

CHAPTER I

INTRODUCTION

1.1 Background of the study

Customers are king in business. Their satisfaction is important for success of the business. Customer satisfaction is an important element of banking strategy in today's increasingly competitive environment. Bank management must identify quality dimensions and improve service quality to satisfy customers. Providing the quality service to attract and retain customers has been recognized as a strategic requirement in highly competitive business environments (Parasuram et al. 1985; and Zeithaml et al., 1990). Organizations that deliver superior service quality achieve high growth in market share and increased profits (Buzzell & Gale, 1987). Since customer satisfaction has been considered to be based on the customer's experience on a particular service encounter (Cronin & Taylor, 1992) it is in line with the fact that service quality is a determinant of customer satisfaction, because The banking industry is highly competitive, with banks not only competing among each other; but also with non-banks and other financial institutions (Kaynak & Kucukemiroglu, 1992; Hull, 2002). Today service sector dominates the global market. The service sector plays an increasingly important role in the global economy and the growth and development of countries. Since service is produced and consumed simultaneously, there is high level of involvement of both customers and service providers. The intangible nature of service makes the service delivery process more variable and complex. The face to face interaction customer is the main focus in service sector.

The service sector, organizations take financial measures as the indicator of performance of the organization. The financial performance of any service organization is largely affected and influenced by non-financial measures such as customer satisfaction. Although previously this part of organization was overshadowed, today customer satisfaction is highly focused.

The Banking sector acts as the life blood of modern trade and commerce as they are the major source of finance within the economy. This increasing phenomenon of globalization has made the concept of efficiency more important both for the non-financial and financial institutions and banks are the part of them. Banks largely depends on competitive marketing strategy that determines their success and growth.

The modalities of the banking business have changed a lot in the new millennium compared to the way they used to be in the years by gone (Bhatti, Evidence on Structure Conduct Performance Hypothesis in Pakistani Commercial Banks, 2010).

Banking sector falls within those fastest growing service industry all around the globe. Banking sector has proliferated with high speed not only in developed countries but also in developing and under developed countries. It is the backbone of financial development in any country as it promotes both the trade and commerce by being major source of finance. This sector has also become one of the most preferred avenues of employment in Nepal. The financial system of Nepal is dominated by banking industry.

Today customer satisfaction is one of those highly used non-financial measures to access the financial performance of any organization. The logic behind the statement is that satisfied customers will return and buy again in the future and also refer to other prospective customers. Many researchers have also conducted empirical research to study the relationship between customer satisfaction and financial performance of the organization.

Customer satisfaction is a widely used non-financial measure to study the impact on financial performance of any organization. Customer satisfaction influences the operation and profitability of organizations especially service organization. So, this is an attempt to measure the interrelationship between marketing activities and financial performance of a service industry.

Customer satisfaction is especially important for service business because satisfaction is a prerequisite for loyalty and word-of-mouth behavior. It has been suggested that retaining an existing customer costs a lot less than attracting a new one and that repeat customers are considerably more profitable than single transaction customers (Reichheld & Sasser, Zero Defections: Quality Come to Services, 1990).

Understanding customer satisfaction is considered to be one of the core concepts of marketing. Thus knowing how a customer perceives a product and evaluates its quality is crucial for marketers. Banks being services require an added impetus in marketing. Unlike products services are high in experience and credence quality. That is services are evaluated after they are consumed and sometimes even after

consumption the customer finds it difficult to evaluate it. Though measuring services are difficult but researchers have developed specific scales for measuring service quality. One such widely used scale is SERVQUAL. This scale is based on the theory of expectancy disconfirmation paradigm. The developers of this scale stated that customers evaluate services based on expectations and experiences (perceptions). The customers have some expectations about a service in consideration which is compared with their experiences (perceptions). The difference between perception and expectation is assumed to be an indicator of service quality. This scale had been criticized. Researches contended that rather than measuring perceptions and expectations and then finding the difference it would be more easy and simple to let the customers themselves directly rate the quality of services. This way the number of questions could be reduced. Some researcher argued that whenever a question about expectation and perception was asked simultaneously respondents are likely to raise expectations in comparison to perception. Thus another scale that shared service quality dimensions with SERVQUAL was developed by (Cronin and Taylor, 1994). This new scale was called SERVPERF. This scale considered services as performances which may be directly measured. Measuring service quality has implications for marketing managers. A much better situation would occur if service quality is related to customer satisfaction. Researchers have delved into this issue. Some concluding strong relationship, some partial while others establishing the two as different constructs (D Iacobucci, KA Grayson, 1994).

