

**SERVICE QUALITY AND CUSTOMER SATISFACTION
OF COMMERCIAL BANKS OF NEPAL**

A Thesis

Submitted

By

Suchana Khaniya

Central Department of Management

Exam Roll No: 1252/2017

T.U. Registration No. 7-2-118-23-2012

In partial fulfillment of the Requirements for the Degree of

Master of Business Studies (MBS)

In the

Faculty of Management

Tribhuvan University

Kathmandu

February, 2020

CERTIFICATE OF AUTHORSHIP

I certify that the work in this thesis has not previously been submitted for a degree nor has it been submitted as a part of requirements for a degree except as fully acknowledged within the text.

I also certify that the thesis has been written by myself. Any help that I have received in my research work and the preparation of this thesis itself has been acknowledged. I certify that all information sources and literature used are indicated in the reference selection of this thesis.

.....

Suchana Khaniya

February, 2020

RECOMMENDATION LETTER

I certify that the Thesis submitted by Miss Suchana Khaniya entitled “**Service quality and Customer Satisfaction of Commercial Banks of Nepal**” has been prepared as per the format prescribed and approved by the Faculty of Management, Tribhuvan University. This research work is completed under my supervision and guidance. This thesis is the candidate's original research work. I am fully satisfied with the language and substance of this Research submitted to Faculty of Management. To the best of my knowledge, the candidate has fulfilled all the requirement of **Masters of Business Studies (MBS Semester)** degree, Faculty of Management, Tribhuvan University. I, therefore, recommend that this research be considered for the award of master degree.

.....
Lecturer Santosh Kumar Ghimire
Thesis Supervisor
Central Department of Management
Tribhuvan University, Kirtipur, Kathmandu, Nepal

Date: February, 2020

APPROVAL SHEET

We, the undersigned, have examined the thesis entitled "**Service quality and Customer Satisfaction of Commercial Banks of Nepal**" Presented by Miss Suchana Khaniya, a candidate for the degree of **Masters of Business Studies (MBS)** and conducted the viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

Lecturer Santosh Kumar Ghimire
Thesis Supervisor

Lecturer Phul Prasad Subedi
Internal Examiner

Lecturer Binod Sah
External Examiner

Prof. Dr. Sanjay Kumar Shrestha
Chairperson, Research Committee

Prof. Dr. Ramji Gautam
Head of Department

Date: 18th February, 2020

ACKNOWLEDGEMENTS

The Graduate Research Project Entitled “**Service Quality and Customer Satisfaction of Commercial Banks of Nepal**” has been prepared to fulfill the partial requirement for MBS degree of Tribhuvan University.

This project would not have been possible without the guidance and the help of several individuals who in one way or another contributed and extended their valuable assistance in the preparation and completion of this project. While it is not possible to thank everyone, who contributed to the conclusion of this research project, I wish to specifically thank the following people whose support and encouragement brought it to fulfillment.

My sincere gratitude goes to the supervisor, Santosh Kumar Ghimire for his continuous guidance, support, wisdom, availability for consultation, numerous reminders for quality work throughout the study that were essential in formulation and development of this study.

I would also like to thank Central Department of Management and Tribhuvan University for providing me the opportunity to conduct this research. I further acknowledge the support of my family and friends who have stood by me throughout my studies and particularly for their unending support.

Thanking you all.

Sincerely,

Suchana Khaniya

TABLE OF CONTENTS

Contents	Page No
Title Page	i
Certificate of Authorship	ii
Recommendation Letter	iii
Approval Sheet	iv
Acknowledgements	v
Table contents	vi
List of tables	viii
List of figures	ix
Abbreviation	x
Abstract	xi
CHAPTER I INTRODUCTION	1-6
1.1 Background of the study	1
1.2 Statement of the problem and research questions	4
1.3 Purpose of the study	5
1.4 Significance of the study	5
1.5 Limitations of the study	6
1.6 Chapter plan	6
CHAPTER II LITERATURE REVIEW	7-26
2.1 Conceptual review	7
2.2 Review of journal articles	15
2.3 Research gap	26
CHAPTER III RESEARCH METHODOLOGY	27-31
3.1 Research design	27
3.2 Population and sample size	27
3.3 Sources of data	28
3.4 Data collection procedure	28
3.5 Data processing procedure	28

