different issues associated with argument of Heskett et al (1994). Reviewing the literature of SPC, operation management (OM) considers individual firm as the concern of their research study such as Anderson et al. (1994), similarly Jones and Sasser (1995), Lau (2000), Yee et al. (2010). So, the recent research considers the total number of 33 bank branches as the population for the study (table 3.1).

Sample:

The researcher has used one of the non-probability sampling technique called the 'purposive sampling' method for collecting questionnaire survey information regarding job satisfaction of employee and the customer satisfaction. However, the representative sample would be prepared by selecting the branch offices from three developmental regions. Respondents selected from those respective branches considering the convenience of the researcher. Kline (1998) suggests the sample less than 100 as “small sample size,” between of 100 and 200 samples as “medium sample size,” similarly over of 200 as large enough.

For the minimizing the standard error 2000 customers were surveyed for the following study from branch offices and those customers were considered who had their account on the similar branch. Among distributed questionnaire just 163 response from employees out of 200 population and 1838 responses from customers returned.

Sampling Frame:

The roaster provided by the central offices regarding their branch profiles and employees is the sampling frame, but no sampling frame is prepared for customers. (The first sampling frame was a nationwide list of branches; the second sampling frame was three geographical regions). Till the date of mid-July 2003, eastern development region had 86, central development region had 176, western development region had 76, mid-western had 33 and the far-western development region had 31 respective commercial bank branches under their territory (source: NRB, Banking and Financial Statistics, mid-July 2003). Taking into consideration of three lowest number of bank branches, the researcher chose the developmental region western, mid-western and far-western for his study.

Sample Size: Total of 21 sample branches, 200 employees and 2000 customers from respective banks were surveyed for the study. Among 200 employee respondents 163 valid responses and among 2000 customer respondents 1838 valid responses were achieved, that is 1:11 in ratio.

Sampling Method: After finding out the total number of branches of respective banks, the population divided into three different clusters (development region wise). It was again categorized into three different strata managerial levels, supervisory level and assistant level. Considering the proportion of each level the respective quota would have been determined to meet the final number of respondents 200. Being less number of bank employees, census study was taken in concern for the study. Researcher selected randomly 21 bank branches out of 33 populations from three development regions.

Sample Banks

Table 3.1

Commercial Banks Operated before of 2003 mid-July and their established (region wise) branches.

Name of Banks	Western	Midwestern	Farwestern	Total
NBBL	2	1	1	4
NABIL	5	1	0	6
EBL	2	0	1	3
HBL	1	0	0	1
NSBIBL	3	0	0	3
Std.Chd.	3	0	0	3

NCC	2	0	1	3
BOKL	1	1	1	3
NIB	2	0	0	2
LBL	1	0	0	1
MCBL	4	0	0	4
Total	26	3	4	33

Source: http// www.nrb.org.np

Table 3.2

Sample (S) extracted from Respective Regions and Respective Banks.

Name of Banks	Western	Midwestern	Far-Western	Total
NBBL	1	1	1	3
NABIL	2	1	0	3
EBL	2	0	1	3
HBL	1	0	0	1
NSBIBL	1	0	0	1
Std.Chd.	2	0	0	2
NCC	2	0	1	3
BOKL	1	0	1	2
NIB	2	0	0	2
LBL	1	0	0	1
Total	15	2	4	21

Source: http// www.nrb.org.np

Total number of branches (Population) = 33

Total number of branches considered as the Sample = 21

Table 3.3

Number of Respondents from Respective Banks.

Name of Banks	No. of Branches Considered	Respondents	
		Employees	Customers
NBBL	3	21	260
NABIL	3	20	300

EBL	3	23	310
HBL	1	10	69
NSBIBL	1	10	100
Std.Chd.	2	11	134
NCC	3	26	204
BOKL	2	17	183
NIB	2	16	200
LBL	1	9	70
Total	21	163	1830

Table 3.4

Demographic Feature of Respondents.

Customer's (respondents) demographic profile.

Description	Types
Gender	Female=384, male= 1442
Marital status	Married=1025, Unmarried=791, Single=12
Age group (years)	Below 20=317, 20-30=709, 30-40=429, 40-50=182, 50 or more=201
Academic Qualification	SLC or below=373, 12class=523, bachelors degree= 573, masters degree=369
Associated time to organization	1 year or less= 286, 1-3 years=496, 3-5 years=406, 5-7 years=214, 7 years or more=436
Estimated financial transaction (Rs per year)	1lakh or less= 432, 1-3 lakh=453, 3-5 lakh=310, 5-7 lakh=243, 7 lakh or more=400

Table 3.5

Bank employees'(respondents) demographic profile.

Description	Types
Gender	Female=56, male= 107
Marital status	Married=115, Unmarried=47, Single=11
Age group (years)	20-30=83, 30-40=80

Academic Qualification	SLC =1, 12class=6, bachelors degree= 65, masters degree=91
Associated time to organization	1 year or less= 19, 1-5 years=43, 5-10 years=72, 10-15 years=19, 15 years or more=10
Estimated income from organization (Rs. per month)	10000 or less=5, 10000-20000=26, 20000-30000=48, 30000-40000=29 and Rs 40000 or more=55
Position in organization (level)	Assistant =85, Supervisor=31, Officers=36, Managers=11

3.7 Sources of Data

For obtaining the above mentioned purposes of research, required data were collected from primary sources as well as from the secondary sources. These data were quantitative in nature and collected through questionnaire survey and the survey of secondary sources.

The questionnaire contained the dimensions of employees' job satisfaction, employees' loyalty, customer satisfaction, customers' loyalty and service quality. Primary data required for the analysis were obtained through a self administered questionnaire survey with employees and customers of respective banks. Customers' perception was largely affected by their feelings of store or the branch. Organizations' employee related data were bounded by employee nonattendance or turnover and investigation was carried out to identify status of employee job satisfaction and loyalty. Respondents completed questionnaires secretly and were confirmed that result would be analyzed by researcher not by their management team.

In order to get the cooperation from bank managers, the researcher updated them if they answered the survey, researcher would share the aggregate result of research to them. The researcher accomplished questionnaires survey anonymously in relation to employees and customers of selected banks. Nepali translated questionnaires were administered to respondents; however valid English translated questionnaire also administered to small sample. In case of secondary information, the bank income statements were collected quarterly. The data collected by other researcher for his/her own goals and those are in published form and are usually found as finished products, are secondary data.

The questionnaire survey was carried out over three months, since 2016 April to June. ROA and ROE of respective bank branches were taken‘t+1’ time from the primary questionnaire survey (first quarter of 2073B.S.). All the primary or secondary data processed and analyzed jointly and so the result exhibits the combined result of collected data.

3.8 Analytical Tools

Descriptive statistics

The statistics used to explain basic attributes of data of given study is descriptive statistics. It provides general outline of sample characteristics.

These are eminent tools of statistics that calculate dissimilar values of cases or the study variables. All collected data were tabulated and different measures of statistics such as median, mean, mode, range, standard deviations, graphs used to describe the nature of data.

Correlation analysis

Correlation analysis is important statistical tools that examine the mutual associations between two or more variables. Pearson’s correlation was used to look at how one variable is associated with another one. The ‘r’ is also used to examine, by squaring, the explaining power of variance in one variable by another. It is also used to identify the multicollinearity problem. It is informative in determining strength as well as direction of association of ordinal variables or two scales.

Regression analysis

In following research study, the regression analysis was performed in examining relationship of study variables those were emphasized in research questions as well as testing of research hypotheses. Similarly linear regression could be implemented in shaping the value of dependent variable relying on its linear relationship with single or more independent variables. Linear regression supposes the linear relationship among dependent variable with individual predictor.

The study would employ multiple regressions to examine relationship between the variables similarly to recognize the worth of relationship. In particular, multiple regressions would utilize in recent study to identify relationship of pay, promotional opportunities, supervisory behavior, rewards, co-workers, work itself, communication (first category independent variables) and employees' job satisfaction (first category dependent variables), similarly to identify relationship and strength between second category independent variables (tangibility, reliability, assurance, responsiveness, empathy) and the second category dependent variable (customer perceived service quality i.e. customer satisfaction) and finally to measure relationship between employees job satisfaction, customer satisfaction (final independent variables) and banks profitability (final dependent variable).

Confirmatory Factor Analysis (CFA)

The CFA (Confirmatory factor analysis) is particular type factor analysis that typically used by social science researchers. It is employed to examine if measures of constructs were coherent with scholar's nature of factors or the construct. So, purpose of CFA is to assess whether or not the data fit to hypothetical measurement model and the hypothesized model always relied on previous analytical research or the certain theory.

Second order CFA is a solution to the problem of multi-collinearity among zero-orders. If there is no Multi-collinearity then it is not allowed use 2nd order CFA.

Structural Equation Modeling (SEM)

Ullman (2007) advocates the SEM as compiled statistical techniques which measure relationship of one or many independent (continuous or discrete) variables with one or many dependent (continuous or discrete) variables. As an analysis technique SEM specifies direct as well as indirect relationship of dependent and independent constructs (Jarratt, 2000). SEM tests the theoretical relationships of variables or constructs (Grapentine, 2000; Schumaker & Lomax, 2004).

Yee, Yeung and Cheng (2011) used SEM to their research article named "The service profit chain: An empirical analysis in high contact service industries." They adopted Employee Job Satisfaction constructs from Smith, Kendall and Hulin (1969), Employee loyalty constructs from Porter, Steers, Mowday and Boulian (1974), Service Quality constructs from Persuraman et al. (1988), Profitability was measured by ROA and ROI. SEM was conducted for the potential paths. Kearney (2012) has used SEM on his Ph.D. dissertation named "Incorporating Environmental Stimuli into the Service Profit Chain in a Retail Grocery Context: A Structural Equation Modelling Approach". Garland (2001) on his PHD thesis named "The Service Profit Chain: A New Zealand Retail Bank Example" has used SEM to measure the similarity relationship as that is in the recent theoretical framework. Yee (2006) has used SEM on his Ph.D dissertation named "A Empirical Study of the Service Profit Chain" to measure different relationships of SPC constructs.

Time Lags Adjustment

Bernhardt and colleagues (2000) studied over 342,000 customers' responses considering 472 restaurants within 12 month and revealed, customer satisfaction of 't1' time had no effect on financial output of restaurant at time 't1'. But, they found significant effect of variation in satisfaction (of customer) in time't' and't + 1' over variation in restaurant's profit in time't + 1' and't + 2' respectively. Specifically, a restaurant having customer satisfaction greater than 0.1 comparing to an average restaurant could generate 30% better results in profit. rather The recent research has adopted the similar treatment for the time lags.

The bank exposes their income statement and balance sheet in each quarter so those secondary data of three months (quarter data) were taken in consideration for the research. Time lags is adjusted as such, for example, 2013 last quarter data of customers and employee job satisfaction will be treated with ROA and ROE of 2014 first quarter or 2014 quarterly data of customers and employee job satisfaction will be treated with ROA and ROE of 2014 second quarter and so on.

3.9 Other tools to be used

Questionnaire survey data were entered into SPSS version 20. Test of normality was conducted to find the usefulness of data. The reliability analysis was performed to identify strength of each measured scale. Factor analysis implemented to identify the way to summarize information concerned in original variables to small size set of certain new factors. The assessment was carried out to evaluate effects of common method variance and indicate whether the constructs are different and unique.

Measures Used

Considering customer satisfaction, the primary data surveys were employed to determine the status of perception regarding reliability, tangibles, assurance, empathy and responsiveness. The survey questionnaires were randomly distributed to the respondents by the researcher himself and so self administered responses. To analyze the information regarding customer satisfaction, the researcher adopted perception part of the SERVQUAL model statements developed by Parasuraman et al. (1990) and suggested by Cronin and Taylor (1992). In total, 22 items were used describing five determinants of service quality and respondents were asked to mark or mention (on a six-point scale of strongly disagree to strongly agree) what exactly they perceived about the service, means that it measured customer perceptions. These SERVQUAL perception items were applied to measure customers' satisfaction regarding the quality dimensions (RATER). And, it is supported by Sureshchandar, Rajendran and Anantharaman et al. (2002) who describe the customer satisfaction as the multi domain construct as similar to service quality and they further argue customer satisfaction ought to be operationalized as similarly the items as service quality is operationalized. Consistent to this approach, linkage of service quality with customer satisfaction is investigated and found two constructs are closely related, means that increase or decrease in one is expected to be similar consequences in another.

The measure used in the following research regarding employees' job satisfaction was adopted from Spector (1985). The measure has 24 items to describe six job facets; promotion, pay, supervision, coworkers, communication and nature of work. The survey questionnaires were randomly distributed to respondents by HR department of respective organizations or by the researcher himself and were self administered responses. The measure was consist of Likert scale items limiting from strongly disagree=1, disagree=2, disagree slightly=3, agree slightly=4, agree=5 and strongly agree=6 for given research. Similarly, avoiding neutral stance in response, the option “neither disagree nor agree” was excluded in scale item.

The profitability of the banks was assessed by ROA (Return on Assets) and the ROE (Return on Equity).

Employees Job Satisfaction (Internal Service Quality)

The measures used regarding Pay, Promotion, Job nature, Coworker and Supervision are developed by Spector (1985) as job facets for measuring Job Satisfaction. In Blau (1999), coefficient alpha was .89. Spector (1997) found that the entire facets were positively correlated. Similarly, Recognition, Working Condition and Training related items were adapted from Emerson (2007).

Employee Service Commitment (Cronbach's alpha=.820, construct reliability=.844), Employee Loyalty (Cronbach's alpha = .859, Construct reliability= .854) were adopted from Yee (2006). Similarly, Customers Loyalty Questionnaires (Cronbach's alpha= .946, Construct reliability= .937) were adopted from Yee (2006) and Zeithaml et al. (1996).

Table 3.6

Research Constructs and number of Items.

S. No.	Construct, Employees’ Part	No.of Items	Construct, Customers’ Part	No. of Items
1	Pay	5	Tangibility	4
2	Promotion	4	Reliability	5
3	Job Nature	5	Responsiveness	4
4	Co-workers	5	Assurance	4
5	Supervisors	5	Empathy	5
6	Recognition	3	Supplementary Section	4
7	Working Condition	6	Customers’ Loyalty	6
8	Trainings	4		

9	Service Commitment	5		
10	Employee Loyalty	6		
Total	10	48	7	32

Source: Questionnaire Survey 2016

In case of employees' part or customers' part, questionnaires were divided into two major sections. Primary section was concerned to the items regarding independent and dependent variables of framework in likert form where as the secondary part emphasized to respondents' demographic information such as age, gender, marital status, academic qualification, tenure etc.

The employees' part of questionnaires consisted total of 48 items; among those 37 items were employed to measure job satisfaction (considering pay, promotion, job nature, relationship with co-workers, relationship with supervisors, recognition, working condition and training as the antecedents of job satisfaction), 5 items were employed to measure service commitment of employees and 6 items to measure employees' loyalty over the organization.

The customers' part of questionnaires incorporated altogether 34 items, among which 22 items were concerned to SERVQUAL's perception (tangibility, reliability, responsiveness, assurance and empathy) part items, 4 items were presented the supplementary part (involve location, ATM services, parking facilities and internal space) and 6 items were employed to assess customers' loyalty.

Employees' part of questionnaires had total of 12 reverse items and customers' part of questionnaires involved 3 reverse items. The reverse items were treated as suggested by Field (2009).

i.e. $N = k+1-n$; where n is early marked digit , k is highest digit of measurement scale and N is new digit to be kept in new data entry (after reversing).

3.10 Pilot Study

Pilot study is the survey (over small but potential sample) conducted prior to large scaled study. It is used in pre-testing of appropriateness of questions, generating fixed choice of answers, similarly to prevent surprising problems observed during large or final survey. Particularly, it is used to revise questionnaires to ensure the validity and the reliability of measures and to assure the user friendly. Before conducting the given research, researcher conducted the pilot survey of measurement tools. The pre-test was carried out with employees (N=20) as similarly customers (N= 25). Final questionnaires set were customized and filtered based on their feedback and recommendation.

The pretest questionnaires and the results are laid in appendices.

3.11 Description of Instrument

Presented below (Table No. 3.7) is the employees' perspective of measurement. The employees' part of measurement instrument defines the items measuring the job satisfaction considering the job facets pay, promotion, job nature, relationship with coworkers, relationship with supervisors, recognition of job, working condition of job and training opportunities. In similar way, it indicates the items that assess employee service commitment and employee loyalty. The measure was consist of Likert scale series such as; 1 for strongly disagree, 2 for disagree, 3 for disagree slightly, 4 for agree slightly, 5 for agree as well as 6 for strongly agree.

Table 3.7

Items Measuring Employee Job Satisfaction, Employees' Service Commitment and Employees' Loyalty

Employees' Job Satisfaction

Construct	Code	Items
Pay	PAY 1	I feel I am being paid a fair amount for the work I do.
(PAY: 5 Items)	PAY 2	My salary is increased in periodic basis
	PAY 3	I feel satisfied with my chances for salary increase.
	PAY 4	I am unappreciated by the organization when I think about what they pay me. (R)
	PAY 5	All in all, I am satisfied with the salary of this company
Promotion	PRO 1	There are really too little chances for promotion on my job. (R)
(PRO: 4 Items)	PRO 2	Those who do well on the job stand a fair chance of being promoted.
	PRO 3	People get ahead as fast here as they do in other places.
	PRO 4	All in all, I am satisfied with promotion opportunity with in this organization.