The other approach, called the Gap Approach, or 'SERVQUAL' model developed by (Parasuraman, et. al.1988) is based on the customers' expectations of the service level and their perceptions of the actual service performance level. So the axis of this model is represented by the gap between the customers' perceptions of the actual service performance level and their expectations of the service quality. This gap, in turn, depends on the nature, design and provision of this service. The major objective of 'SERVQUAL' model is to clarify the series of gap which affect the beneficiary's perception of service quality; that is, the four previously mentioned gaps which occur in the administrative aspect.

It is the fact that service quality and customer satisfaction are important variables in business research on customers. With this view, Gera (2011) investigated the link between service quality, value, satisfaction and behavioural intentions in a public sector bank in India and stated that service quality was found to significantly impact on customer satisfaction and value perceptions. Service quality in the management and marketing literature is the extent to which customers' perceptions of service meet and/or exceed their expectations for example as defined by Zeithaml et al. (1990). Thus service quality can intend to be the way in which customers are served in an organization which could be good or poor. Parasuraman et al. (1988) defines service quality as the differences between customer expectations and perceptions of service. They argued that measuring service quality as the difference between perceived and expected service was a valid way and could make management to identify gaps to what they offer as services.

1.2 Statement of the problem and research questions

1. The people factor including customers play an essential role in the survival, growth and long-term profitability of service business.
2. Service is judged and evaluated by customers, their continuation with the service provider depends upon their level of satisfaction.
3. Customer satisfaction helps to turn them into loyal customers who repeat the purchase and refer the service to other prospective customers.
4. Today service organizations take a high level of customer satisfaction as a source of competitive advantage when the core offering is almost similar from firms within the industry.
5. Ultimate challenge for a service business is to understand the severity of relationship among the factors and adapt them to their business strategy.

Research questions

The following questions answered through this research study:

1. what is the service quality of selected commercial banks?
2. what is the level of customer satisfaction of selected commercial banks ?
3. What is the relationship between service quality and customer satisfaction?

4. What is the impact of service quality on customer satisfaction?

1.3 Purpose of the study

The specific objectives of this study are as follows:

1. To identify the service quality of selected commercial banks
2. To examine the level of customer satisfaction of selected commercial banks
3. To identify the relationship between service quality and customer satisfaction
4. To Examine the impact of service quality on customer satisfaction.

1.4 Significance of the study

Customer satisfaction is a most talked topic in today's competitive business world. The main goal of any organization and most consider to service quality and customer satisfaction is to have, Customer satisfaction plays an essential role in the success and profitability of the organization, especially service organization. service quality enthusiastic about delivering great service generate high levels of customer satisfaction. Highly satisfied customers are more likely to be loyal customers as manifested by low attrition rates, the purchase of more than one product or service and positive word of mouth. Higher levels of service quality in turn, have a first order effect on customer satisfaction. (Loveman, Employee Satisfaction, Customer Loyalty and Financial Performance: An Empirical Examination of the Profit Chain in Retail Banking, 1998).

This research identifies the important quality dimensions to Bank to enable the bank to develop strategies and improve the quality of service delivery. This will improve the competitive position of the Bank in the banking industry and ensure the survival of the bank, competition. Furthermore, the research will serve as a guide for commercial Bank to develop policies that will improve overall service delivery, particularly in areas where the gap between expectation and perception so wide to improve customer satisfaction. Commercial Bank would provide comparative advantages to become the most preferred bank in the banking sector. In accordance with good services, banks and companies alike Nepal Rastra Bank policies and strategies for improving the quality of their programmer which leads to an overall increase in the banking sector and may translate to other sectors of the economy.

1.5 Limitations of the study

Like any other study, this study also have some limitations. The major limitations of this study are pointed out below:

- i. Sample size may not be large enough to represent very large population of variables under study and generalize the findings to the industry.
- ii. The responses from the respondents may be inaccurate, incomplete or biased to be generalized
- iii. Similarly, the measures for each variable taken may not be sufficient and there may be other better measures of customer satisfaction. Moreover, there may be other many factors that can influence the service quality of banks which do not be studied.
- iv. This study do not cover all the commercial banks available in Nepal due to lack of time and resources.

Therefore, further studies required to examine the factors that are likely to influence the relationships examined in this study.

1.6 Chapter plan

The research report organized into five chapters as per the guideline provided by Tribhuwan University. Chapter one introduce the concept of the study. It involve background of the research, problem statement, objectives, significance of the study, research question and , operational definitions and limitations of the study.

Chapter two give a review of previous research papers, writings and other relevant literature about the research topic. This is include a theoretical framework that showcase the all the dependent and independent variables.

Chapter three give brief detail about the methods that are going to be used to carry out the research. It also describe how the sample determined, data collected and analyzed and what tools used for analysis and interpretation.