3.6 Data analysis tools and techniques	28
3.7 Reliability and validity of data	30
CHAPTER IV RESULT	32-47
4.1 Data analysis and presentation	32
4.2 Respondent profile analysis	32
4.3 Descriptive analysis	35
4.4 Correlation analysis	41
4.5 Regression result	43
4.6 Major findings	46
CHAPTER V CONCLUSION	48-51
5.1 Discussion	48
5.2 Conclusion	48
5.3 Implications	50
5.3.1 General implication and specific action plan	50
5.3.2 Implication for future studies	51
REFERENCES	52-58
APPENDIX	59-61

LIST OF TABLES

Table 3.1: Reliability test	31
Table 4.1 Gender of customer respondents	32
Table: 4.2 Age group of customer respondents	33
Table: 4.3 Education of customer respondents	33
Table 4.4 Occupation of customer respondents	34
Table 4.5 Personal monthly income of customer respondents	34
Table 4.6 Reasons for using banking services from specific bank	35
Table 4.7 Analysis of service quality component of empathy	36
Table 4.8 Analysis of service quality component of responsiveness	37
Table 4.9 Analysis of service quality component of tangible	38
Table 4.10 Analysis of service quality component of reliability.	39
Table 4.11 Analysis of service quality component of assurance	49
Table 4.12 Analysis of customer satisfaction	40
Table 4.13 Analysis of correlation	42
Table 4.14 Analysis of regression	44

LIST OF FIGURE

Figure 2.1: Conceptual framework	26
----------------------------------	----

ABBREVIATION

CS	Customer Satisfaction
NRB	Nepal Rastra Bank
SPSS	Statistical Packages for Social Sciences

ABSTRACT

The main purpose of this study to identify the service quality of selected commercial banks, to examine the level of customer satisfaction of selected commercial banks and to identify the relationship between service quality and customer satisfaction. To Examine the impact of service quality on customer satisfaction. This thesis measures service quality and customer satisfaction variables.

The research methodology provides a clear description of the specific steps that were taken to address the research problem. 150 respondents completely filled questionnaires were collected from the customers different 5 commercial banks. likewise (NIC Asia bank, Kumari Bank, Global IME Bank, Prabhu bank, Sanima bank. These dimensions are tangibility, responsiveness reliability, empathy, and security. Statistical packages for social sciences were used for the purpose of data analysis such as descriptive analysis (mean and standard deviation), correlation and regression analysis. Methodology is the systematic, descriptive analysis of the methods applied to a field of study.

Correlation matrix between the dependent variable and independent variables, where dependent variables customer satisfaction and independent variables are Empathy, responsiveness, tangibility, Reliability, Assurance, are independent variables that determine service quality and customer satisfaction. Which is positive correlation between empathy and responsiveness, .548. empathy and tangible is .406, reliability and empathy .475. empathy and assurance .292 and empathy and customer satisfaction is .438 The corresponding p-value is 0.00, which is less than the level of significance (α) = 0.05, signifying that there is a significant relationship between, variables.

In the regression analysis, the beta coefficients are used to explain the relative importance of the independent variables in contribution to the variance in dependent variable. Assurance ($\beta_5=0.294$, $p=0.000$) carries the heaviest weight for customer satisfaction, followed by Reliability ($\beta_4=0.170$, $p=0.016$), responsiveness ($\beta_2=0.124$, $p=0.053$), empathy ($\beta_1=0.121$, $p=0.071$), tangibility ($\beta_3=0.025$, $p=0.674$). The results showed that a one-unit increase in assurance would lead to a 0.294 unit increase in customer satisfaction keeping other variables constant. Thus, there is positive relationship between independent variables and dependent variable in customer satisfaction. R^2 explains the variable included int the model. The value of R^2 is 0.476 meaning the 47.6 % variation on customer satisfaction explained by variables included in the model.