Job Nature (NAT: 5 Items)	NAT 1	I sometimes feel my job is meaningless (R)
	NAT 2	I like doing the things I do at work.
	NAT 3	I feel a sense of pride in doing my job.
	NAT 4	My job is enjoyable.
	NAT 5	All in all, I am satisfied with my job nature.
Coworkers (COW: 5 Items)	COW 1	I like the people I work with.
	COW 2	I find I have to work harder at my job than I should because of the incompetence of people I work with. (R)
	COW 3	I enjoy my co-workers.
	COW 4	There is too much bickering and fighting at work (R)
	COW 5	All in all, I am satisfied with my relationship with my fellow workers.
Supervisors (SUP: 5 Items)	SUP 1	My supervisor is quite competent in doing his/ her job.
	SUP 2	My supervisor is unfair to me. (R)
	SUP 3	My supervisor shows too little interest in the feeling of sub ordinates. (R)
	SUP 4	I like my supervisor.
	SUP 5	All in all, I am satisfied with the supervision of my supervisor within this organization.
Recognition (REC: 3 Items)	REC 1	I feel I am valued at this organization.
	REC 2	This organization gives enough recognition for work that is done well.
	REC 3	All in all, I am satisfied with the recognition given by this organization to me.
Working Condition (WCO: 6 Items)	WCO 1	I feel physically insecure while doing this job.
	WCO 2	This job makes me mentally tortured.
	WCO 3	My physical working conditions are good
	WCO 4	Deadlines at this organization are realistic
	WCO 5	I can keep a reasonable balance between work and personal life.
	WCO 6	All in all, I am satisfied with the working condition created by this organization.
Training (TRA: 4 Items)	TRA 1	This organization provided as much initial training as I needed.
	TRA 2	This organization provides as much ongoing training as I need.
	TRA 3	This organization seeks my input as to what training I need.
	TRA 4	All in all, I am satisfied with the training program of this organization.

Employees' Service Commitment		
Construct	**Code**	**Items**
Service Commitment	SCO 1	Our appearance is neat and appropriate
(SCO: 4 Items)	SCO2	We provide services at the time we promise to do so.
	SCO 3	We provide prompt services to our customers.
	SCO 4	We can be trusted by our customers.

Employees' Loyalty		
Construct	**Code**	**Items**
Employees' loyalty	ELO 1	We do understand our customers' needs.
(ELO: 7 Items)	ELO 2	I intend to be absent from work. (R)
	ELO 3	I intend to continue my employment in this organization.
	ELO 4	I intend to contribute extra effort for the sake of this organization.
	ELO 5	I intend to become a part of this organization.
	ELO 6	I intend to turn down other jobs with more pay in order to stay with this organization.
	ELO 7	I intend to take any job to keep working for this organization.

Following questionnaires (Table No. 3.8) is the customers' perspective of measurement. The customers' part of measurement instrument defines the items, measuring the satisfaction of perceived service quality of given bank through their (customers) perception about reliability, assurance, tangibility, empathy and responsiveness. Additionally, it reports the items assessing customers' loyalty as well as supplementary section of questionnaires measures the response regarding location, parking, ATM service and internal space of the banks. The measure was consist of Likert scale series such as; strongly disagree = 1, disagree = 2, disagree slightly = 3, agree slightly = 4, agree = 5 and strongly agree = 6 for given research.

Table 3.8

Items Measuring Banks' Service Quality (satisfaction), Supplementary Section and Customers' Loyalty.

Banks Service Quality

Construct	**Code**	**Items**

		I am satisfied that….
Tangibility	TAN 1	Bank has modern looking equipment
(TAN: 4 Items)	TAN 2	The decorations (physical facilities) of the bank are visually appealing
	TAN 3	Employees of the bank are neat and clean in their appearance
	TAN 4	Materials associated with the service (such as pamphlet) are visually appealing at the bank.
Reliability	REL 1	When the bank promises to do something by a certain time, it does so.
(REL: 5 Items)	REL 2	When you have a problem, the bank shows a sincere interest in solving it.
	REL 3	The bank performs the service right the first time.
	REL 4	The bank provides the service at the time they promise to do so.
	REL 5	The bank maintains error free records.
Responsiveness	RES 1	Employees in the bank tell you exactly when services will be performed.
(RES: 4 Items)	RES 2	Employees in the bank give you prompt service.
	RES 3	Employees in the bank are always willing to help you.
	RES 4	Employees in the bank are promptly response your requests.
Assurance	ASS 1	The behavior of employees in the bank maintains personal confidence in you.
(ASS: 4 Items)	ASS 2	Employees of the bank ensure safe transaction in you
	ASS 3	Employees in the bank are consistently courteous with you.
	ASS 4	Employees in the bank have the knowledge to answer your questions.
Empathy	EMP 1	Employees in the bank give you individual attention.
EMP : 5 Items	EMP 2	The bank has operating hours convenient to all its customers.
	EMP 3	The employees provide personal advices to you.
	EMP 4	The bank has your best interest at heart.
	EMP 5	The employees of the bank understand your specific needs.

Supplementary Section

Construct	Code	Items
		I am satisfied that….
Supplementary	SUP 1	The bank has good location.
(SUP : 4 Items)	SUP 2	Banking services (such as ATM) are easily exercised.
	SUP 3	Parking facility is good enough in Bank.
	SUP 4	Interior atmosphere (environment) of bank for the customer service is sound

Customers' Loyalty

Construct	Code	Items
Customers' Loyalty	CUL 1	I prefer to do more transaction with this bank in the coming year.
(CUL : 4 Items)	CUL 2	I prefer to consider this bank as my first choice for transaction.
	CUL 3	I prefer to recommend this bank to people who seek their advice on transaction.
	CUL 4	I prefer to say something good about this company to others
	CUL 5	I prefer to encourage my friends and relatives to transact from this bank.
	CUL 6	Switching cost would be higher, if I prefer to engage in another bank.

CHAPTER FOUR

DATA PRESENTATION AND INTERPRETATION

4.1 Background

The main goal of data presentation and analysis is to arrange findings in easy manner that helps to understand and provide inclusive as well as wide information in concise way. Generally, the processed and analyzed data could be exhibited or communicated by tables, texts, graphs or use of statistical measures. This chapter displays the general features of the data as well as describes the tested result of survey of data with the help of proposed model. Specifically, confining with research objectives, this section presents and defines the data in form of descriptive statistics (mean, standard deviation etc). Similarly; correlation analysis, test of multicollinearity, test of reliability, regression, CFA (Confirmatory factor analysis), SEM (Structural equation analysis) among relevant variables have also been performed and analyzed under this section.

4.2 Status of Employee Job Satisfaction

All the private commercial banks of Nepal registered in Nepal Rastra Bank under the Rastra Bank Act till the date of 2003 AD were considered as population for the study and employees of respective banks were considered as the population regarding satisfaction survey. This part of analysis describes the employees' job satisfaction through different job facets such as pay, promotion, job nature, relationship with coworkers, supervisors, recognition, working condition and training facilities provided by the organization. Similarly, describes the employee service commitment and their loyalty toward the institution. The status of above mentioned facets are described by overall means and respective standard deviation.

Table 4.1

Overall mean and standard deviation of Job Satisfaction Facets, Loyalty and Service Commitment

Constructs	Aggregate Mean	Std. Deviation	N
Satisfaction from pay	4.3632	.89505	163
Satisfaction from Promotion	3.8144	.97206	163
Job nature satisfaction	4.9411	.75226	163
Coworker satisfaction	4.6761	.75235	163
Supervisor satisfaction	4.7288	.84610	163
Recognition satisfaction	4.5010	1.03331	163
Working condition satisfaction	4.3609	.76202	163
Training satisfaction	3.6212	1.35894	163
Service commitment	4.6702	.83505	163
Employee loyalty	4.5627	.59406	163

Analyzing the result from 163 employees of 21 branches of sampled banks, table number 4.1 has exposed the employees' have slight agreement over their pay level, recognition and about their working conditions. Similarly, they exposed less similar views regarding promotion and training aspect of the organization while comparing with pay, recognition and working condition. However, they are satisfied regarding the nature of their jobs, relationship with their coworkers and with the action of their supervisors. Surprisingly, whatever be the result of employees' perception regarding different facets of job satisfaction they have assured the strong dedication over their service commitment and are found loyal to their organization. This fact would be highly productive to the related institutions if that will capitalize employees' commitment and their loyalty properly. Overall mean of job satisfaction including pay, promotion, job nature, coworker, supervision, recognition, working condition and training is found 4.3755 and that indicates the employees' slight satisfaction over their job.

The numeric value of job satisfaction facets clearly indicate that the banks are able to make their employee satisfied by supervisors' behavior. Comparatively job nature (mean value 4.94) is matched with nature of employees which indicates that employees were those who really preferred to work in banks. Similarly, employees have good relationship with their coworkers (mean value 4.67) as well as with supervisors (mean value 4.72) that shows the friendly working environment therein as well as the good culture of cooperation among them. Employees are properly recognized by their organization for their work done (recognition mean value 4.501). However, the banks should successfully address the issues of promotion (mean value 3.81) and clear way to succession planning should be made by career pathing of employees. Employees are slightly dissatisfied to training (mean value 3.62) and so, while designing and implementing the training program there should be need identification, suggesting the scheduling of training, regularity of the training and acquiring the feedback from the employees about future training needs. Considering the working condition (mean value 4.3) employee are slightly satisfied; even though employees are experienced satisfaction with physical working environment, they may a bit distress with the work family balance and the target given by the banks those make them mentally tortured so better the organization to focus on those issues. The respondents slightly agree about the issue of remuneration (mean value 4.36) paid by the organization. Employees' service commitment (mean value 4.67) and employees' loyalty (mean value 4.56) exhibit their dedication towards organization to assure good service value to customers instead of moderate job satisfaction. This notion is pretty good for the bank administration or the management.

Standard deviation informs how properly the scores are distributed close to the mean. Considering standard deviation of table 4.1, all the facets of job satisfaction, service commitment and loyalty employees exhibit almost similar type of responses i.e. not significantly diverse response. Standard deviation of training is .59, which indicates respondents have almost identical response that is slightly higher than other dimensions.

4.3 Reliability Analysis of Job Satisfaction Facets, Loyalty and Employee Service Commitment

Sekran (2003) defines reliability as the measure which points out the degree of error free result or the consistent measurement even in different time or across of various items of instrument. She further suggests Cronbach's alpha value as the coefficient of reliability which indicates how better the items of set are correlated positively with each other. It is computed by means of average intercorrelations among items of the concept. Closer of Cronbach‘s alpha value to 1, better of internal consistency reliability. The reliability analysis indicates the degree that scale produces steady results even though measurements will be repeated.

The measure of Cronbach (1951) is more or less equivalent with dividing data into two equal halves and calculating correlation coefficient of each equal part. And, so average of those correlation values would alike to Cronbach's alpha and is common measure of the reliability of scale. Cronbach's alpha value is assumed as good measure of internal consistency regarding the latent variable and Nunnally (1978) suggests the acceptable values normally as above of .70. Alpha value from Table 4.2 has reported the acceptable values that are above .70.

Table 4.2

Reliability Measurement of Job Satisfaction Facets, Loyalty and Service Commitment.

Construct	No. of items	Cronbach's Alpha Value
Pay satisfaction	5	.853
Promotion satisfaction	4	.713
Job nature satisfaction	5	.799
Coworker satisfaction	5	.711
Supervisor satisfaction	5	.806
Recognition satisfaction	3	.866
Working condition satisfaction	6	.701
Training satisfaction	4	.925
Service commitment	4	.860
Employee loyalty	7	.721

However, in consistent with Hair, Black, Babin, Anderson and Tatham (2006) if factor has few items it could be accepted the values close to .60. In similar way, Nunnally (1978 and 1988) suggests if the measures are newly developed, it can be agreed the alpha value 0.60, if not 0.70 alpha value would be threshold. Similarly he further argues, if these scales will be implemented firstly in new cultural settings, cutoff value of alpha coefficient would be set as 0.60 regarding entire scales (researcher developed scales). Thus, above numeric value of Cronbach’s alpha supports authenticity of measures.

4.4 Correlation of Job Satisfaction Facets, Loyalty and Service Commitment

Table 4.3 shows the association between different facets of job satisfaction with an employee’s service commitment and employee loyalty.

Table 4.3

Correlation among Job Satisfaction Facets Employee Service Commitment and Employees Loyalty.

P1	Pearson Correlation	1									
P2	Pearson Correlation	.441**	1								
J1	Pearson Correlation	.391**	.475**	1							
C1	Pearson Correlation	.266**	.333**	.363**	1						
S1	Pearson Correlation	.212**	.328**	.476**	.442**	1					
R1	Pearson Correlation	.387**	.625**	.554**	.341**	.395**	1				
W1	Pearson Correlation	.270**	.541**	.527**	.340**	.479**	.471**	1			
T1	Pearson Correlation	.474**	.571**	.356**	.066	.249**	.501**	.437**	1		
S2	Pearson Correlation	.244**	.388**	.395**	.320**	.479**	.443**	.448**	.313**	1	
L1	Pearson Correlation	.189*	.191*	.253**	.066	.415**	.300**	.308**	.231**	.281**	1

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

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

Note: Here, Pay =(P1), Promotion =(P2), Job Nature= (J1), Coworker =(C1), Supervisor =(S1), Recognition= (R1), Working Environment= (W1), Training= (T1), Employee Service Commitment =(S2) and Employees Loyalty= (L1).

Table no. 4.3 exhibits the insignificant relationship between employees’ loyalty and coworker similarly the training and coworker. Others have the significant relationship at 99% of the level of confidence and 95% of level of confidence. Correlation of employee loyalty with pay, promotion, job nature, coworkers, supervisors, recognition, working environment, training and employees service commitment is found as .189, .191, .253, .066, .415, .300, .308, .231 and .281respectively. Similarly, Pearson's correlation coefficient between employees' service commitment and pay, promotion, job nature, coworkers, supervisors, recognition, working environment, training is acquired as .244, .388, .395, .320, .479, .443, .448 and .313respectively. Table exhibits positive correlation with all the variables considered.

Bryman and Cramer (2001) suggest Pearson's correlation coefficient ('r') between the independent variables would not expect higher than 0.80 because in case of excess value the independent variables could be suffered from multi-colinearity. The above table has exposed the correlation value ranging from 0.066 to 0.625 which solve the problem of multi-colinearity. So, multi-colinearity problem has been found minimal in this case. Similarly, the variables having correlation coefficient lower (i. e. $r < +/- .30$) exhibits weak relationship, so suggested to be removed. In the same way, significantly higher correlation ($r > .90$) among correlated variables could be symptoms of common method biasness and in present study no similar evidences found as in table no. 4.5 so it is far from common method biasness.

4.5 Factor Analysis of Job Satisfaction Facets, Loyalty and Employee Service Commitment

Factor analysis is the technique that is employed to trim down huge number of variables to manageable factors. This method takes out maximum common variance considering entire variables of observation and keeps them in common score. It has some basic assumptions such as involvement of relevant variables, existence of linear relationship, nonexistence of multi-collinearity as well as true correlation among the factors and variables.

Table 4.4

KMO and Bartlett's Test
Regarding Pay (P1), Promotion (P2), Job Nature (J1), Coworker (C1), Supervisor (S1), Recognition (R1), Working Environment (W1), Training (T1), Employee Service Commitment (S2) and Employees Loyalty (L1).

	Pay	Promotion	Job Nature	Coworker	Supervisor	Recognition	Working Env..	Training	Employee Service Commitment	Employee Loyalty
KMO	.753	.733	.809	.737	.754	.708	.592	.846	.793	.638
Bartlett's test	328.508	127.91	322.2	176.322	336.855	249.519	198.901	527.237	302.484	181.031
P-value	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000

Table 4.4 describes KMO **(**Kaiser Meyer Olkin**)** measure of sample adequacy and Bartlett's Test for Pay, Promotion, Job Nature, Coworker, Supervisor, Recognition, Working Environment, Training, Employee Service Commitment and Employees Loyalty. The KMO for Pay, Promotion, Job Nature, Coworker, Supervisor, Recognition, Working Environment, Training, Employee Service Commitment and Employees Loyalty found as .753, .733, .809, .737, .754, .708, .592, .846, .793 and .683 respectively, which are laid on acceptable region (Kaiser suggests the values greater of .5 as acceptable).

The group variances among the items (Pay, Promotion, Job Nature, Coworker, Supervisor, Recognition, Working Environment, Training, Employee Service Commitment and Employees Loyalty) found significantly different because of respective values $\chi2$= 328.505, $\chi2$= 127.918, $\chi2$= 322.236, $\chi2$= 176.322, $\chi2$= 336.855, $\chi2$= 249.519, $\chi2$= 198.901, $\chi2$= 527.237, $\chi2$= 302.484 and $\chi2$= 181.031 with P <0.001in all cases. Therefore, factor analysis (EFA) is suitable for all the items of the given variables.