Chapter four present and give a brief about the finding and results from this study. It also explain the results of the descriptive analysis.

Finally, chapter five give the discussion, conclusion, and implications of the findings from the research study and collusion drawn from the whole study.

CHAPTER II

LITERATURE REVIEW

2.1 Conceptual review

This research aims at finding the relationship between service quality and customer satisfaction and of commercial banks. Cronin and Taylor (1992) undertook an empirical test of the reciprocity between satisfaction and quality across several service industries. Using structural equation modelling, they found that service quality can be seen as a determinant of satisfaction which in turn influences purchase intentions. Ahmad Jamal, Kamal Naser, (2002) found that both core and relational dimensions of service quality were linked to customer satisfaction.

Nasserzadeh et al (2008) conducted research on bank customer satisfaction using Fuzzy Cognitive Map (FCM) and concluded service quality and service features to have strong impact on satisfying the customers. Barbara Culiberg, Iča Rojšek (2010) study on identifying service quality dimensions in retail banking found that Assurance and empathy, Reliability and responsiveness, Access and tangibles - all four dimensions of service quality as well as service range offered were good predictors of customer satisfaction. Most of the researchers found that service quality is the antecedent of customer satisfaction (Bedi, 2010; Kassim and Abdullah, 2010; Naeem and Saif, 2009; Parasuraman et al., 1988). Quality customer service and satisfaction are recognized as the most important factors for bank customer acquisition and retention (Armstrong and Seng, 2000; Lassar et al., 2000). Francis Buttle (1996), Ndubisi (2005), Gee et al.(2008) and Pfeifer (2005) pointed out that the retaining current customers is far less costly than acquiring new customers through marketing activities. Several researchers including Tariq and Moussaoui (2009) and Ehigie (2006) found that loyalty is a direct outcome of customer satisfaction.

A study by LL Kheng, O Mahamad, T Ramayah (2010) showed that improvement in service quality can enhance customer loyalty. The service quality dimensions that play a significant role in customer loyalty are reliability, empathy, and assurance. Generally speaking, if the customers are satisfied with the provided goods or services, the probability that they use the services again increases (East, 1997). Also, satisfied customers will most probably talk enthusiastically about their buying or the use of a

particular service; this will lead to positive advertising (File and Prince, 1992; Richens, 1983). The significance of satisfying and keeping a customer in The framework for this research has been developed taking into consideration a base article of Chi, and Gursoy (2009) which examined the impact of service quality and customer satisfaction of commercial banks. This study has established the positive relationship between service quality and customer satisfaction and used structure modeling to find out the impact on service quality resulting into customer satisfaction in the hospitality industry. Similar kind of research will be conducted in Nepalese banking industry to examine the relationship of service quality, and Customer satisfaction.

Successful business companies must obtain new and existing customers to be capable of obtaining the products and services provided rather than switch to competitors. Quality of service is considered a critical success factor for banks to differentiate from competitors. Several researches have been performed to determine the factors of service quality. For instance, studies have discovered that service quality can lead to customer satisfaction (Kheng et al., 2010; Muslim, & Isa, 2005). Customer satisfaction will tend to repurchase from the same service provider (Eshghi et al., 2008); in turn, company revenue will increase in the long run. Variations in service performance may provide opportunities to service quality, and customer satisfaction. Therefore, the relationships between these two aspects can provide bankers with insights into both tangible and intangible service development, particularly to develop a competitive edge in the Jordanian banking industry. The present study uses the SERVQUAL scale to measure customer satisfaction in the banking industry (Parasuraman et al., 1988).

SERVQUAL represents service quality as the discrepancy between a customer's expectations for a service offering and the customer's perceptions of the service received, requiring respondents to answer questions about both their expectations and their perceptions Parasuraman et al., (1988). The use of perceived as opposed to actual service received makes the SERVQUAL measure an attitude measure that is related to, but not the same as, satisfaction (Parasuraman et. al., 1988). The difference between expectations and perceptions is called the gap which is the determinant of customers' perception of service quality.

A. Customer satisfaction

Customer satisfaction refers to the situation when customers are happy with the goods or services they have bought which is primarily measured by the number of repeat customers. It is regarded as an important step to gain customer loyalty. Customer satisfaction is generally defined as a feeling or judgment by customers towards products or services after they have used them (Ahmad & Kamal, 2003). Customer satisfaction in service industries has been approached in two ways; satisfaction as a function of disconfirmation, and as a function of perception (Davis & Heineke, 1998). From a transaction specific perspective, customer satisfaction is viewed as a post-choice evaluative judgment of a specific purchase occasion. Customer satisfaction is one of the important aspects of this research. It refers to serving people with their requirements and making them satisfy. It is a person's feeling of pleasure or disappointment resulting from comparing a product's, perceived performance in relation to his or her expectations. If the performance falls short of expectations, the customer is dissatisfied. If the performance matches the expectations, the customer is satisfied. If the performance exceeds the expectations, the customer highly satisfied or delighted (Kotler & Keller, 2012). So customer satisfaction refers to the extent to which customers are happy with the products and services provided by a business. Customer satisfaction level can be measured using survey techniques and questionnaire. Gaining high level of customer satisfaction is very important to a business because satisfied customer are most likely to be loyal and to make repeated orders and to use a wide range of services offered by a business. Customer satisfaction has been gaining increasing attention from the researchers and practitioners as a recognized field of scholarly study and is a fundamental tool used by financial institutions for enhancing customer loyalty and ultimately organizational performance and profitability (Faizan, et al., 2011).

In businesses where the underlying products have become commodity- like, quality of service depends heavily on the quality of its personnel. This is well documented in a study Leeds (1992). He documented that approximately 40 percent of customers' switched banks because of what they considered to be poor service. Leeds further argued that nearly three-quarters of the banking customers mentioned teller courtesy as a prime consideration in choosing a bank. The study also showed that increased use of service quality and professional behaviours (such as formal greeting) improved

customer satisfaction and reduced customer attrition. Additionally, satisfied customers may look for other providers ~ 123 ~ because they believe they might receive better service elsewhere. However, keeping customers is also dependent on a number of other factors. These include a wider range of product choices, greater convenience, better prices, and enhanced income (Storbacka, et al, 1994). Formell (1992) in his study of Swedish consumers notes that although customer satisfaction and quality appear to be important for all firms, satisfaction is more important for loyalty in industries such as banks, insurance, mail order and automobiles.

In one research, Ioanna (2002) further proposed that product differentiation is impossible in a competitive environment like the banking industry. Banks everywhere are delivering the same products. For example, there is usually only minimal variation in interest rates charged or the range of products available to customers. Bank prices are fixed and driven by the market price. Thus, banks management tends to differentiate their firm from competitors through service quality. Service quality is an imperative element impacting customers' satisfaction level in the banking industry. In banking, quality is a multi-variable concept, which includes differing types of convenience, reliability, services portfolio, and critically, the staff delivering the service.

B. Service quality

Service quality is another important aspect of this research. The attainment of quality in product and services has become a crucial concern of the 1980s. While quality in tangible goods has been described and measured by marketers, quality in services is largely undefined and unresearched. Parasuraman, Zeithaml and Berry (1988) attempt to rectify this situation by investigating the quality in different service businesses and by developing a model of service. Service quality has been described as a form of attitude that results from the comparison of expectation with performance (Cronin & Taylor, 1992; Parasuraman et al., 1985). Gronroos (1982) argued that customers, while evaluating the quality of a service, compare the service they expect with perceptions of the services they actually receive. It has been argued that the quality of services is not a one-dimensional that relate to both core and augmented service offerings (Bitran & Lojo, 1993; Gronroos,1984; Lewis 1993). Customer satisfaction can thus be based not only on the judgment of the customer towards reliability of the delivered service but also on customer's experiences with the service delivery

process. It is generally accepted that customer satisfaction often depends on the quality of product or service offering (Anderson & Sullivan, 1993; Levesque & McDougall, 1996). For this reason, research on customer satisfaction is often closely associated with the measurement of quality. Thus, both service quality and customer satisfaction share a close relationship.

Today, with increased competition, service quality has become a popular area for academic studies and has been recognized as a competitive advantage and supportive relationship with satisfied customers (Zeithmal, 2000). Also, quality of service has become an important tool in the service industry. According to Saghier, and Nathan (2013), service quality is an important concept in the service industry and is more important for financial service providers who have difficulty in showing their customers product differentiation. Moreover, several studies have been pursuing quality of service, and a number of theories and models have been developed to address this issue and highlight the importance of implementation and different dimensions. Furthermore, there are numerous definitions and measures of service quality, but there is no consensus on a single definition. Quality of service has been defined as an overall evaluation done by the customer service (Eshghi et al, 2008), while other researchers have defined the customer service as the extent to which services meet customers' needs or expectations. In addition, quality of service is defined as the degree of discrepancy between customers' normative expectations for service and their perceptions of the performance of the service (Parasuraman et al., 1994). The definition of service quality was further developed as “the overall evaluation of a specific service firm that results from comparing that firm’s performance with the customer’s general expectations of how firms in that industry should perform (Chidambaram, & Ramachandvan, 2012). More specifically, In order to develop a marketing strategy, services- marketing individuals, particularly bank marketers, need to understand the European Journal of Business and Management www.iiste.org ISSN 2222-1905 (Paper) ISSN 2222-2839 (Online) Vol.7, No.15, 2015 47 attributes of the services used by customers in choosing a bank. For example, users will use the name of the bank, the reliability of the bank, bank guarantees, bank and physical facilities in selecting the bank services. If marketers can understand the attributes used to assess the service, they will be better able to manage and influence the assessment and perception of customer presentations (Toelle, 2006). Quality of