Table 4.5

Total Variance Explained

Initial Eigen Values (% of Variances)									
Pay	Promotion	Job Nature	Coworkers	Supervisors	Recognition	Working condition	Training	Service Commitment	Employee Loyalty
2.3815 (47.63%)	**1.9492 (48.73%)**	**2.4873 (48.73%)**	**2.4 (48.108%)**	**2.4721 (49.442%)**	**1.5255 (50.85%)**	**2.366 (39.435%)**	**2.002 (50.05%)**	**1.988 (49.713%)**	**2.275 (32.503%)**
1.062 (21.256%)	**.9804 (24.51%)**	**1.377 (27.54%)**	**.925 (18.495%)**	**1.289 (25.789%)**	**.9648 (32.16%)**	**1.192 (19.864%)**	**1.1568 (28.92%)**	**.8972 (22.433%)**	**1.380 (19.750%)**
.7315 (14.63%)	**.5872 (14.68%)**	**.5535 (11.07%)**	**.788 (15.756%)**	**.6568 (13.136%)**	**.5094 (16.985%)**	**.900 (14.993%)**	**.6976 (17.44%)**	**.8172 (20.436%)**	**.955 (13.461%)**
.501 (10.02%)	**.4660 (11.65%)**	**.4007 (8.014%)**	**.516 (10.314%)**	**.3713 (7.427%)**	-	**.754 (12.572%)**	**.144 (3.622%)**	**.2965 (7.413%)**	**.828 (11.824%)**
.3232 (6.464%)	-	**.2321 (4.643%)**	**.366 (7.327%)**	**.2116 (4.232%)**	-	**.468 (7.802%)**	-	-	**.708 (10.112%)**
-	-	-	-	-	-	**.320 (5.329%)**	-	-	**.449 (6.416%)**
-	-	-	-	-	-	-	-	-	**.406 (5.799%)**

The EFA (exploratory factor analysis) is used to identify variance explained by the measured variables those are supposed to be attributing to latent construct. Table no. 4.5 demonstrates the number of components and total variance explained in Pay, Promotion, Job Nature, Coworker, Supervisor, Recognition, Working Environment, Training, Employee Service Commitment and Employees Loyalty.

Regarding pay, the principal axis factoring analysis extracted two components with particular eigen values higher than 1. These two factors shared 69.19% of variance. First component explained 47.63% of the total variation similarly the second factor contributed a total of 21.25% variation over the construct “pay”. Similarly, the first two components of construct “job nature”, “supervisor”, “working condition”, “training” and “employee loyalty” contributed the eigenvalue greater than 1. However, in case of other constructs, i.e. “promotion”, “coworker”, “recognition” and "employee service commitment" just the first component explained the eigen value greater than 1.

4.6 Testing Common Method Biasness of Employees Database

It is unfairness in dataset of researcher because of something observed external in relation to measures and that external may have some influence over the responses of respondents. While the researcher collects data employing the particular (common) method, that could initiate systematic response biasness and either the researcher get inflate response or deflate. The study having significant value of common method biasness indicates that greater part of variance is explained by single factor or the single factor would accountable for majority of variance in relation to given model.

In table no. 4.3, there is no evidence of extremely high correlation (r >.90) among the given variables so it is far from common method biasness. Similarly, in table no. 4.5, no single factor has explained the majority of variance greater than 50% so the data are not suffering from CMB (common method biasness), whether the value is in boarder line in case of "recognition" and "training". So, it is not required to perform Harman's test (single factor test) to reveal common method biasness.

4.7 Status of Customers Satisfaction and Loyalty

All the private commercial banks in Nepal registered with Nepal Rastra Bank under the Rastra Bank Act till the date of 2003 were considered as population for the study. Altogether 2000 customers of respective banks were taken in consideration for primary data survey, however, 1838 valid responses were obtained and those are included in research. The result from 1838 bank customers of 21 branches of sampled banks, table number 4.6 exhibits the customers' agreement over tangibility, reliability, responsiveness and assurance but agree slightly over the empathy. Similarly, they exposed a bit loyalty to their respective banks where they engaged for their transaction. Aggregate mean of tangibility (4.756) shows, most of respondents are satisfied (agreed) with the modern equipments installed in banks, well designed decoration of inner space of bank, neatness of employees and their smart dress up, and satisfied with visually appealing materials. It indicates the bank's capital investment over tangible things and consequently the bank has got satisfactory response from the respondents.

Table 4.6
Overall mean and standard deviation of RATER (Satisfaction) and Customer Loyalty.

Constructs	Mean	Std. Deviation	N
Tangibility	4.756	.7936	1838
Reliability	4.621	.7587	1838
Responsiveness	4.564	1.3081	1838
Assurance	4.769	.8442	1838
Empathy	3.883	.7912	1838
Supplementary	4.066	1.0123	1838
Customers Loyalty	4.343	.9294	1838

The ability of a firm to perform assured service consistently and accurately is reliability. The respondents satisfy (agree) that bank is successful to safeguard the reliability (aggregate mean value 4.621) regarding promise given to its customers, to solve their problems, to provide service right (instantly) the initial time, to deliver quality service at right time and to maintain error free records of customers. This may be the consequence of employee loyalty that they delivered the good service in favor of their customers and ultimately felt the customers' trustworthiness towards the institutions.

Employees' willingness to assist customers as well as offering them the prompt service is responsiveness. Aggregate mean value of responsiveness is 4.56 that show evidence of employees prompt response toward services delivered, response toward customers request and help. This could be the significantly positive aspect of employees toward the organization that they promptly responded. Employees' job satisfaction, their loyalty and their service commitment might be the cause of good responsiveness. Assurance is capability of employees to develop confidence and trust in relation to customers similarly it also reflects employees courtesy and the knowledge. Respondents are assured (mean value 4.769) from the employees in relation to maintaining their personal confidence, safe transaction, courteous behavior and intelligence to answer the customers queries. This fact exhibits the capability, attitude and wisdom of employees to focus the interest of customers paramount.

Empathy is sensitive and loving attention of the firm to their individual customers. Comparing to other service quality dimensions, the mean value of empathy is a bit lower (3.88). This put on display the fact that, even though customers feel satisfaction, the organizations' individual attention toward them, attention toward convenient operating hours, providing personal advice to them and realizing specific needs of customers; it is relevantly lower than other service quality dimensions and customers feel less satisfaction over the domain of service quality.

Supplementary section of questionnaire is composed with the attitudinal response of customers regarding their satisfaction about location, ATM service availability, parking facilities and the internal environment for customer services of the bank. The aggregate mean value of this section is 4.066, means that most of respondents slightly satisfy with these items. Defining the items individually, customers satisfy with the existing location of the bank (mean value 4.62) as well as they satisfy with internal environment for customer service (mean value 4.62); however most of respondents slightly satisfy with the ATM services (mean value 4.09) provided by the banks and slight dissatisfaction regarding parking facilities (mean value 3.16) in banks. This fact reveals the managements' expertise of selecting location for banks, understanding of decoration of banks internal layout such as space, sufficient counters and gadgets for the customer services etc. Since, the customers are slightly dissatisfied with the parking facilities, the bank should address the problem instantly otherwise there may be the chances of switching to other branches or the banks. This may be the cause that most of bank customers have their own private two wheelers or four wheelers vehicles and that may influence them to switch in other outlets if proper parking facilities could not provided by similar bank.

Customer loyalty describes the customers' emotional attachment with service shop such that they would give priority of buying, references to others, speak good words similarly encourage others in buying. It has composite mean value 4.34, means customers slightly agree that they are loyal to their respective banks. It is crucial factor for the banks to maintain their customers for long period of time and to some extent it could be the indicator of disappointment to banks because positive word of mouth might not be happened to their favor. Even though banks are investing more on HR and non HR, the consequences in case of customers' loyalty is not found so motivating. Hence, it is recommended to plan and execute the measures that would be supportive to motivate customers to stay long even it is the tedious and thorny job to administration.

In general, not rule of thumb, sigma value (standard deviation) is one fourth of mean could consider as appropriate. Standard deviation describes to what extent the particular responses of question diverge from mean. Standard deviation provides information of distribution of values (scores) near to the mean value. It can be consider as tools that measure "agreement" between the raters. If everyone provides same score, standard deviation will zero similarly higher or perfect agreement would exist. The standard deviations of tangibility, reliability, responsiveness, assurance, empathy, supplementary part and the customers' loyalty are found as .7936, .7587, 1.3081, .8442, .7912, 1.0123 and .9294 respectively. Smaller value of standard deviation indicates the narrow range of highest and lowest scores.

4.8 Reliability Analysis of Service Quality Dimensions (RATER) and Customer Loyalty

The reliability analysis indicates the degree that scale produces steady results even though measurements will be repeated. Cronbach's alpha value is assumed as good measure of internal consistency regarding the latent variable and Nunnally (1978) suggests the acceptable values normally as above of .70, however in case of newely introduced measures .60 value of alpha could also be acceptable (Nunally, 1988). Testing the reliability measurement of items of Service Quality Dimensions (RATER) and customer loyalty, Table no. 4.7 exhibits the Cronbach's Alpha value .712, .701, .749, .709, .543, .769 and .801 for tangibility, reliability, responsiveness, assurance, empathy, supplementary section and customer loyalty respectively. Considering the reference from Nunnally (1978, 1988) all have the accepted values besides empathy so empathy dropped out from further research.

Table 4.7

Reliability Measurement of RATER and Customer Loyalty.

Construct	No. of items	Cronbach's Alpha Value
Tangibility	4	.712
Reliability	5	.701

Responsiveness	4	.749
Assurance	4	.709
Empathy	5	.543
Supplementary	6	.769
Customer Loyalty	6	.801

4.9 Correlation Analysis of Service Quality Dimensions (RATER) and Customer Loyalty

As statistical measure, the correlation specifies the amount of association of variables. Positive correlations shows the degree of increment or decrement of variables in parallel, in similar way the negative correlation points out the amount of increment in one variable results decrement in another correspondingly. Table 4.8 shows the association between service quality dimensions (R,A,T,E,R) with customer loyalty. Table no. 4.8 reports the significant relationship between Tangibility, responsiveness, reliability, empathy, assurance and customer loyalty at 99% of the level of confidence. Bryman and Cramer (2001) suggest Pearson's correlation coefficient ('r') between the independent variables would not expect higher than 0.80 because in case of excess value the independent variables could be suffered from multi-colinearity.

Table 4.8

Correlations among Tangibility, Reliability, Responsiveness, Assurance, Empathy and Customer Loyalty

Tang.	Pearson Correlation	1					
Rel.	Pearson Correlation	.416**	1				
Res.	Pearson Correlation	.306**	.491**	1			
Assu.	Pearson Correlation	.551**	.544**	.430**	1		
Emp.	Pearson Correlation	.455**	.471**	.395**	.476**	1	
C. Loy.	Pearson Correlation	.351**	.446**	.389**	.635**	.457**	1

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

Table 4.8 shows the correlation value ranging from 0.306 to 0.635 that ensure no probability of multi-collinearity. Similarly, the low correlation coefficient (r < +/- .30) indicate a lack of patterned relationships (weak relationship) so suggested to be removed and no example is found in given case. Furthermore, variables having high correlation (r >.90) could generate problem of common method biasness and no similar evidences is found so there exists less chances of common method bias.

4.10 Factor Analysis of tangibility, reliability, responsiveness, assurance, empathy and customer loyalty

This method takes out maximum common variance considering entire variables of observation and keeps them in common score. It is employed to trim down numbers of variables to manageable factors.

Table 4.9

KMO and Bartlett's Test of RATER and Customer Loyalty .

	Tangibility	Reliability	Responsiveness	Assurance	Empathy	Customer loyalty
KMO	.704	.602	.628	.713	.506	.837
Bartlett's test	1306.984	1265.882	1529.268	1422.742	556.382	4475.975
P-value	.000	.000	.000	.000	.000	.000

Table 4.9 describes KMO (Kaiser Meyer Olkin**)** measure of sample adequacy similarly the Bartlett's Test for tangibility, responsiveness, reliability, empathy, assurance, and customer loyalty. Respective KMO value of tangibility, reliability, responsiveness, assurance, empathy and customer loyalty found as .704, .602, .628, .713, .506 and .837, which are above of acceptable region, since Kaiser suggests the acceptable value higher than .5. Similarly, group variances of five items of reliability found significantly different (for $\chi2$= 1265.882, P<0.001), four items regarding of responsiveness found differently significance ($\chi2$= 1529.268, P<0.001) as well as similar results to tangibility ($\chi2$= 1306.984, P<0.001), assurance ($\chi2$= 1422.742, P<0.001), empathy ($\chi2$= 556.382, P<0.001) and customer loyalty ($\chi2$= 4475.975, P<0.001). Test of sphericity suggested by Bartlett notifies whether correlation matrix is identity matrix that would point out the un-relatedness of variables. The level of

significance imparts the test results. Less of .05 significance value shows the probable significant relationships of variables. Significance value equal or higher of .10 suggests inappropriateness of data for the purpose of factor analysis. The above arguments suggest the suitability of factor analysis regarding tangibility, responsiveness, reliability, empathy, assurance and customer loyalty.

Table 4.10

Total Variance Explained by RATER and Customer Loyalty

Component		Initial Eigen Value		
		Total	% of Variance	Cumulative %
(Tangibility)	1	1.942	48.55%	48.55%
	2	.9004	22.51%	71.06%
	3	.7188	17.97%	89.03%
	4	.4384	10.96%	100%
(Reliability)	1	1.998	39.71%	39.71%
	2	1.038	20.76%	60.47%
	3	.903	18.05%	78.53%
	4	.673	13.45%	91.99%
	5	.401	8.00%	100%
(Responsiveness)	1	2.024	50.59%	50.59%
	2	1.009	25.23%	75.83%
	3	.628	15.70%	91.53%
	4	.339	8.46%	100%
(Assurance)	1	1.949	48.73%	48.73%
	2	.9628	24.07%	72.8%
	3	.6616	16.54%	89.34%
	4	.4236	10.59%	100%
(Empathy)	1	1.531	30.62%	30.62%
	2	1.210	24.20%	54.82%
	3	.913	18.25%	73.08%
	4	.801	16.01%	89.09%
	5	.545	10.90%	100%
(Customer Loyalty)	1	2.9634	49.39%	49.39%
	2	1.329	22.16%	71.55%
	3	.5628	9.38%	80.93%
	4	.5046	8.41%	89.34%
	5	.402	6.70%	96.04%
	6	.2364	3.94%	100%

Since, eigen values exhibit proportion of variance explained by each factors and first eigen value is always greater than 1.0 because first factor describe highest amount regarding total variance. High-quality factor analysis consists few factors those elucidate higher variance and rest of factors describe quite less variance. In table 4.10 the named 'total' column has described degree of variance of observed variables similarly the column named '% of variance' has indicated the percentage of variance explained by each individual factor.

The principal axis factoring analysis extracted two components with respective eigen values greater than 1 in case of reliability, responsiveness, empathy and customer loyalty. These two factors shared 60.47%, 75.83%, 54.82% and 71.55% of total variance over respective variables. However, in case of tangibility and assurance just the first component explained the eigen value greater than 1.

4.11 Testing Common Method Biasness of RATER and Customer Loyalty

The research is suffered by common method biasness if single factor would responsible for higher amount of variance of given model. There is no evidence of extremely high correlation (r >.90) among the variables tangibility, responsiveness, reliability, empathy, assurance and customer loyalty so there is less chances of common method biasness. Similarly, observing the total variance explained table 4.10 no single factor has explained the majority of variance greater than 50% so the data are not suffering from CMB (common method biasness), whether the value of responsiveness is on boarder line. So, it is escaped from Harman's single factor analysis to identify common method biasness.

4.12 Second Order Confirmatory Factor Analysis (CFA) of Job Satisfaction Facets

The CFA (confirmatory factor analysis) is considered as particular factor analysis that highly employed in social science research. The CFA tests whether or not the measures of constructs are coherent with researcher's understanding of construct (or factor). So, objective of CFA is to investigate data fit in measurement model and that hypothesized model is always based on previous analytic research or theory. So, it is investigation of theory in relation to existing data or it is theory driven. Hu and Buntler (1999) describe the threshold value of CFA as tabular form.

Table 4.11
Threshold value of CFA.

Measure	Threshold
Chi-square/df (cmin/df)	< 3; < 5 sometimes permissible
p-value for the model	>.05
CFI	>.95 great; > .90 traditional; > .80 permissible
GFI	>.95
AGFI	>.80
SRMR	<.09
RMSEA	<.05 good; .05-.10 moderate; >.10 bad

The reporting of CFA results should as follow.

a) Regression of each item of construct and its p<.05.
b) Validity Issues:
    - Convergent validity (CR >.7, AVE > .5, CR > AVE)
    - Discriminant validity (AVE > MSV, AVE > ASV)
c) Model fit indices
    - Chi-square statistics
    - Goodness of fit indicator (CFI, GFI, IFI) > .9
    - Badness of fit indicator (RMR, RMSEA) < .10

Second Order Confirmatory Factor Analysis is the statistical technique which confirms theorized construct of study relies over particular number of sub-constructs. The given, theorized construct of job satisfaction consist of eight underlying sub-constructs (pay, promotion, job nature, coworker, supervisor, recognition, training and working condition) and every sub-construct is assessed by particular items using a questionnaire. Here, the researcher prefers to assess the result of main construct over relevant sub-constructs and subsequently main construct of study has become the construct of second order while sub-constructs turn into first order construct.