service is likely observed to play an important role in the high involvement industries such as banking services. Banks have traditionally placed a high value on customer relationships with both commercial and retail customers. In the last fifteen years, the nature of customer relationships in retail banking in Jordan has particularly changed since the advent of automated teller machines. Five dimensions of SERVQUAL have been developed for the service sector: tangibility, reliability, responsiveness, empathy and security (Ananth et al., 2011). Tangibility represents physical facilities, equipment and appearance staff. Examples of factors are significantly associated with banks including comfortable shop design, up-to-date equipment for customer use, and adequate staffing to provide service. These aspects are important for banks because there are a lot of face-to-face relationship between customers and employees. Therefore, maintaining a professional environment and convenient stores can improve

Service Quality Dimensions In banking industry, service quality is perhaps the most critical aspect of the customer experience. Accordingly organizations regularly monitor service quality and satisfaction in their quest to improve customer retention. Service quality is based on the notion that service quality can be measured by comparing customer expectations against the service received. The gap between expectation and actual ~ 124 ~ service is measured along key service dimensions. It involves measuring both customer perceptions and expectations of service along key service quality dimensions. Examining differences between the desired level of service and the actually delivered reveals where improvements in the service mix are required. Originally, Parasuraman (1985) identify the 10 core components of service quality as reliability (consistence performance and dependability), responsiveness (willingness/readiness to serve), competence (possessing knowledge and skills), access (approachability and ease of contact), courtesy (politeness, consideration and friendliness of staff), communication (updating and listening to customers), credibility (trustworthy and reputable, with customer interests at heart), security (freedom from danger and risk), customer knowledge (understanding needs and personalized attention), as well as tangibles (facilities and physical features). In subsequent research (Parasuraman, Zeithaml & Berry, 1988) the service quality dimensions are categorized into five categories tangibles, reliability, responsiveness, assurance and empathy. They are defined as follows:

a) Reliability: It refers to the dependability of the service providers and their ability to keep their promises. In other words, it means that the company delivers on its promises, service provision, problem resolution and pricing. Customers want to do business with companies that keep their promises, particularly their promises about the service outcomes and core service attributes. Reliability depends on handling customer service issues, performs the services right the first time; offers services on time, and maintain a record of error-free. Moreover, they define reliability as the most significant factor in conventional service (Parasuraman et al., 1988). Reliability also consists of the right order fulfillment; accurate records; accurate quote; right in the bill; Results are more accurate than commissions; keep the promise of service. He also mentions that reliability is the most significant factor in banking services (Yang et al., 2004). More specifically, in a study by Parasuraman et al. (1985), SERVQUAL was applied to gather data in four different companies, including banks, credit card companies, the company's maintenance services, and longdistance phone company. He found high reliability in all four of these companies, with the possible exception of some of the values associated with significant dimensions (Parasuraman et al., 1985, p. 24). Finally, reliability is defined as the “ability to perform the promised service dependably and accurately” (Parasuraman et al., 1988, p. 23).

b) Responsiveness: It refers to the reaction time of the service. It is willingness to help customers and to provide prompt service. This dimension emphasizes attentiveness and promptness in dealing with customer requests, questions, complaints and problems. It is communicated to customers by the length of time they have to wait for assistance, answers to questions, attentions to problems etc. Responsiveness is defined as "the willingness to help customers and provide prompt service"(Parasuraman et al., 1988). Furthermore, Johnston (1997) defines responsiveness such as speed and timeliness of service delivery. This consists of processing speed and service capabilities to respond promptly to customer service requests, and wait a short and queuing time. More specifically, responsiveness is defined as the willingness or readiness of employees to provide services. It contains the timeliness of service (Parasuraman et al., 1985). It also contains understanding the needs and requirements of the customer, easy operation time, individual attention provided by the staff, attention to the problem and customers' safety in their dealings (Kumar et al., 2009).