Figure 4.1 The Measurement Model of Job Satisfaction construct

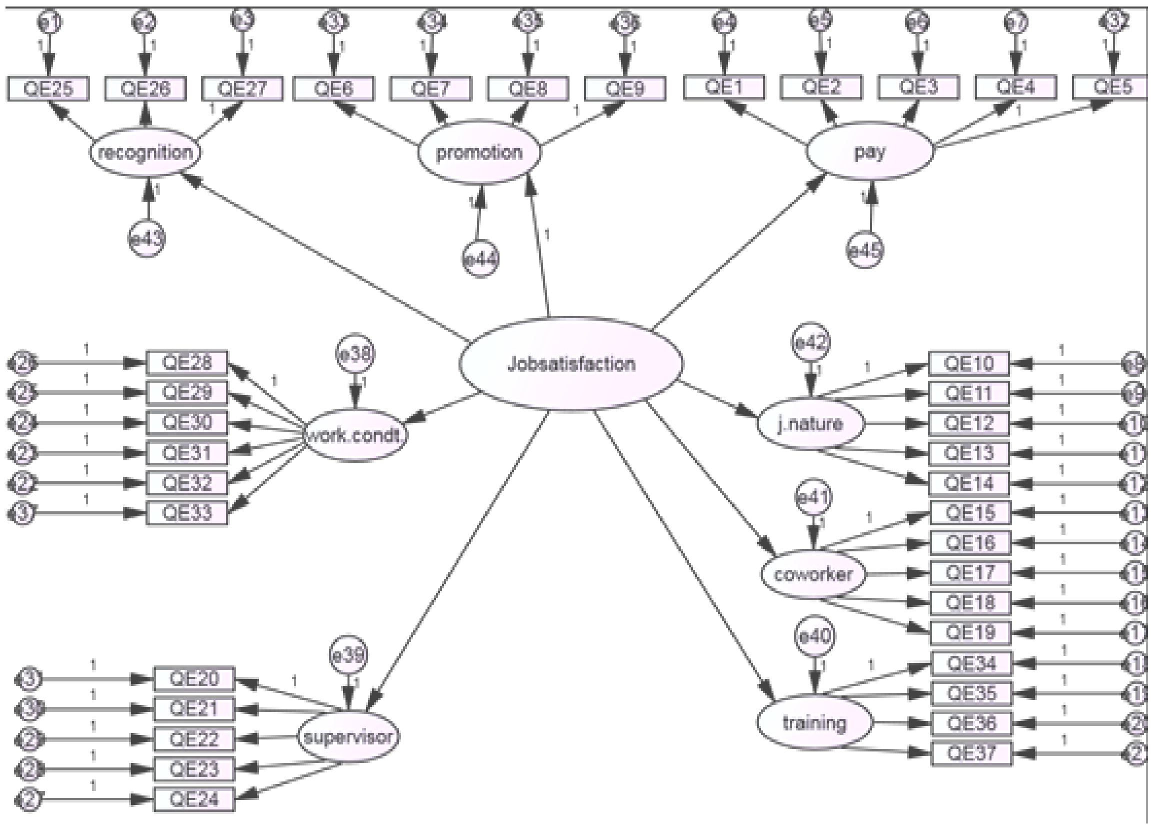
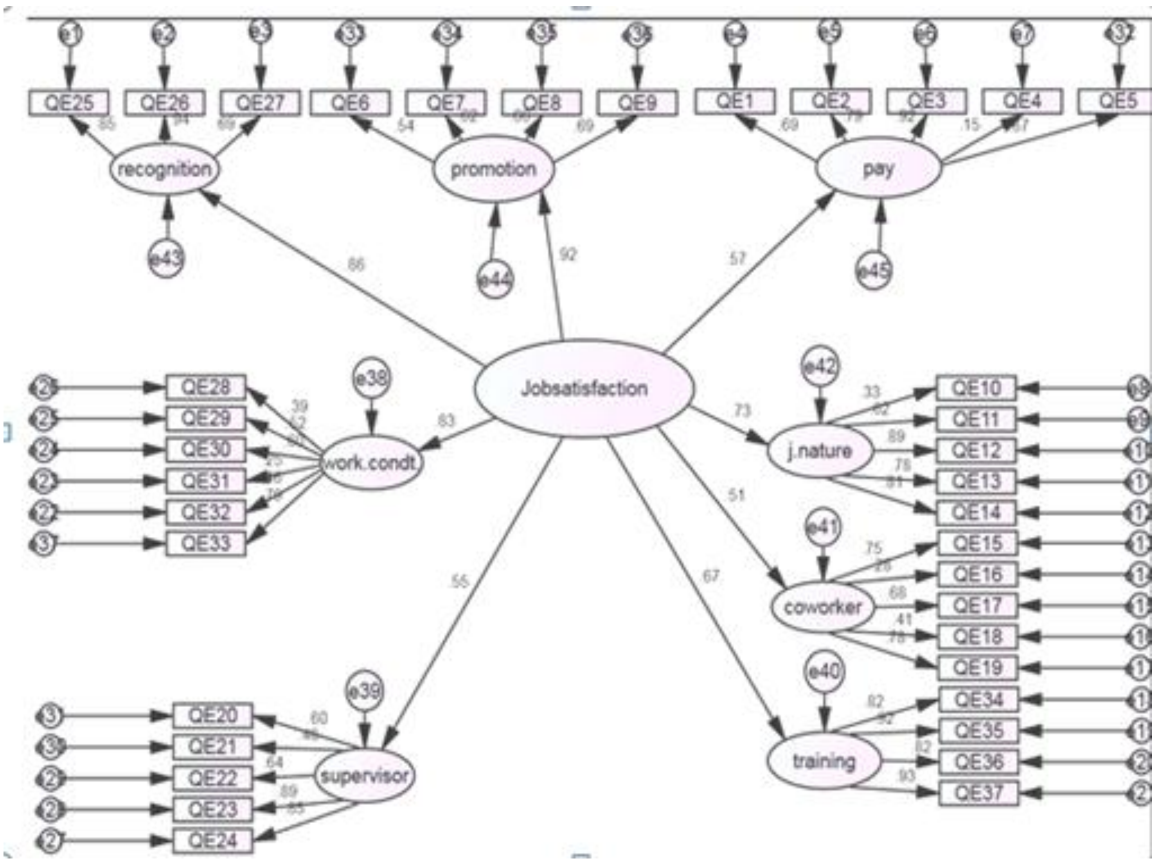


Figure 4.2 The output of Measurement (standardized) Model after CFA



CFA has the objective of estimating factor loading of key construct over the sub-constructs to prove second order construct depends on its' respective sub-constructs. In given figure 4.1 and 4.2, job satisfaction is the main construct. In CFA of second order, the key construct job satisfaction is happened to be second order construct, similarly eight sub-constructs has become construct of first order. The results reveals the job satisfaction loads on eight sub-constructs. The factor loading of pay, promotion, job nature, coworker, supervisor, recognition, training and working condition are .57, .92, .73, .51, .55, .86, .67 and .83 respectively. In addition, the R^2 for all sub-constructs are .32, .85, .53, .26, .30, .74, .45 and .69 that display contribution of job satisfaction on eight sub-constructs ranging from poor to good.

4.13 Modification Indices

Table 4.14 presents the Modification Indices for the measurement model and Amos output table presents the Modification Indices (MI) based on the covariance between a pair of measurement error. The symbol 'e' represents the measurement error. In determining which item to modify, one should look for high MI (greater than 15) which correlates between a pair of measurement errors.

The given table concerns just the covariance having MI value exceeds 15. Considering the par change column of table 4.14, for example, if it is repeating the analysis treating the covariance between e41 and e40 as a free parameter, its estimate will become smaller by approximately 0.188 than it is in the present analysis.

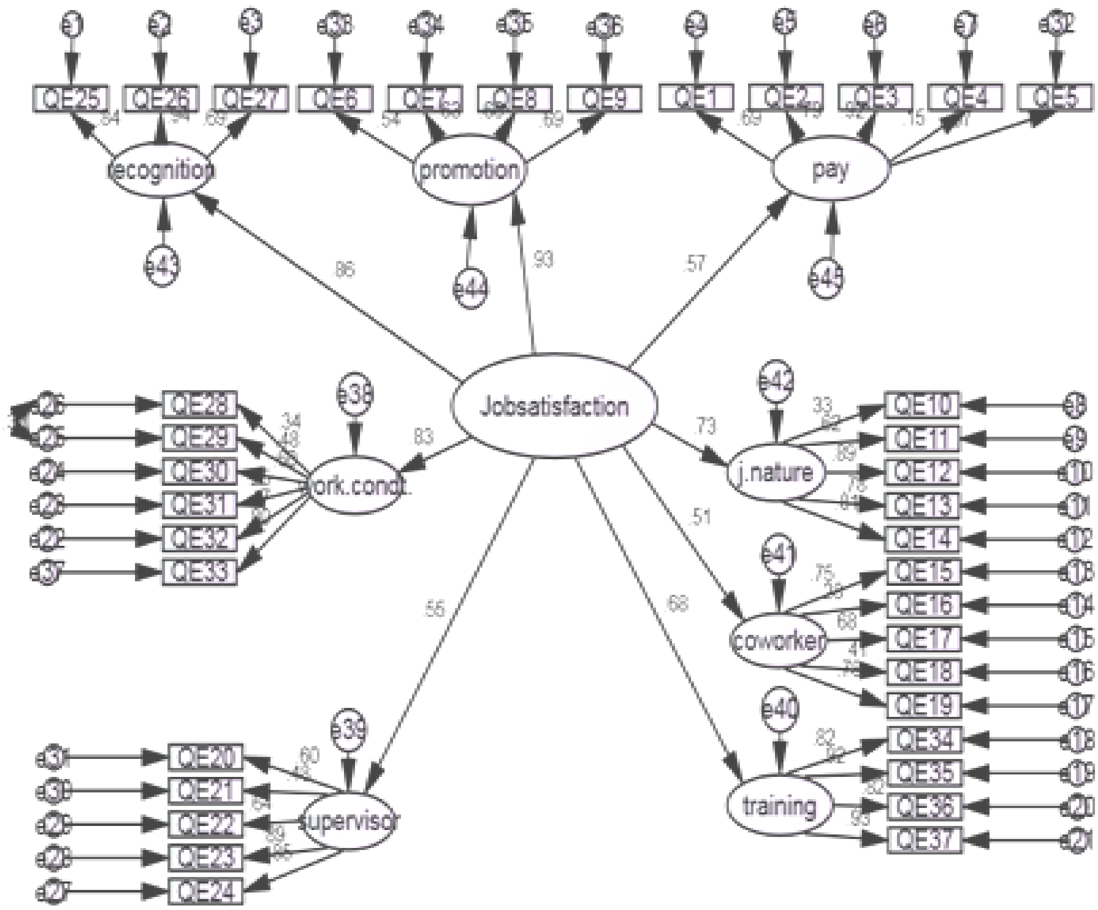
Table 4.12

Modification Indices

Covarience	M.I.(modification Indices)	Par Change (estimated parameter change)
e41<-->e40	15.855	-.188
e25<-->e26	20.601	.570
e23<-->e29	17.359	.426
e22<-->e39	24.567	.277

Considering the covariance from table 4.12 and observing figure 4.1 and 4.2, it is possible to covary e25 with e26, however, other error terms are impossible to covary.

Figure 4.3 The output of Measurement (standardized) Model after Modification



The factor loading of pay, promotion, job nature, coworker, supervisor, recognition, training and working condition are .57, .93, .73, .51, .55, .86, .68 and .83 respectively. Thus, no significant changes have been found in factor loading of job satisfaction facets.

Table 4.13

CFA Out put of Job Satisfaction Facets

Measures	**CFA Out put**
Regression of each item of construct	All items have regression weight. significant p<.05 (QE34←pay is not sig.)
Chi-square statistics/df	1406.269/619= 2.271 (p=.000)
Goodness of fit indicator	CFI=.865, GFI= .790, IFI= .869, AGFI=.848 (permissible)
Badness of fit indicator	RMR=.097 and RMSEA=.089

The table 4.13 exhibits that all the items of job satisfaction facets (pay, promotion, job nature, coworker, supervisor, recognition, training and working condition) are significant at $p < .05$, however insignificant in case of item QE34. CMIN/DF value is 2.271, that is below of threshold value at p= .000. Similarly, goodness of fit indicators and badness of fit indicators are in acceptable region, so CFA of job satisfaction facets hold the robustness of test.

Table 4.14

Factor Loading, CR and AVE of Job Satisfaction Facets (Convergent Validity Index)

Construct	Sub-constructs (Items)	Factor Loading(β)	CR (above .6) $(\sum\beta)^2/(\sum\beta)^2+\sum(1-\beta^2)$	AVE (above .5) mean of $\sum\beta^2$
Job Satisfaction	Pay	.57	.8933	.5220
	Promotion	.93		
	Recognition	.86		
	Job nature	.73		
	Supervisor	.55		
	Coworker	.51		
	Work. Condt.	.83		
	Training	.68		
Pay	QE1	.69	.8372	.5452
	QE2	.79		
	QE3	.92		
	QE4	.15		
	QE5	.87		
promotion	QE6	.54	.7613	.5022
	QE7	.63		
	QE8	.68		
	QE9	.69		
Recognition	QE25	.84	.8671	.6884
	QE26	.94		
	QE27	.69		
Job nature	QE10	.33	.8276	.5098
	QE11	.62		
	QE12	.89		

	QE13	.78		
	QE14	.81		
Supervisor	QE20	.60	.828	.5021
	QE21	.48		
	QE22	.64		
	QE23	.89		
	QE24	.85		
Coworker	QE15	.75	.729	.376*
	QE16	.28		
	QE17	.68		
	Q18	.41		
	Q19	.78		
Work. Condt.	QE28	.34	.7364	.330*
	QE29	.48		
	QE30	.60		
	QE31	.56		
	QE32	.57		
	QE33	.80		
Training	QE34	.82	.928	.764
	QE35	.92		
	QE36	.82		
	QE37	.93		

Table 4.14 illustrates the convergent validity test using the indicators CR (composite reliability) as well as the AVE (average variance extracted). Threshold value of CR is given as above .6 and for AVE is given as above of .5. The composite convergent validity of job satisfaction has met the threshold value required regarding CR and AVE and similarly for all individual constructs pay, promotion, job nature, coworker, supervisor, recognition, training and working condition. Whether in some instances (coworker and working condition) the AVE value is found below of criteria, the overall result assures the convergent validity of given construct.

4.14 First Order CFA for Employee Loyalty and Employee Service Commitment

The discriminant validity is acquired through the first order CFA and first order CFA consist two sided arrow (correlation). The given figure 4.4 describes the relations of loyalty with service commitment.

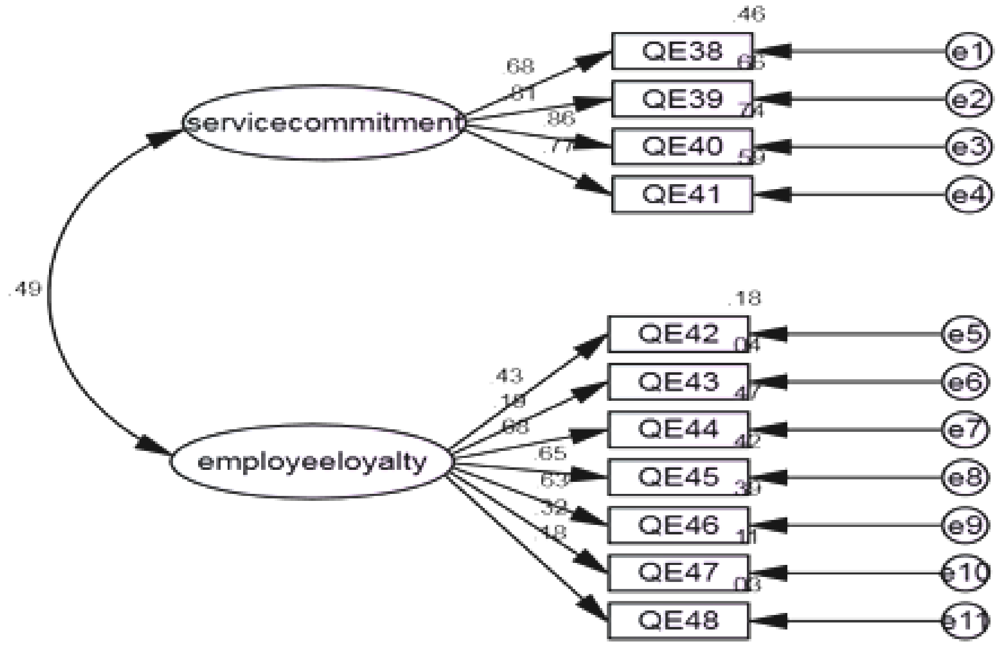
Table 4.15

CFA Out put of employee loyalty and service commitment.

Measures	CFA Out put
Regression of each item of construct	All items have regression weight. significant at p<.05 (Q43 & Q47 not sig.)
Convergent validity	AVE=0.49 CR=.824; CR >AVE
Discriminant validity	MSV= .25 , ASV= .156 i.e. AVE > MSV, AVE > ASV
Chi-square statistics/df	147.884/43=3.43 (permissible)
Goodness of fit indicator	CFI= .826, GFI= .856, IFI= .830, AGFI=.801 (permissible)
Badness of fit indicator	RMR= .103, RMSEA=.107 (permissible)

The table 4.15 illustrates the acceptable values for the authenticity of CFA.