c) Assurance: It refers to the level of certainty a customer has regarding the quality of the service provided. It is defined as employee's knowledge and courtesy and the ability of the firm and its employees to inspire trust and confidence. It means to inspire trust and confidence. Assurance is defined as employees' knowledge of courtesy and the ability of the firm and its employees to inspire trust and confidence. This dimension is likely to be particularly important for the services that the customers perceives as involving high rising and/or about which they feel uncertain about the ability to evaluate. Trust and confidence may be embodied in the person who links the customer to the company, for example, the marketing department. Thus, employees are aware of the importance to create trust and confidence from the customers to gain competitive advantage and for customers' loyalty. Security refers to the safety and security of customer transactions with the Arab bank including a privacy policy. Dabholkar (1996) recommended adding the security dimension to future service quality research. Security is ensued when the service becomes safe, and the customer information gets protection (Parasuraman et al., 2005; Zeithamlet al, 2002).

d) Empathy: It is when a service employee shows that s/he understands and sympathizes with the customer's situation. The greater the level of this understanding, the better. Some situations require more empathy than others. It is also defined as the caring, individualized attention the firm provides to its customers. Parasuraman et al. (1985) defined empathy as a caring and individual attention that the firm provides to its clients. It contains giving individual attention to employees who understand the needs of their customers and customer facilities during business hours. Furthermore, Ananth et al. (2011) demonstrates empathy in their *European Journal of Business and Management* www.iiste.org ISSN 2222-1905 (Paper) ISSN 2222-2839 (Online) Vol.7, No.15, 2015 48 research of private sector banks, provide individual attention and easy operation time; give personal attention, and understand the specific needs of customers. Fitzsimmons and Fitzsimmons (2001) suggest that empathy contains approachability, sensitivity, and efforts to understand customer needs. Also, Johnston (1997) defined empathy as the ability to make customers feel welcome, especially by staff contacts. Additionally, the SERVQUAL model indicates that satisfaction is related to the size and direction of disconfirmation of a person's experience when

he/she faces his/her initial expectations (Churchill & Surprenant, 1982; Parasuraman, Zeithaml & Berry, 1985; Smith & Houston, 1982).

e) Tangibles: It refers to a service's look or feel. They are defined as the appearance of physical facilities, equipment, personnel and communication materials. All of these provide physical representations of images of the service that customers, particularly new customers, will use to evaluate quality. The tangibles involve the firms' representatives, physical facilities, materials, and equipment as well as communication materials. Furthermore, Physical environmental conditions appeared as a clear evidence of the care and attention paid for the details offered by the service provider (Fitzsimmons & Fitzsimmons, 2001). Davis et al. (2003) summarize tangibles like the physical confirmation of the service. More specifically, Parasuraman et al. (1985) define the tangibility appearance of physical facilities, equipment, personnel, and written material.

2.2 Review of journal articles

Customer satisfaction has attracted significant attention from top management in many companies. In a survey of 700 top executives, 64% indicated that customer satisfaction was their number one priority and other 36% indicated it was one of their top priorities (Bernhardt, Donthu, & Kennett, A Longitudinal Analysis of Satisfaction and Profitability, 2000). Satisfied customers are more willing to pay for the benefits they receive and are more likely to be tolerant of increases in price. This implies high margins and customer loyalty. Moreover satisfied customers are likely to buy more frequently and in greater volume and purchase other goods and services offered by the firm (Reichheld & Sasser, Zero Defections: Quality Come to Services, 1990).

A longitudinal analysis of satisfaction and performance for a national chain of fast-food restaurants involving 342,308 consumer responses, 3009 employee responses and 12 months of restaurant performance measures suggest that there is a positive and significant relationship between customer satisfaction and employee satisfaction in any one given time period. Furthermore, the analysis of time series data revealed that a positive and significant relationship exists between changes in customer satisfaction and changes in the performance of the firm. Therefore, the impact of an increase in customer satisfaction on profits, although obscured in the short run by many factors,

is significantly positive in the long run (Bernhardt, Donthu, & Kennett, A Longitudinal Analysis of Satisfaction and Profitability, 2000).

The result from analysis of service-profit chain shows that loyal customers account for an unusually high proportion of the sales and profit growth of successful service providers (Heskett, Jones, Loveman, Jr., & Schlesinger, Putting the Service-Profit Chain to Work, 2008). The explanation follows a link of cause and effect relationship such that customer loyalty stimulates the profit and growth. However there are some other factors that affect a customer's purchasing decision besides his level of satisfaction. Some of these factors are consumer-specific, such as the consumer's wealth, the importance of the product or service in his utility function (if the consumer is an individual), or production function and investment opportunity set (if the consumer is another firm). Similar study was conducted by Nelson (1992) to examine the relationship between customer satisfaction and profitability in sample of hospitals found a positive correlation between patient evaluations of some hospital services and hospital profitability indicators, although the quality of a few seemingly important measure of patient satisfaction, such as nursing services, is not correlated with hospital profitability. The study done in Swedish Customer Satisfaction Barometer by Anderson, Fornell and Lehman (1994) also showed positive relationships between customer satisfaction and return of investment in a cross-section of firms from many industries. Thus, there is support for the claim that employee satisfaction is associated with customer satisfaction and, independently, that customer satisfaction is positively correlated service quality.