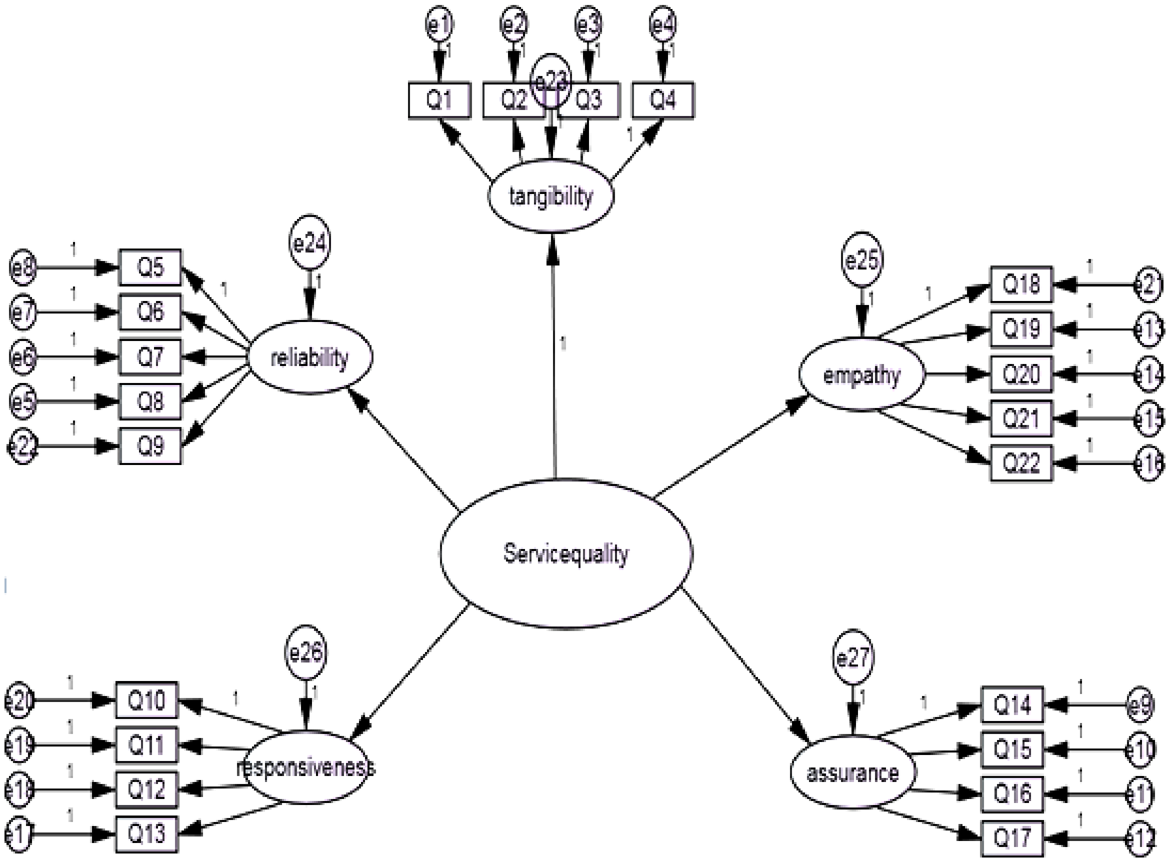
Figure 4.4 The output of first order Measurement (standardized) Model



4.15 Second Order Confirmatory Factor Analysis (CFA) of Service QualityDimensions (RATER)

Second Order CFA is employed to verify loads of theorized construct over particular underlying sub-constructs or components. Theoretical model SERVQUAL hypothesizes that the construct service quality is composed by five core sub-constructs; similarly each one sub-construct is assessed by definite number of items using a questionnaire. Here, researcher would like to gauge effect of key construct over the sub-constructs and so, principal construct has supposed to be construct of second order, similarly sub-constructs as construct of first order.

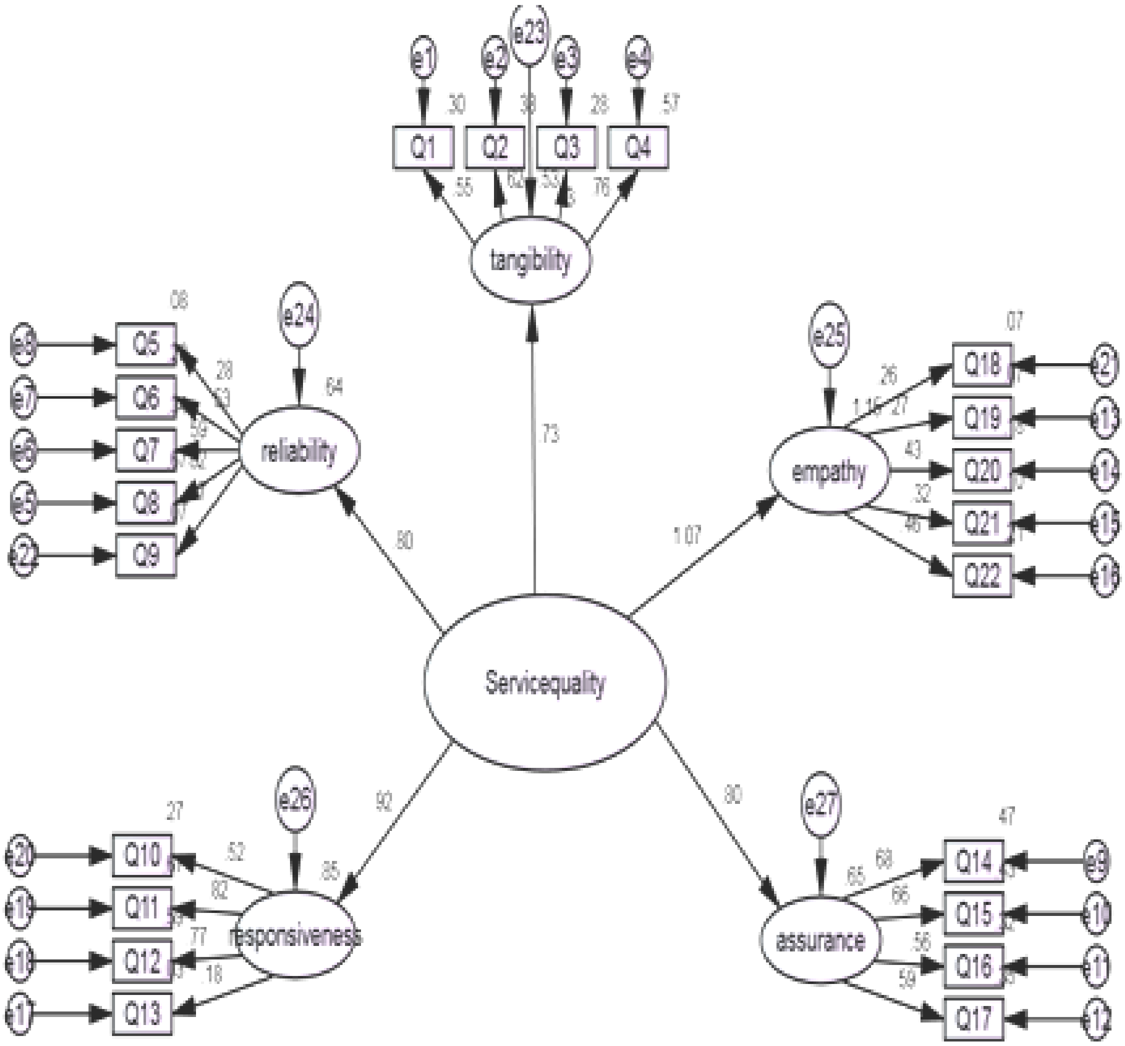
Figure 4.5 The Measurement Model of Service Quality Construct



Customers’ aspect about their perception over service quality of banks (SERVPERF Model) i.e. tangibility, assurance, reliability, responsiveness and empathy are kept for CFA (confirmatory factor analysis). It is employed to examine whether the researchers’ indicator truly measure his/her constructs, so it measure the quality of researchers’ questionnaires.

Considering second order CFA in relation to figure 4.6, the main construct service quality happens to be second order construct and five sub-constructs have become constructs of first order. The results reveals service quality loads over five sub-constructs. Factor loading of tangibility, reliability, assurance, empathy and responsiveness are .73, .80, .80, 1.0 and .92 respectively. Likewise, the R^2 for all sub-constructs are .53, .64, .65, 1.1 and .85 respectively, that reflects the contribution of service quality on its five sub-constructs is good.

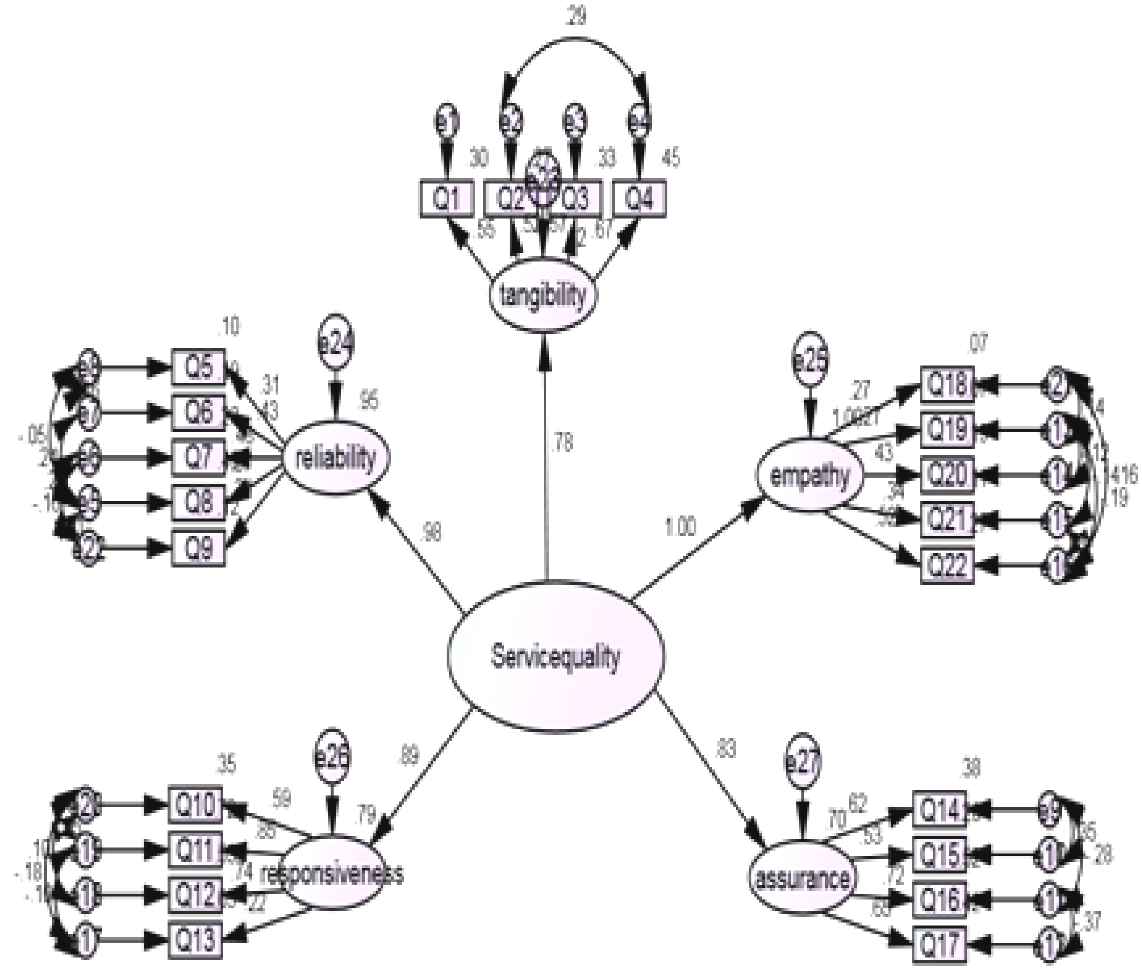
Figure 4.6 The output of CFA Measurement (standardized) of Service Quality



However, observing the AMOS output on its output result sheet named modification indices, large number of error terms (e2, e4, e5, e6, e7……and so on) are found highly correlated to each another that cause modification on existing error terms relationship. So, for the modification those error terms should covary to each another by loop (↔) sign. Large numbers of covariances are made between the error terms as in figure no. 4.7. After modification, the result of measurement model is shown in figure number 4.7.

Comparing the figure 4.6 and 4.7, several alterations can be observed such as changes on factor loadings and R^2 of service quality (tangibility, assurance reliability, responsiveness and empathy) similarly, the changes on factor loading of individual items of service quality dimensions.

Figure 4.7 The output of CFA Measurement of Service Quality after Modification



After the modification, the factor loading of tangibility, reliability, assurance, empathy and responsiveness has become .78, .98, .83, 1.0 and .89 while the early (before modification) value was .73, .80, .80, 1.07 and .92 respectively. Hence, the changes have been occurred in factor loading of service quality dimensions after modification on error terms.

Table 4.16

CFA Out put of Service Quality Dimensions (RATER) after Modification

Measures	**CFA Out put**
Regression of each item of construct	All items (Q1- Q22) have regression weight less than 1 and significant at p<.05
CMIN/DF	6071.05/184=32.9 (p<.05)
Goodness of fit indicator	CFI= .619, GFI= .773, IFI= .620, AGFI=.688
Badness of fit indicator	RMR= .175, RMSEA=.132

The table 4.16 exhibits that all the items of SERVQUAL (tangibility, reliability, empathy, assurance and responsiveness) are significant at $p < .05$. CMIN/DF value is 32.9 that crosses the threshold value at p= .000.

Table 4.17

Factor Loading, CR and AVE of Service Quality Dimensions

Construct	Sub-constructs (Items)	Factor Loading(β)	CR (above .6) $(\sum\beta)^2/(\sum\beta)^2+\sum(1-\beta^2)$	AVE (above .5) *mean of* $\sum\beta^2$
Service Quality	Tangibility	.78	.95	.80
	Reliability	.98		
	Responsiveness	.89		
	Assurance	.83		
	Empathy	1.0		
Reliability	Q5	.31	.44	.141
	Q6	.43		
	Q7	.48		
	Q8	.37		
	Q9	.24		
Tangibility	Q1	.55	.67	.34
	Q2	.52		
	Q3	.57		
	Q4	.67		

Responsiveness	Q10	.59	.711	.42
	Q11	.85		
	Q12	.74		
	Q13	.22		
Assurance	Q14	.62	.725	.40
	Q15	.53		
	Q16	.72		
	Q17	.65		
Empathy	Q18	.27	.44	.14
	Q19	.27		
	Q20	.43		
	Q21	.34		
	Q22	.52		

Table 4.17 illustrates the convergent validity test of service quality construct using the indicators composite reliability as well as average variance extracted (CR and AVE). The threshold value of CR is given as above .6 and for AVE is given as above of .5. Whether the construct service quality addresses the threshold value of CR and AVE (CR>.7 and AVE>.5) but the sub-constructs are failed to meet AVE value. The composite reliability (CR) is near to acceptable criteria. Convergent validity demands CR > AVE, and in all cases composite reliability value (CR) is higher than of average variance extracted value (AVE).

As exhibited in table 4.17, convergent validity of service quality (satisfaction) is attested but the sub constructs are failed to exhibit themselves as convergent validate.

4.16 Structural Equation Modeling (SEM) and Path Analysis

SEM (structural equation modeling) is statistical techniques which describes the relationships of numbers of independent variables (discrete or continuous) with numbers of dependent variables (discrete or continuous). The SEM is analytical technique which specifies indirect and direct relationship of independent and dependent constructs.

Figure 4.8 The SEM and Path Model of Service Profit Chain

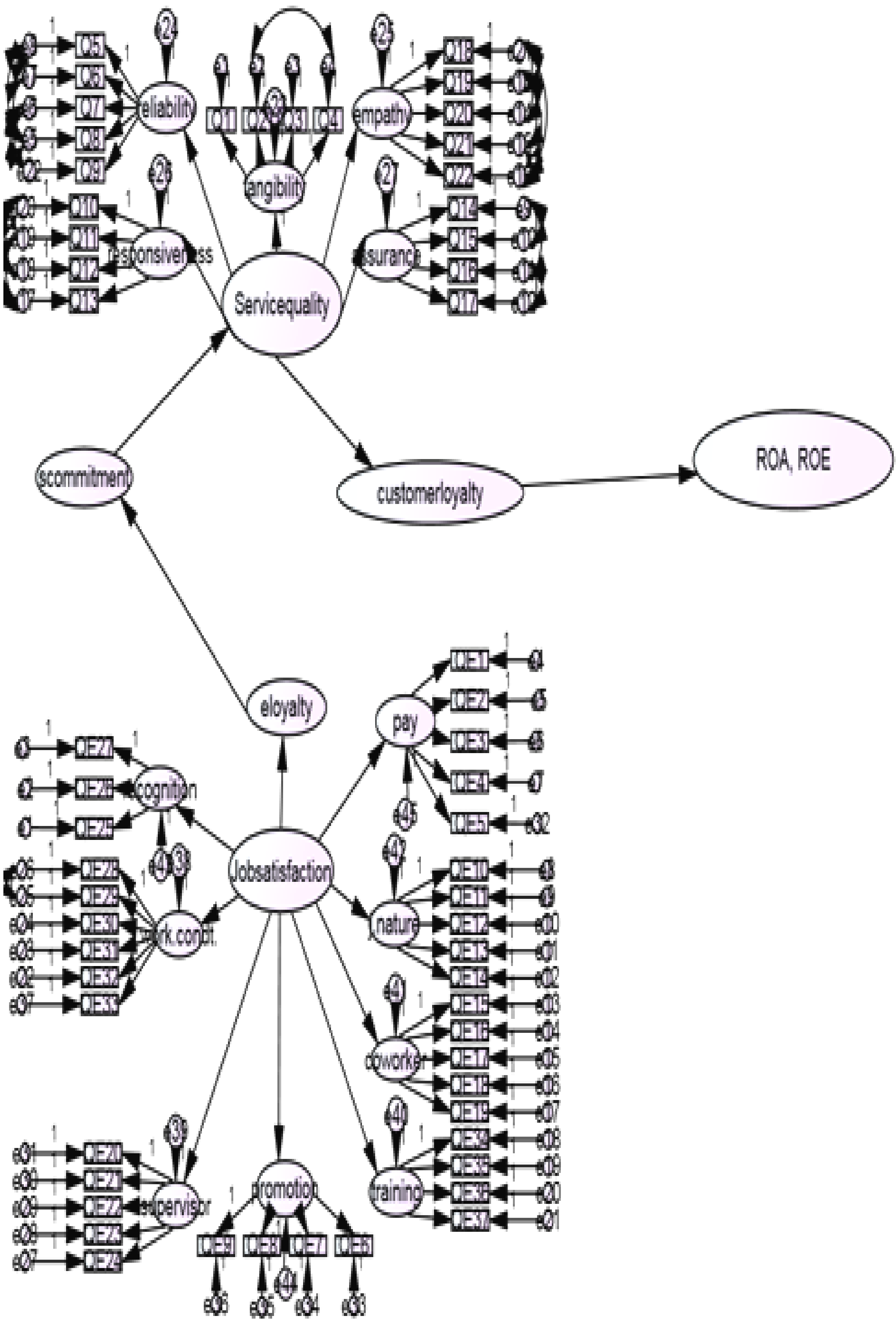
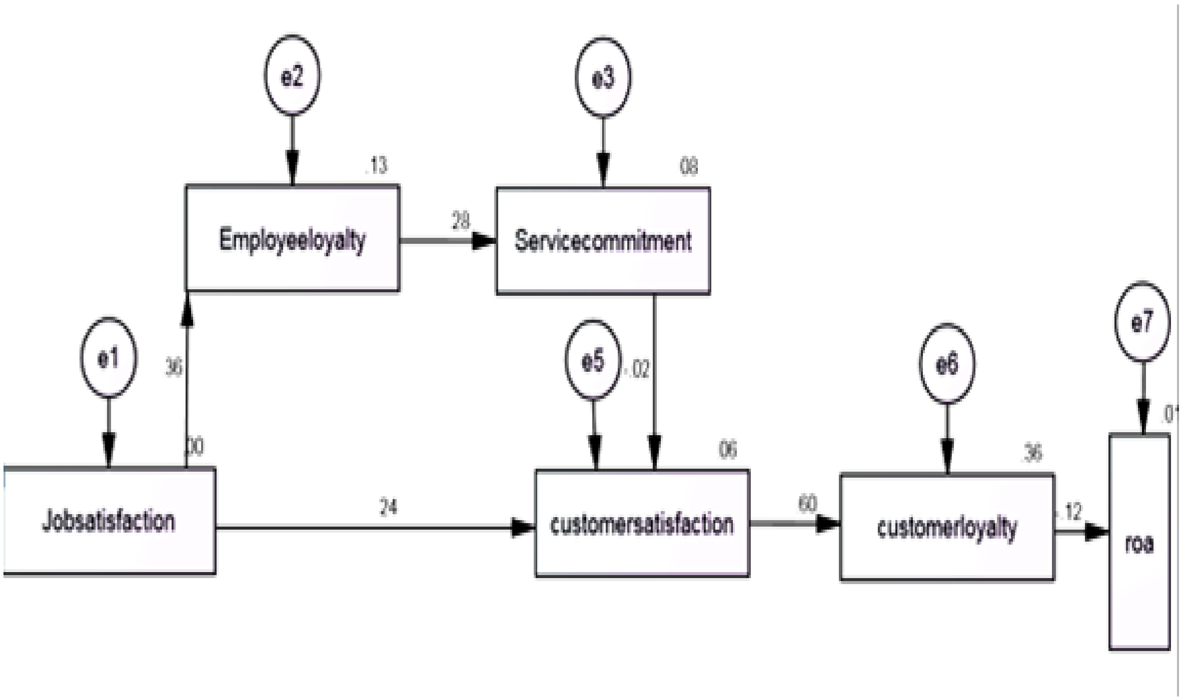