It is proposed that customer perceptions and preferences of service quality have a significant impact on a bank's success. Analyzing markets based on customer perceptions, designing a service delivery system that meets customer needs, and enhancing levels of service performance are pertinent objectives for banks to gain and retain a competitive advantage (Brown & Swartz, A Gap Analysis of Professional Service Quality, 1989).

Similar study was conducted in Australian banks to examine the impact of service quality on bank's financial performance in the automated service context, and assess the mediating role of customer satisfaction. The result found a positive relationship between the quality of automated service offered by a particular bank and the level of

customer satisfaction with that bank. However no direct relationship between automated service quality dimensions and financial performance was found (Al-Hawari & Ward, 2006).

We find that the association between customer satisfaction and long term financial performance is positive and relatively stronger for firms that successfully achieve a dual emphasis, successfully achieving both customer satisfaction and efficiency simultaneously (Mittal, Anderson, Sayrak, & Tadikamalla, 2005).

Oliver (1993) suggested about the relationship between service quality and customer satisfaction that service quality would be antecedent to customer satisfaction regardless of whether these constructs were cumulative or transaction-specific. Some researchers have found empirical supports for the view of the point mentioned above (Anderson & Sullivan, 1993; Fornell et al., 1996; and Spreng et al., 1996) where customer satisfaction came as a result of service quality. In relating service quality and customer satisfaction, researchers have been more precise about the meaning and measurements of service quality and satisfaction. Service quality and satisfaction have certain things in common, but satisfaction generally is a broader concept, whereas service quality focuses specifically on dimensions of service (Wilson et al., 2008). It has been proven from past researches on service quality and customer satisfaction that service quality determines customer satisfaction. Parasuraman et al. (1985) proposed that when perceived service quality is high, then it will lead to increase in customer satisfaction. Some other authors did comprehend with the idea brought up by Parasuraman (1995) and they acknowledged that customer satisfaction is based upon the level of service quality that is provided by the service providers (Saravana & Rao, 2007, and Lee et al., 2000). Sivadas and Baker-Prewitt (2000) conducted a national random telephone survey of 542 shoppers to examine the relationship between service quality, customer satisfaction, and store loyalty within the retail department store context. It was found that service quality influences relative attitude and satisfaction with department stores. There is a positive relationship between customer satisfaction and service quality. Following Sivadas and Baker-Prewitt (2000), Su et al. (2002) investigated the study of service quality and customer satisfaction found that these two constructs are related and confirmed the definitions of both variables which have always been linked. They also dictated that service quality is more abstract because it may be affected by perceptions of value or by the experiences of others that may not

be so good, than customer satisfaction which reflects the customer's feelings about many encounters and experiences with service firm (Su et al., 2002). Kuo (2003) conducted a research on service quality of virtual community websites with the purpose of constructing an instrument to evaluate service quality of virtual community websites and to have a further discussion of the relationship between service quality dimensions and overall service quality, customer satisfaction and loyalty. The researcher used factor analysis, test, and Pearson correlation analysis to analyze the data collected from college students of three

major universities in Taiwan. The results showed that on-line quality and information safety was positively related to the overall service quality, customer satisfaction, and loyalty, but the service quality level of this dimension was the poorest (Kuo, 2003). In support of the use of SERVQUAL in the relationship between service quality and customer satisfaction, Ahmed et al. (2010) conducted a mediation of customer satisfaction relationship between service quality and repurchase intentions for the telecom sector among university students, with SERVQUAL model's five dimensions (tangibles, responsiveness, empathy, assurance and reliability) by Parasuraman et al. to measure service quality. Han and Baek (2004) investigated the antecedents and consequences of service quality in online banking with the application of the SERVQUAL Instrument. It was found that service quality is the antecedents of customer satisfaction and customer retention. Agbor (2011) study showed distinctive results for the relationship between service quality dimensions and service quality/customer satisfaction. Responsiveness, empathy and reliability were significantly related to service quality. Service quality was significantly related to customer satisfaction. It is the fact that service quality and customer satisfaction are important variables in business research on customers. With this view, Gera (2011) investigated the link between service quality, value, satisfaction and behavioural intentions in a public sector bank in India and stated that service quality was found to significantly impact on customer satisfaction and value perceptions. Service quality in the management and marketing literature is the extent to which customers' perceptions of service meet and/or exceed their expectations for example as defined by Zeithaml et al. (1990). Thus service quality can intend to be the way in which customers are served in an organization which could be good or poor. Parasuraman et al. (1988) defines service quality as the differences between customer expectations and