Figure 4.9 Proposed Base Model and Corresponding Path of SPC



In given base model, the overall customer satisfaction accounted 36% of variance on customer loyalty (dependent variable) and so overall customer satisfaction is good predictor (.6) of customer loyalty. Overall job satisfaction accounts just 13% variability over employees' loyalty and is moderate predictor (.36) on dependent variable. Overall job satisfaction accounted just 6% differences on overall customer satisfaction and is not the good predictor. The employees' loyalty describes 8% of variation on dependent variable employees' service commitment and loyalty is moderate predictor of employees' service commitment. Employee service commitment is insignificant predictor of overall customer satisfaction. Even though, the recent research has tried to explore the relationship of attitudinal variable to ROA, customer loyalty accounts less variability on return on assets.

Path analysis (regression) answers whether specified model is assisted (confirmed) by sample data. Analysis of regression weight, Table 4.18 concludes there exists significant relationship (.325) of employees overall job satisfaction with employees loyalty. Additionally, the significant relationship (.394) has been identified between employees' loyalty and employees' service commitment.

Table 4.18

Regression Weights of Base Model of SPC

			Estimate	S.E.	C.R.	P	Label
Employee loyalty	<---	Job Satisfaction	.325	.067	4.854	***	
Employee Service Commitment	<---	Employee loyalty	.394	.106	3.737	***	
Customer satisfaction	<---	Employee service commitment	-.015	.062	-.246	.806	
Customer satisfaction	<---	Job satisfaction	.249	.075	3.302	***	
Customer loyalty	<---	Customer satisfaction	.829	.026	32.203	***	
ROA	<---	Customer loyalty	-.040	.008	-4.972	***	
ROE	<---	Customer loyalty	-.379	.124	_3.059	.002	

Table 4.18 exhibits the insignificant relation between employees' service commitment and overall customer satisfaction. Significant relation (.249) found between overall employee job satisfaction and overall customer satisfaction. Similarly, high significant relationship (.829) observed between customers' satisfaction (overall) and the customers' loyalty. Similarly, less significant relationship of customer loyalty with ROA (returns on assets) and with ROE (return on equity) of the bank is diagnosed.

Table 4.19

Model fit of Base Model of SPC

Measures	**SEM Out put**
Regression weights	All paths are significant at p <.01 (besides employee service commitment to customer satisfaction).
Chi-square statistics/df	61.09/9= 6.78
Goodness of fit indicator	CFI = .948, IFI = .949 , RFI = .850 NFI = .936, TLI = .869 (acceptable)
Badness of fit indicator	RMSEA = .056 (acceptable)

The model fit indicators of Table 4.19 assures the authenticity of structural equation modeling (SEM).

Table 4.19 incorporates results of structural model for the hypothesized base model of SPC. Regarding the given structural model, overall fit index was found good: CFI = .948, IFI = .949, RFI = .850, NFI = .936, TLI = .869 (acceptable) and RMSEA= .056. Except the relationship of employee service commitment and customer satisfaction, other relationships were significant. Model fit regarding the base model of SPC and ROE revealed CFI = .945, IFI = .946 , RFI = .85, NFI = .937 and TLI = .872 which all is within acceptable region and RMSEA=.056 (<.10) is better. These facts support the logic to accept the alternative hypotheses except of employee service commitment and customer satisfaction.

Considering the base model of SPC, CMIN/DF was found 6.78; however that should be less than 3. On other hand, the job satisfaction and the service quality constructs (integral part of SPC) had their CMIN/DF values within acceptable region. So, integrated model of SPC is partially existed in context of Nepalese banking sector. s

Thus, following hypotheses got sufficient proofs to be accepted.

H1: Employee job satisfaction is positively correlated to employees' loyalty.

H2: Employee loyalty has positive influence on service commitment.

H3: Employee job satisfaction is positively correlated to customer satisfaction.

H5: Customer satisfaction is positively correlated to customer loyalty.

H6: There is relationship between customer loyalty and ROA/ROE of bank.

However, H4: Higher the employee service commitment higher the customer satisfaction, could not get sufficient statistical value to be accepted.

4.17 Concluding Remarks

The present study attempts to be familiar with the relationship of employee job satisfaction to employee loyalty, employees' loyalty to employee service commitment, employees' service commitment to service quality, similarly service quality to customer satisfaction, like wise customer satisfaction to customer loyalty and ultimately customer loyalty to ROA/ROE of organization. However, the association of customer loyalty and ROA/ROE of organization is treated in exploratory sense because ROA/ROE are highly influenced by other financial/monetary matters rather than attitudinal factors. The SEM was employed to get proposed results, similarly other statistical tools (correlation, cfa etc) has been used under the study. More specifically, the analysis proved.

The positive relation between employee job satisfaction and employees' loyalty, employees' loyalty with employees' service commitment, employee job satisfaction with customer satisfaction, customer satisfaction with customer loyalty is observed. Similarly, a positive relation of customer loyalty with ROA/ROE of the firm is detected. Contrary no sufficient proofs to be supported, the positive relationship between employees service commitment and the customers' satisfaction.

Employee job satisfaction found positively correlated to employees' loyalty. Correlation of employees' loyalty with pay, promotion, job nature, coworkers, supervisors, recognition, working environment, training and employees service commitment is found as .189, .191, .253, .066, .415, .300, .308, .231 and .281respectively.Overall job satisfaction accounts just 13% variability over employees' loyalty and is moderate predictor (.36) on dependent variable.

Employee loyalty has positive influence on service commitment. The employees' loyalty describes 8% of variation on dependent variable employees' service commitment and loyalty is moderate predictor of employees' service commitment. Correlation of employee loyalty with employees' service commitment is .281.

Employee job satisfaction is found positively correlated with customer satisfaction. Job satisfaction accounted just 6% differences on overall customer satisfaction and is not the good predictor Customer satisfaction observed positively correlated with loyalty of customers. Customer satisfaction accounted 36% of variance on customer loyalty (dependent variable) and so overall customer satisfaction is good predictor (.6) of customer loyalty.

Employee service commitment is insignificant predictor of overall customer satisfaction. Customer loyalty accounts less variability on ROA and ROE.

Considering whole model of service profit chain analysis, the linkage between job satisfaction and employee loyalty, employee loyalty and employee service commitment, job satisfaction and customer satisfaction found weak but significant, however the relationship of customer satisfaction with customer loyalty found significant as well as strong. Surprisingly, service commitment of employees could not assure the customer satisfaction and even though customer loyalty was better (4.34) could not address the ROA and ROE of banks.

It could be conclude, there are other variables rather than attitudinal variables that define the profitability of banks. Employee’s satisfaction, their loyalty and service commitment, customer satisfaction and their loyalty could not generate profit so far and hence, macro and micro financial indicators could be on prominent positions that describe the profit.

CHAPTER FIVE
SUMMARY AND CONCLUSION

5.1 Background

This chapter consists of background, findings and conclusion, discussion and implication for the future research. It summarizes the findings and provides the direction for the future researcher. Current study highlights the importance of employees' job satisfaction as well as employees' loyalty to service commitment, service quality and ultimately customer satisfaction and loyalty to profitability of organization. The findings of study provide empirical evidence for postulated relationship. The result of the research suggests that the service firm should put primary emphasis on employees' job satisfaction as well as to their loyalty. So, it is important to the service firm to increase investment on the ways to improve employee job satisfaction matter.

5.2 Summary

First Chapter presented simply introduction of the study. Introduction chapter was sketched to highlight research issues regarding SPC (Service Profit Chain). Service Profit Chain analysis concept deals with what makes employees satisfied, how satisfied employees generate good service values and make customers happy and how satisfied customers influence ultimate aim of organization. Whether or not the SPC and its linkage were validated in Nepalese case? That was the issue. Hence, the job satisfaction, employees' loyalty, employees' service commitment, service quality, customers' loyalty and ROA/ROE had to be investigated among Nepalese respondents. This chapter, in addition, focused to research objectives similarly to theoretical framework specifying the research study. For this purpose, self-reported attitude of respondents from ten Nepalese Private Commercial Banks was collected for quantitative analysis. SPSS AMOS computer application was used for statistical analysis.

Review of literature discussed in Chapter two, presented theoretical background of SPC and its linkages similarly the other concepts what were related to the job satisfaction, employees' loyalty, employees' service commitment, service quality, customers' loyalty and ROA/ROE. Methodological review of SPC was also mentioned on the topic. Empirical findings of past studies were discussed in related issues. The theoretical and empirical evidence to SPC and its linking factors similarly other related concepts were presented in that chapter.

Research methods, design that followed in this research were stated in third Chapter entitled Research Methodology. The recent research was adopted the deduction genre of research methods. Basically it was a descriptive and analytical type of research following the survey design. In course of research study, primary data were employed to accomplish objectives of the study. The quantitative data were taken out from secondary source that was needed to evaluate financial performances.

Chapter four related with data analysis and study findings of SPC and its linking factors job satisfaction, employees' loyalty, employees' service commitment, service quality, customers' loyalty and ROA/ROE and similarly their relationship with different demographic variables. Similarly, it also exposed the correlations about different dependent and independent variables. This chapter was designed to present descriptive result of study. It was found employee job satisfaction positively correlated to employees' loyalty, employee loyalty had positive influence on service commitment, similarly the employee job satisfaction found positively correlated to customer satisfaction. Customer satisfaction observed positively correlated to customer loyalty. And customer loyalty had significant negative relationship (negligibly) to ROA/ROE of bank and no significant relationship of employee service commitment with customer satisfaction (good service quality).

Chapter five is designed to summarize the overall works performed by the researcher at a glance. Finally this chapter shows results of given research work in summary related to various domains and variables of the research, practical implication and future research.

5.3 Findings

Concentrating with research objectives, analysis section presented and defined the data in form of descriptive statistics (mean, standard deviation etc). Similarly; correlation analysis, test of multi-collinearity, test of reliability, regression analysis, CFA (confirmatory factor analysis), SEM (structural equation modeling analysis) among relevant variables have also been performed and analyzed. Employee job satisfaction, loyalty, service commitment survey, service quality and customers loyalty survey was performed employing self administered questionnaire survey. The key findings of the research are mentioned below.

- Overall mean of job satisfaction including pay, promotion, job nature, coworker, supervision, recognition, working condition and training was 4.3755; it indicates the employees are slightly satisfied with their job.
- The promotion (mean value 3.81) and training (mean value 3.62) indicated employees' slight dissatisfaction over these factors.
- Pay, promotion, job nature, relationship with coworkers, supervisors, recognition, working condition, training, employees' loyalty and employee service commitment items have their Cronbachs' alpha value (reliability) extended from .701 to.925.
- Correlation of employee loyalty, pay, promotion, job nature, coworkers, supervisors, recognition, working environment, training and employees service commitment were found 0.066 to 0.625, so there is less chances of multi-collinearity and no common method biasness.
- Composite mean value of reliability, assurance, tangibility, empathy, responsiveness is found as 4.52, means customers are slightly satisfy with the service value generated by employees and organization.
- Mean value of customer loyalty (4.34) exhibits that, customers are slightly agree with their loyalty to their respective banks.
- Cronbach's Alpha values are found as .712, .701, .749, .709, .543, .769 and .801 for tangibility, reliability, responsiveness, assurance, empathy, supplementary section and customer loyalty respectively.
- The correlation value of tangibility, reliability, responsiveness, assurance, empathy and customer loyalty found ranging from 0.306 to 0.635 so no probability of multi-collinearity observed.
- Among variables tangibility, reliability, responsiveness, assurance, empathy and customer loyalty, there is no evidence of extremely high correlation (r >.90) so there is less chances of common method biasness.

- The CFA output of job satisfaction facets exhibits the CMIN/DF=2.271 (p=.000), CFI=.865, GFI= .790, IFI= .869, AGFI=.848 (permissible) and RMR=.097 and RMSEA=.089. Thus, CFA is authenticated.
- The composite convergent validity of job satisfaction facets has met the threshold value required regarding CR (>6) and AVE (>5).
- Individual construct pay, promotion, job nature, coworker, supervisor, recognition, training and working condition all have its CR (>6) and AVE (>5) but in case of coworker and working condition the AVE value is found 37 and .33, below of criteria.
- CFA output of employee loyalty and service commitment is found as AVE=0.49; CR=.824; CR >AVE; MSV= .25; ASV= .156; CMIN/DF==3.43; CFI= .826, GFI= .856, IFI= .830, AGFI=.801; RMR= .103, RMSEA=.107.
- CFA Output of Service Quality Dimensions (RATER) after modification are found as, CMIN/DF= 32.9 (p<.05); CFI= .619, GFI= .773, IFI= .620, AGFI=.688, RMR= .175, RMSEA=.132.
- Convergent validity test indicators CR (composite reliability) similarly the AVE (average variance extracted) are found for service quality (.95, .80), tangibility (.67, .34), reliability (.44, .14), assurance (.72, .40), empathy (.44, .14) and responsiveness (.71, .42).
- Structural Equation Modeling (SEM) and Path Analysis of base model of SPC reported; the overall customer satisfaction accounted 36% of variance on dependent variable customer loyalty. Overall job satisfaction accounts just 13% variability over employees' loyalty. Overall job satisfaction accounted just 6% differences on overall customer satisfaction. The employees' loyalty describes 8% of variation on dependent variable employees' service commitment. Customer loyalty accounts less variability (1%) on return on assets.
- Model fit for Base Model of SPC mentioned CMIN/DF== 6.78, CFI = .948, IFI = .949 , RFI = .850, NFI = .936, TLI = .869, RMSEA = .056.
- Model fit regarding the base model of SPC and ROE revealed CMIN/DF = 6 (poor), CFI = .945, IFI = .946 , RFI = .85, NFI = .937, TLI = .872 and RMSEA=.056.

5.4 Discussion

This study allows the organizations to understand the linkage of employee job satisfaction with their loyalty, service commitment, customers' satisfaction and their loyalty ultimately focused how these variables are concerned to organizational profitability. This research presents the overall result of entire framework as well as the relationship among the SPC linkage using different paths. Customer satisfaction increases sales by avoiding switching behavior, repurchase intention and by developing patronage and loyalty similarly the loyal customers are expected to be less sensitive about price change. Satisfied customers exert positive word of mouth in favor of the firm that ultimately reduces the cost of advertisement and promotion. This study texts customer loyalty as the marker of financial performance, result can encourage marketers' endeavor to increase customer satisfaction or executing the strategy that really increase the satisfaction for firms' profitability. Such information could be helpful for the strategic decision makers.

This research provides evidence that describe employee job satisfaction play important role to increase customer satisfaction as well as the loyalty. It suggests organization should try to increase the employees' job satisfaction in similar way the customers' satisfaction. In service firms, employees are frontline delegate of the entire company, so managers strive to adopt such policies, which will help in employee job satisfaction.

Considering the managerial point of view, bank administrations as well as marketing practitioners have need of the framework which facilitates them better understanding of their employees and customers in competitive environment, and the existing research has unlocked the new paradigm for the concerns. Discussing with the findings of recent research the huge gap was found between employees' service commitment and their service delivery (service ability) to customers, hence managers should promote the environment that really translate the employee service commitment to generate better service quality to satisfy the customers. The managers and BoD are suggested to launch the short term package about the development of soft skills to employees because the result exhibits lack of empathy (one of dimension of service quality) on them.

Surprisingly, whatever be the result of employees' perception regarding different facets of job satisfaction they have assured the strong dedication over their service commitment and are found loyal to their organization. This fact would be highly productive to the related institutions if that will capitalize employees’ commitment and their loyalty properly. The research found, employees are slightly dissatisfied to training planned or conducted by the organization and so, while designing and implementing the training program there should be need identification, suggesting the scheduling of training, regularity of the training and acquiring the feedback from the employees about future training needs.

5.5 Conclusion

The recent research concludes that employee job satisfaction is correlated positively to employees’ loyalty, employee loyalty has positive influence on service commitment, and similarly the employee job satisfaction is correlated positively with customer satisfaction. Customer satisfaction is correlated positively with customer loyalty. And customer loyalty has significant negative relationship (negligibly) to ROA/ROE of bank and no significant relationship of employee service commitment with customer satisfaction (good service quality). Recent research findings are not consistent with the research findings conducted by Rucci et al. (1998) that concludes a five point increment of employee attitude results to 1.3 unit (point) increments in customer satisfaction and ultimately leads to 0.5% amplification on revenue growth. The findings of recent exploration is almost similar research that was conducted by Silvestro and Cross (2000) as exploratory survey form of SPC in United Kingdom. As per the findings of current research, their results have also discovered the correlations regarding most of linkages in SPC and there were areas of contradiction as well.

Recent research finding is inconsistent with the fact that customer satisfaction could not describe customer loyalty, that Bonnarens (2003) examined the authenticity of SPC employing information from pharmacy industry. Relied on correlation, five of the SPC relationship found significant excluding the relationship of customer satisfaction with customer loyalty similarly customer loyalty with revenue growth. But, Pletcher (2000) found there was relationship of employee job satisfaction with employee loyalty. Study of Yingzi Xu (2004) supported positive relations between employees' attitudinal variables, customers' attitudinal variables and the profitability, and similar nature of links in relation of employee job satisfaction with customer satisfaction. Anderson et al. (1997) detected the positive association of customer satisfaction with ROI (return on investment). Gupta and Zeithaml (2006) exhibited the strongly positive impact of satisfaction (customers) over performance of the firm, however, similar findings have not occurred in recent research. Similar to current research findings, Tornow and Wiley (1991) got negative correlation of client satisfaction to gross profit but Wiley (1991) discovered that customer satisfactions were negatively linked with financial performance. Bernhardt et al. (2000) ascertained no correlation of customer satisfaction to profitability. Consistent with Loveman (1998), in current research findings, there is links of internal service quality with employee job satisfaction, similarly employee job satisfaction or loyalty with customer satisfaction but the finding of current research contradicts that customer loyalty and profitability are positively correlated.

Gursoy and Swanger (2007) argued the relationship of customer satisfaction to financial outcomes of firm possibly not positive or the chances of mixed or inconclusive relationship; they further put forwarded the logic even the customers' satisfaction is nucleus of hospitality industry, it might not assure the better financial performance since customer satisfaction is expected even as everyday operation in those industries. Their argument is further supported by Foster and Gupta (1997) and they observed there would be the possibilities of negative, positive or else insignificant relations of customer satisfaction with customer profitability.

Model fit regarding the base model of SPC and ROE revealed the goodness of fit value CMIN/DF = 6 (poor), CFI = .945, IFI = .946 , RFI = .85, NFI = .937, TLI = .872 and RMSEA=.056. It indicates that the SPC (service profit chain) is partially existed in Nepalese banking case.

Implication

Thinking from academic perspective, the current research study has exhibited the direction of achieving profitability in banking industry via employees' job satisfaction, employees' loyalty, firms' service quality, customers' satisfaction, and their loyalty. This paper has great importance to academia. In this paper, there is literature review regarding linkages of employee job satisfaction, loyalty of employees, service quality of the firm, customer satisfaction, customer loyalty and profitability that can help researcher for further study and result of the research brings new insight for academicians.

SPC model was introduced in 1994 and has changed as researcher advanced the research study, for example Loveman and Heskett, (1999) suggested adding new variable the ‘employee capability’ in SPC, arguing that as influential determining factor of employee productivity. In similar way, Hallowell and Schlesinger (2000) considered employee capability in revised model of SPC, furthermore; they commenced the customers’ value as one of determinants of customer satisfaction. In course of purifying the original model, Kamakura et al. (2002) proposed a variation on original linkage of chain on five fundamental areas operational inputs, attribute performance, behavioral intentions, retention of customer and profit. The operational resources aimed to service improvement and that have instant effects (positive or negative) on satisfaction. They believed the direct and negative link of operation inputs with profitability and so further recommended to include the employee related inputs like satisfaction, employee loyalty, perceptions and their attitudes as operational inputs.

Service climate is further suggested by Hong et al. (2013) in SPC model, they defined service climate as employee’s feelings and beliefs regarding firms’ service quality during whole service process. They advocate service climate as crucial factor that shape internal as well as external service boundary and also recognized HRM (human resource management) similarly the leadership as significant determining factor for service climate and ultimately to profit. Myrden et al. (2015) proposed employee engagement and transformational leadership as additions to SPC, they further argued that employee job satisfaction did not completely capture variety of responses about work and so relatively incompatible antecedents of job performance. They suggested transformational leadership as dominant predictor in employee behavior and entirely the chain.

- The study reveals the negligible negative relationship of customer loyalty with financial performance (ROA/ROE), so there is need of further research on the matter to see the effect customer loyalty over the financial outcomes.

- Since, some linkage the SPC relationship is found insignificant, so further research on similar field or on another field is demanded to research to assure the authenticity of the model.
- This research is conducted considering ten private commercial banks to explore the SPC; however the knowledge of researcher suggests performing research confining on one or two banks but covering all the branches and most of their customers.
- The recent research area incorporated Nepalese Private, Commercial Banks which were established before of 2003 AD and operated private commercial banks of Western, Mid Western and Far Western development region of Nepal, future researcher can extend the geographical bound as well as types of organizations.
- The study has adopted the construct of job satisfaction by Spector (1985), customers' perceived service quality by Parsuraman et al. (1990) similarly recognition, working conditions and training related items were adapted from Emerson (2007). Employee service commitment, employee loyalty and customer loyalty questionnaires were adopted from Yee (2006). The items of above constructs may differ regarding the different authors so that could be used for future research.
- Financial performance of firm is evaluated by ROA (return on asset), ROE (return on equity), NPM (net profit margin), and GD (growth in deposit). However, the current research has considered ROA and ROE as the indicator of profitability. Further researchers are suggested to assume other measures to assess financial output of organization.
- The relationship of customer satisfaction with ROA/ROE is tested in exploratory sense because ROA/ROE are highly influenced by other financial/monetary matters rather than attitudinal factors, so it is suggested to consider the intervening role of other financial/monetary factors.
- The study has solely followed the SPC framework developed by Haskett et al. (1994) however; more or less the other similar framework has also been developed by different authors and suggested to be deploying on future research.
- Further research could be carried out considering single organization as suggested by Silvestro and Cross (1999), Pritchard and Silvestro (2005) as

well as Loveman (1998) suggests to test SPC in a single organization using modified version of the model.

This study has been based on primary survey of data and so it captures an event at a point of time, thus advocated to perform longitudinal research to identify cause and effects relationship of variables. Several moderating variables (such as market competitiveness, frequency of employee customer contact, personality factor) could be inserted on the relationship found in SPC.

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Appendix 1

The Result of Pre-testing of Questionnaires

The pre-test was carried out over 25 respondents of bank account holders and 20 employees of the bank; they were given questionnaires and allowed them to comment if any. Their common feedback and comments are incorporated and refinement has been done in newly formed question set.

Comments concerning to Bank Employees Questionnaires:

Comment 1)

It is recommended to add one extra statement after Item number 1. The added statement should be "**My salary is increased in periodic basis.**"

Comment 2)

It is recommended to remove Item number 24 **(If I do good work I can count on being promoted)** because it was found as similar to Item number 6 **(Those who do well on the job stand a fair chance of being promoted)**.

Comment 3)

It is recommended to split Item number 28 (I believe my job is secured) as **"I feel physically insecure while doing this job" (R)** and **"This job makes me mentally tortured" (R).**

Comments concerning to Bank Customer Questionnaires:

Comment 1)

It is recommended to remove Item number 23.

Comment 2)

It is recommended to be named Supplementary Section for the Items from 24 to 29.

Comment 3)

It is recommended to change Item number 24 **"This bank has understood your banking needs regarding deposits"** as **"The bank provides me reasonable interest on my deposit".**

Comment 4)

It is recommended to change Item number 25 **"The bank charges reasonable service fees for the services"** as **"I am satisfied with service charge levied by this bank**".

Comment 5)

It is recommended to change Item number 26 **"The bank is conveniently located"** as **"The bank is in good location".**

Comment 6)

It is recommended to change Item number 27 **"Banking services are easily accessible to you"** as**" Banking services (eg ATM) are easily exercised".**

Comment 7)

It is recommended to change Item number 28 **"The bank has sufficient parking facilities"** as **"Parking facility is good enough in Bank".**

Comment 8)

It is recommended to change Item number 31 **"I prefer to consider this bank as my first choice for purchase"** as **"I prefer to consider this bank as my first choice for transaction".**

Comment 9)

It is recommended to change Item number 32 **"I prefer to recommend this bank to people who seek their advice on purchase"** as **"I prefer to recommend this bank to people who seek their advice on transaction"**

Comment 10)

It is recommended to change Item number 34 **"I prefer to encourage my friends and relatives to purchase from this company"** as **"I prefer to encourage my friends and relatives to transact from this bank".**

Comment 11)

It is recommended to translate the English version questionnaires to Nepali Language.

Appendix 2

The Revised Questionnaire

After

Pilot testing (pre-testing)

For Bank Employees

The given comments have been incorporated as follow in revised form.

The italic questions are revised questions.

	Please circle the one of each statement that comes closest to your opinion.	**Strongly Disagree**	**Disagree Moderately**	**Disagree Slightly**	**Agree Slightly**	**Agree Moderately**	**Strongly Agree**
1.	I feel I am being paid a fair amount for the work I do.	**1**	**2**	**3**	**4**	**5**	**6**
2	*My salary is increased in periodic basis*	**1**	**2**	**3**	**4**	**5**	**6**
3.	I feel satisfied with my chances for salary increase.	**1**	**2**	**3**	**4**	**5**	**6**
4.	I am unappreciated by the organization when I think about what they pay me. (R)	**1**	**2**	**3**	**4**	**5**	**6**
5.	All in all, I am satisfied with the salary of this company	**1**	**2**	**3**	**4**	**5**	**6**
6.	There are really too little chances for promotion on my job. (R)	**1**	**2**	**3**	**4**	**5**	**6**
7.	Those who do well on the job stand a fair chance of being promoted.	**1**	**2**	**3**	**4**	**5**	**6**

	Please circle the one of each statement that comes closest to your opinion.	Strongly Disagree	Disagree Moderately	Disagree Slightly	Agree Slightly	Agree Moderately	Strongly Agree
8.	People get ahead as fast here as they do in other places.	**1**	**2**	**3**	**4**	**5**	**6**
9.	All in all, I am satisfied with promotion opportunity with in this organization.	**1**	**2**	**3**	**4**	**5**	**6**
10.	I sometimes feel my job is meaningless (R)	**1**	**2**	**3**	**4**	**5**	**6**
11.	I like doing the things I do at work.	**1**	**2**	**3**	**4**	**5**	**6**
12.	I feel a sense of pride in doing my job.	**1**	**2**	**3**	**4**	**5**	**6**
13	My job is enjoyable.	**1**	**2**	**3**	**4**	**5**	**6**
14	All in all, I am satisfied with my job nature.	**1**	**2**	**3**	**4**	**5**	**6**
15	I like the people I work with.	**1**	**2**	**3**	**4**	**5**	**6**
16	I find I have to work harder at my job than I should because of the incompetence of people I work with. (R)	**1**	**2**	**3**	**4**	**5**	**6**
17	I enjoy my co-workers.	**1**	**2**	**3**	**4**	**5**	**6**
18	There is too much bickering and fighting at work (R)	**1**	**2**	**3**	**4**	**5**	**6**
19	All in all, I am satisfied with my relationship with my fellow workers.	**1**	**2**	**3**	**4**	**5**	**6**
20	My supervisor is quite competent in doing his/ her job.	**1**	**2**	**3**	**4**	**5**	**6**
21	My supervisor is unfair to me. (R)	**1**	**2**	**3**	**4**	**5**	**6**
22	My supervisor shows too little interest in the feeling of sub ordinates. (R)	**1**	**2**	**3**	**4**	**5**	**6**
23	I like my supervisor.	**1**	**2**	**3**	**4**	**5**	**6**

	Please circle the one of each statement that comes closest to your opinion.	**Strongly Disagree**	**Disagree Moderately**	**Disagree Slightly**	**Agree Slightly**	**Agree Moderately**	**Strongly Agree**
24	All in all, I am satisfied with the supervision of my supervisor within this organization.	**1**	**2**	**3**	**4**	**5**	**6**
25	I feel I am valued at this organization.	**1**	**2**	**3**	**4**	**5**	**6**
26	This organization gives enough recognition for work that is done well.	**1**	**2**	**3**	**4**	**5**	**6**
27	All in all, I am satisfied with the recognition given by this organization to me.	**1**	**2**	**3**	**4**	**5**	**6**
28	*I feel physically insecure while doing this job.*	**1**	**2**	**3**	**4**	**5**	**6**
29	*This job makes me mentally tortured*.	**1**	**2**	**3**	**4**	**5**	**6**
30	My physical working conditions are good	**1**	**2**	**3**	**4**	**5**	**6**
31	Deadlines at this organization are realistic	**1**	**2**	**3**	**4**	**5**	**6**
32	I can keep a reasonable balance between work and personal life.	**1**	**2**	**3**	**4**	**5**	**6**
33	All in all, I am satisfied with the working condition created by this organization.	**1**	**2**	**3**	**4**	**5**	**6**
34	This organization provided as much initial training as I needed.	**1**	**2**	**3**	**4**	**5**	**6**
35	This organization provides as much ongoing training as I need.	**1**	**2**	**3**	**4**	**5**	**6**
36	This organization seeks my input as to what training I need.	**1**	**2**	**3**	**4**	**5**	**6**
37	All in all, I am satisfied with the training program of this organization.	**1**	**2**	**3**	**4**	**5**	**6**
38	Our appearance is neat and appropriate	**1**	**2**	**3**	**4**	**5**	**6**
39	We provide services at the time we promise to do so.	**1**	**2**	**3**	**4**	**5**	**6**

	Please circle the one of each statement that comes closest to your opinion.	Strongly Disagree	Disagree Moderately	Disagree Slightly	Agree Slightly	Agree Moderately	Strongly Agree
40	We provide prompt services to our customers.	**1**	**2**	**3**	**4**	**5**	**6**
41	We can be trusted by our customers.	**1**	**2**	**3**	**4**	**5**	**6**
42	We do understand our customers' needs.	**1**	**2**	**3**	**4**	**5**	**6**
43	I intend to be absent from work. (R)	**1**	**2**	**3**	**4**	**5**	**6**
44	I intend to continue my employment in this organization.	**1**	**2**	**3**	**4**	**5**	**6**
45	I intend to contribute extra effort for the sake of this organization.	**1**	**2**	**3**	**4**	**5**	**6**
46	I intend to become a part of this organization.	**1**	**2**	**3**	**4**	**5**	**6**
47	I intend to turn down other jobs with more pay in order to stay with this organization.	**1**	**2**	**3**	**4**	**5**	**6**
48	I intend to take any job to keep working for this organization.	**1**	**2**	**3**	**4**	**5**	**6**

Note: Question Number Dimensions

1-5	Pay related Items
6-9	Promotion related
10-14	Nature of Job
15-19	Co-worker related
20-24	Supervisor related
25-27	Recognition
28-33	Working Condition
34-37	Training related
38-41	Employee Service Commitment
42-48	Employee loyalty

Appendix 3

The Revised Questionnaire

After

Pilot testing (pre-testing)

For Bank Customers

The given comments have been incorporated as follow in revised form.

The italic questions are revised questions.

Please circle the one of each statement that comes closest to your opinion. **I am satisfied that…**		**Strongly Disagree**	**Disagree Moderately**	**Disagree Slightly**	**Agree Slightly**	**Agree Moderately**	**Strongly Agree**
1.	Bank has modern looking equipment	**1**	**2**	**3**	**4**	**5**	**6**
2.	The decorations (physical facilities) of the bank are visually appealing	**1**	**2**	**3**	**4**	**5**	**6**
3.	Employees of the bank are neat and clean in their appearance	**1**	**2**	**3**	**4**	**5**	**6**
4.	Materials associated with the service (such as pamphlet) are visually appealing at the bank.	**1**	**2**	**3**	**4**	**5**	**6**
5.	When the bank promises to do something by a certain time, it does so.	**1**	**2**	**3**	**4**	**5**	**6**
6.	When you have a problem, the bank shows a sincere interest in solving it.	**1**	**2**	**3**	**4**	**5**	**6**

	Please circle the one of each statement that comes closest to your opinion.	Strongly Disagree	Disagree Moderately	Disagree Slightly	Agree Slightly	Agree Moderately	Strongly Agree
7.	The bank performs the service right the first time.	1	2	3	4	5	6
8.	The bank provides the service at the time they promise to do so.	1	2	3	4	5	6
9.	The bank maintains error free records.	1	2	3	4	5	6
10.	Employees in the bank tell exactly when services will be performed.	1	2	3	4	5	6
11.	Employees in the bank give prompt service.	1	2	3	4	5	6
12	Employees in the bank are always willing to help.	1	2	3	4	5	6
13	Employees in the bank are promptly response requests.	1	2	3	4	5	6
14	The behavior of employees in the bank maintains personal confidence.	1	2	3	4	5	6
15	Employees of the bank ensure safe transaction.	1	2	3	4	5	6
16	Employees in the bank are consistently courteous with you.	1	2	3	4	5	6
17	Employees in the bank have the knowledge to answer your questions.	1	2	3	4	5	6
18	Employees in the bank give you individual attention.	1	2	3	4	5	6
19	The bank has operating hours convenient to all its customers.	1	2	3	4	5	6
20	The employees provide personal advices to you.	1	2	3	4	5	6
21	The bank has your best interest at heart.	1	2	3	4	5	6
22	The employees of the bank understand your specific needs.	1	2	3	4	5	6

	Please circle the one of each statement that comes closest to your opinion.	**Strongly Disagree**	**Disagree Moderately**	**Disagree Slightly**	**Agree Slightly**	**Agree Moderately**	**Strongly Agree**
23	*The bank provides me reasonable interest on my deposit.*	**1**	**2**	**3**	**4**	**5**	**6**
24	*I am satisfied with service charge levied by this bank.*	**1**	**2**	**3**	**4**	**5**	**6**
25	*The bank is in good location.*	**1**	**2**	**3**	**4**	**5**	**6**
26	*Banking services (eg ATM) are easily exercised.*	**1**	**2**	**3**	**4**	**5**	**6**
27	*Parking facility is good enough in Bank.*	**1**	**2**	**3**	**4**	**5**	**6**
28	Interior atmosphere (environment) of bank for the customer service is sound	**1**	**2**	**3**	**4**	**5**	**6**
29	I prefer to do more transaction with this bank in the coming year.	**1**	**2**	**3**	**4**	**5**	**6**
30	*I prefer to consider this bank as my first choice for transaction.*	**1**	**2**	**3**	**4**	**5**	**6**
31	*I prefer to recommend this bank to people who seek their advice on transaction*	**1**	**2**	**3**	**4**	**5**	**6**
32	I prefer to say something good about this company to others	**1**	**2**	**3**	**4**	**5**	**6**
33	*I prefer to encourage my friends and relatives to transact from this bank.*	**1**	**2**	**3**	**4**	**5**	**6**
34	Switching cost would be higher, if I prefer to engage in another bank.	**1**	**2**	**3**	**4**	**5**	**6**

Note: (1-4) Tangibility, (5-9) Reliability, (10-13) Responsiveness, (14-17) Assurance, (18-22) Empathy, (23-28) Supplementary Section, (29-34) Customers Loyalty.

Appendix 4

Questionnaires

For Bank Employees

Dear Madam/ Sir

It is gracious moment to me that, I am pursuing research over the topic **"Examining Service Profit Chain on Nepalese Commercial Banks"** for my **Ph. D.** degree in Faculty of Management Tribhuvan University , Nepal; under the specific guidance of Prof. Dr. Dev Raj Adhikari (Dean, FoM, T.U.) and Prof. Dr. Mahananda Chalise (FoM, T.U.). The given topic demands the information regarding ***employee satisfaction, employee loyalty, customers' satisfaction over service quality and customer loyalty*** as primary data and banks' ***financial performance (ROA, ROI)*** as secondary data. This set of question is concerned to employees' aspect of primary data. The research tries to establish causal relationship among satisfaction and loyalty variables of employees and customers with financial performance of respective banks. It is expected, the findings of the study will help the policy makers and other stakeholders to explore over the mechanism that would help raising satisfaction and loyalty, similarly to focus on behavioural aspects to assure financial performance.

This set of questionnaire contains two parts; **Section "A"** describes your opinion that prevails in your organization in the mentioned issues and **Section "B"** respondents' personal information. Your responses will be kept confidential and used only for the purpose of this study. It is expected the **honest reply** from your side.

Regards

Santosh Gyawali
(Ph.D. Scholar)
Tribhuvan University
(Faculty of Management)

Section "A"

	Please circle the one of each statement that comes closest to your opinion.	**Strongly Disagree**	**Disagree**	**Disagree Slightly**	**Agree Slightly**	**Agree**	**Strongly Agree**
1.	I feel I am being paid a fair amount for the work I do.	**1**	**2**	**3**	**4**	**5**	**6**
2	My salary is increased in periodic basis	**1**	**2**	**3**	**4**	**5**	**6**
3.	I feel satisfied with my chances for salary increase.	**1**	**2**	**3**	**4**	**5**	**6**
4.	I am unappreciated by the organization when I think about what they pay me. (R)	**1**	**2**	**3**	**4**	**5**	**6**
5.	All in all, I am satisfied with the salary of this company	**1**	**2**	**3**	**4**	**5**	**6**
6.	There are really too little chances for promotion on my job. (R)	**1**	**2**	**3**	**4**	**5**	**6**
7.	Those who do well on the job stand a fair chance of being promoted.	**1**	**2**	**3**	**4**	**5**	**6**

	Please circle the one of each statement that comes closest to your opinion.	Strongly Disagree	Disagree	Disagree Slightly	Agree Slightly	Agree	Strongly Agree
8.	People get ahead as fast here as they do in other places.	**1**	**2**	**3**	**4**	**5**	**6**
9.	All in all, I am satisfied with promotion opportunity with in this organization.	**1**	**2**	**3**	**4**	**5**	**6**
10.	I sometimes feel my job is meaningless (R)	**1**	**2**	**3**	**4**	**5**	**6**
11.	I like doing the things I do at work.	**1**	**2**	**3**	**4**	**5**	**6**
12.	I feel a sense of pride in doing my job.	**1**	**2**	**3**	**4**	**5**	**6**
13	My job is enjoyable.	**1**	**2**	**3**	**4**	**5**	**6**
14	All in all, I am satisfied with my job nature.	**1**	**2**	**3**	**4**	**5**	**6**
15	I like the people I work with.	**1**	**2**	**3**	**4**	**5**	**6**
16	I find I have to work harder at my job than I should because of the incompetence of people I work with. (R)	**1**	**2**	**3**	**4**	**5**	**6**
17	I enjoy my co-workers.	**1**	**2**	**3**	**4**	**5**	**6**
18	There is too much bickering and fighting at work (R)	**1**	**2**	**3**	**4**	**5**	**6**
19	All in all, I am satisfied with my relationship with my fellow workers.	**1**	**2**	**3**	**4**	**5**	**6**
20	My supervisor is quite competent in doing his/ her job.	**1**	**2**	**3**	**4**	**5**	**6**
21	My supervisor is unfair to me. (R)	**1**	**2**	**3**	**4**	**5**	**6**
22	My supervisor shows too little interest in the feeling of sub ordinates. (R)	**1**	**2**	**3**	**4**	**5**	**6**
23	I like my supervisor.	**1**	**2**	**3**	**4**	**5**	**6**
24	All in all, I am satisfied with the supervision of my supervisor within this organization.	**1**	**2**	**3**	**4**	**5**	**6**
25	I feel I am valued at this organization.	**1**	**2**	**3**	**4**	**5**	**6**

	Please circle the one of each statement that comes closest to your opinion.	**Strongly Disagree**	**Disagree**	**Disagree Slightly**	**Agree Slightly**	**Agree**	**Strongly Agree**
26	This organization gives enough recognition for work that is done well.	**1**	**2**	**3**	**4**	**5**	**6**
27	All in all, I am satisfied with the recognition given by this organization to me.	**1**	**2**	**3**	**4**	**5**	**6**
28	I feel physically insecure while doing this job.	**1**	**2**	**3**	**4**	**5**	**6**
29	This job makes me mentally tortured.	**1**	**2**	**3**	**4**	**5**	**6**
30	My physical working conditions are good	**1**	**2**	**3**	**4**	**5**	**6**
31	Deadlines at this organization are realistic	**1**	**2**	**3**	**4**	**5**	**6**
32	I can keep a reasonable balance between work and personal life.	**1**	**2**	**3**	**4**	**5**	**6**
33	All in all, I am satisfied with the working condition created by this organization.	**1**	**2**	**3**	**4**	**5**	**6**
34	This organization provided as much initial training as I needed.	**1**	**2**	**3**	**4**	**5**	**6**
35	This organization provides as much ongoing training as I need.	**1**	**2**	**3**	**4**	**5**	**6**
36	This organization seeks my input as to what training I need.	**1**	**2**	**3**	**4**	**5**	**6**
37	All in all, I am satisfied with the training program of this organization.	**1**	**2**	**3**	**4**	**5**	**6**
38	Our appearance is neat and appropriate	**1**	**2**	**3**	**4**	**5**	**6**
39	We provide services at the time we promise to do so.	**1**	**2**	**3**	**4**	**5**	**6**
40	We provide prompt services to our customers.	**1**	**2**	**3**	**4**	**5**	**6**
41	We can be trusted by our customers.	**1**	**2**	**3**	**4**	**5**	**6**
42	We do understand our customers' needs.	**1**	**2**	**3**	**4**	**5**	**6**
43	I intend to be absent from work. (R)	**1**	**2**	**3**	**4**	**5**	**6**
44	I intend to continue my employment in this organization.	**1**	**2**	**3**	**4**	**5**	**6**

	Please circle the one of each statement that comes closest to your opinion.	Strongly Disagree	Disagree	Disagree Slightly	Agree Slightly	Agree	Strongly Agree
45	I intend to contribute extra effort for the sake of this organization.	**1**	**2**	**3**	**4**	**5**	**6**
46	I intend to become a part of this organization.	**1**	**2**	**3**	**4**	**5**	**6**
47	I intend to turn down other jobs with more pay in order to stay with this organization.	**1**	**2**	**3**	**4**	**5**	**6**
48	I intend to take any job to keep working for this organization.	**1**	**2**	**3**	**4**	**5**	**6**

SECTION "B"

Personal Information (please marks on appropriate options or fill in the blanks):

1) Sex:
   a) Female b) Male c) others
2) Marital Status:
   a) Married b) Unmarried c) Single d) Divorced
3) Age (in years):
   a) Below of 20 b) 20 – 29 c) 30 – 39 d) 40 – 49 e) 50 or More
4) Higher Academic Qualification Acquired (Passed Degree).
   a) SLC b) Certificate c) Bachelors
   d) Masters e) Above Masters Degree (………..please mention the level)
5) Time completed in given organization.
   a) Below 1 year b) 1 – 5 years c) 5 – 10 years d) 10 – 15 years e) 15 years or more
6) Estimated Income (monthly) from given institution (in Rupees):
   a) 10,000 or less b) 10,000-20,000 c) 20,000 – 30,000 d) 30,000 – 40,000 e) 40,000 or more
7) Position:
   a) Assistant Level b) Supervisor Level c) Officers Level
d) Managerial Level

Note (Section A): [(1-5) Pay, (6-9) Promotion, (10-14) Job Nature, (15-19) Co-worker, (20-24) Supervisor, (25-27) Recognition, (28-33) Working Condition, (34-37) Training, (38-41) Employee Service Commitment and (42-48) are Employee loyalty related items]

Thanks for Your Kind Co-operation.

Appendix 5

Questionnaires

For Bank Customers

Dear Madam/ Sir

It is gracious moment to me that, I am pursuing research over the topic **"Examining Service Profit Chain on Nepalese Commercial Banks"** for my **Ph. D.** degree in Faculty of Management Tribhuvan University , Nepal; under the specific guidance of Prof. Dr. Dev Raj Adhikari (Dean, FoM, T.U.) and Prof. Dr. Mahananda Chalise (FoM, T.U.). The given topic demands the information regarding ***employee satisfaction, employee loyalty, customers' satisfaction over service quality and customer loyalty*** as primary data and banks' ***financial performance (ROA, ROI)*** as secondary data. This set of question is concerned to customers' aspect of primary data. The research tries to establish causal relationship among satisfaction and loyalty variables of employees and customers with financial performance of respective banks. It is expected, the findings of the study will help the policy makers and other stakeholders to explore over the mechanism that would help raising satisfaction and loyalty, similarly to focus on behavioural aspects to assure financial performance.

This set of questionnaire contains two parts; Section "A" describes your opinion that prevails in given branch or organization in the mentioned issues and Section "B" respondents' personal information. Your responses will be kept confidential and used only for the purpose of this study. It is expected the honest reply from your side.

Regards

Santosh Gyawali

Tribhuvan University (FoM)

	Please circle the one of each statement that comes closest to your opinion.	**Strongly Disagree**	**Disagree**	**Disagree Slightly**	**Agree Slightly**	**Agree**	**Strongly Agree**
I am satisfied that….							
1.	Bank has modern looking equipment	**1**	**2**	**3**	**4**	**5**	**6**
2.	The decorations (physical facilities) of the bank are visually appealing	**1**	**2**	**3**	**4**	**5**	**6**
3.	Employees of the bank are neat and clean in their appearance	**1**	**2**	**3**	**4**	**5**	**6**
4.	Materials associated with the service (such as pamphlet) are visually appealing at the bank.	**1**	**2**	**3**	**4**	**5**	**6**
5.	When the bank promises to do something by a certain time, it does so.	**1**	**2**	**3**	**4**	**5**	**6**
6.	When you have a problem, the bank shows a sincere interest in solving it.	**1**	**2**	**3**	**4**	**5**	**6**
7.	The bank performs the service right the first time.	**1**	**2**	**3**	**4**	**5**	**6**
8.	The bank provides the service at the time they promise to do so.	**1**	**2**	**3**	**4**	**5**	**6**

	Please circle the one of each statement that comes closest to your opinion.	Strongly Disagree	Disagree Moderately	Disagree Slightly	Agree Slightly	Agree Moderately	Strongly Agree
9.	The bank maintains error free records.	1	2	3	4	5	6
10.	Employees in the bank tell you exactly when services will be performed.	1	2	3	4	5	6
11.	Employees in the bank give you prompt service.	1	2	3	4	5	6
12	Employees in the bank are always willing to help you.	1	2	3	4	5	6
13	Employees in the bank are promptly response your requests.	1	2	3	4	5	6
14	The behavior of employees in the bank maintains personal confidence in you.	1	2	3	4	5	6
15	Employees of the bank ensure safe transaction in you	1	2	3	4	5	6
16	Employees in the bank are consistently courteous with you.	1	2	3	4	5	6
17	Employees in the bank have the knowledge to answer your questions.	1	2	3	4	5	6
18	Employees in the bank give you individual attention.	1	2	3	4	5	6
19	The bank has operating hours convenient to all its customers.	1	2	3	4	5	6
20	The employees provide personal advices to you.	1	2	3	4	5	6
21	The bank has your best interest at heart.	1	2	3	4	5	6
22	The employees of the bank understand your specific needs.	1	2	3	4	5	6
23	The bank provides me reasonable interest on my deposit.	1	2	3	4	5	6
24	I am satisfied with service charge levied by this bank.	1	2	3	4	5	6
25	The bank has good location.	1	2	3	4	5	6
26	Banking services (such as ATM) are easily exercised.	1	2	3	4	5	6
27	Parking facility is good enough in Bank.	1	2	3	4	5	6

	Please circle the one of each statement that comes closest to your opinion.	Strongly Disagree	Disagree Moderately	Disagree Slightly	Agree Slightly	Agree Moderately	Strongly Agree
28	Interior atmosphere (environment) of bank for the customer service is sound	1	2	3	4	5	6
29	I prefer to do more transaction with this bank in the coming year.	1	2	3	4	5	6
30	I prefer to consider this bank as my first choice for transaction.	1	2	3	4	5	6
31	I prefer to recommend this bank to people who seek their advice on transaction.	1	2	3	4	5	6
32	I prefer to say something good about this company to others	1	2	3	4	5	6
33	I prefer to encourage my friends and relatives to transact from this bank.	1	2	3	4	5	6
34	Switching cost would be higher, if I prefer to engage in another bank.	1	2	3	4	5	6

SECTION "B"

Personal Information (please marks on appropriate options or fill in the blanks):

1) Types of Accounts that you concern:

a) Fixed Deposit Accounts b) Saving Deposit Account c) Current Deposit Accounts

2) Estimated yearly transaction amount from given institution or branch (in Rupees):

a) 100,000or less b) 100,000 – 300,000 c) 300,000 – 500,000 d) 500,000 – 700,000 e) 700,000 or more

3) Time engaged (transaction) in given organization or branch

a) Below 1 year b) 1 – 3 years c) 3 – 5 years d) 5 – 7 years e) 7 years or More

4) Sex: a) Female b) Male c) others

5) Marital Status: a) Married b) Unmarried c) Single d) Divorced

6) Age (in years): a) Below of 20 b) 20 – 29 c) 30 – 39 d) 40 – 49 e) 50 or More

7) Qualification Acquired (passed degree)

a) SLC b) Certificate c) Bachelors d) Masters

Note (Section A): [(1-4) Tangibility, (5-9) Reliability, (10-13) Responsiveness, (14-17) Assurance, (18-22) Empathy, (23-28) Supplementary Section, (29-34) Customers' Loyalty]

Thanks for Your Kind Co-operation