perceptions of service. They argued that measuring service quality as the difference between perceived and expected service was a valid way and could make management to identify gaps to what they offer as services. SERVQUAL model that came had 22 pairs of Likert-type items, five dimensions as below: Tangibility: physical facilities, equipment, and appearance of personnel. Reliability: ability to perform the promised service dependably and accurately Responsiveness: willingness to help customers and provide prompt service Assurance: knowledge and courtesy of employees and their ability to inspire trust and Confidence Empathy: caring individualized attention the firm provides to its customers To confirm the validity of SERVQUAL model in the evaluation of service quality, Zeithaml et al. (2006) stated that service quality is a focused evaluation that reflects the customer's perception of reliability, assurance, responsiveness, empathy, and tangibles. They added that among these Management Dynamics, 16(1), 10-20, 2012 4 dimensions, 'reliability' has been shown consistently to be the most important dimension in service quality (Zeithaml et al., 2006). During the past two decade, numerous researches have been carried out pertaining to service quality in different industries. While measuring the service quality in banking sector this research provides an opportunity to investigate the validity and reliability of the SERVQUAL instrument. This will enable to understand the service quality attributes that customers used to evaluate the service quality in Nepalese commercial banking sector and requirements that should exist within a valid and reliable service quality measuring instrument. The aims of this research are to test the reliability and validity of the SERVQUAL questionnaire by analyzing the findings statistically using a statistical tools to align with well recognized previous researches (Babakus & Boller, 1992; and Parasuram et al. 1988). What is lacking in the Nepalese context is found the relationship between service quality dimensions and customer satisfaction. Among all the recent articles the researcher reviewed it had not tested the five dimensions of SERVQUAL and customer satisfaction at the same time to confirm this relationship between service quality and customer satisfaction.

Kotler and Armstrong (2012) preach that satisfaction is the pos-purchase evaluation of products or services taking into consideration the expectations. Researchers are divided over the antecedents of service quality and satisfaction. Whilst some believe service quality leads to satisfaction, others think otherwise (Ting, 2004). The studies of Lee et al. (2000); Gilbert and Veloutsou (2006); Sulieman (2011) and Buttle (1996)

suggest service quality leads to customer satisfaction. To achieve a high level of customer satisfaction, most researchers suggest that a high level of service quality should be delivered by the service provider as service quality is normally considered an antecedent of customer satisfaction. As service quality improves, the probability of customer satisfaction increases. Quality was only one of many dimensions on which satisfaction was based; satisfaction was also one potential influence on future quality perceptions (Clemes, 2008). Service quality is an important tool to measure customer satisfaction (Hazlina et al., 2011). Empirical studies show that the quality of service offered is related to overall satisfaction of the customer. According to Jamal and Anastasiadou (2009), reliability, tangibility and empathy positively related with customer satisfaction. Sulieman (2011) found that reliability, tangibility, responsiveness and assurance have significant and positive relationship with customer satisfaction. Meanwhile empathy was found to have a significant and negative effect on customer satisfaction. Moreover, the result of Ravichandran et al (2010) indicates responsiveness is the only significant dimension of service quality that affects the satisfaction of customers positively.

Service quality, especially in the banking sector, has been a popular research topic. Gefen (2000) defined service quality as “the subjective comparison that customers make between the quality of the service that they want to receive and what they actually get.” Sudesh (2007) reported that the poor service quality in public sector banks is mainly due to deficiency in tangibility, as well as a lack of responsiveness and empathy. On the other hand, private sector banks were found to be more refined in this regard. Overall, foreign banks were relatively close to their customers’ expectations in term of the various dimensions of service quality. Furthermore, the study revealed the presence of service quality variations across demographic variables. It suggests that bank management should pay attention to potential failure points and respond to customer problems (Sudesh, 2007). Banks should pay attention to service quality to increase customers’ loyalty to the company, willingness to pay, customer commitment, and customer trust (Hazra and Srivastava, 2009). Therefore, there is a need to emphasize the understanding of multidimensional constructs of service quality and its implications in a competitive environment. A satisfied customer does not necessarily become loyal, while customers may maintain a relationship with a company despite being dissatisfied (Matos et al., 2013).

Commercial banks must devote considerable effort toward the quality of services and should place more emphasis on establishing long-term relationships with customers, for in the mind of customers, service quality is inherited (Mualla, 2011). Roy et al. (2011) analyzed service quality perspectives and customer satisfaction in commercial banks in Jordan. The authors applied multiple regression on the five parameters of the SERVQUAL (Service Quality) model. These parameters are – empathy, tangibility, reliability, responsiveness, and assurance. They found that these service quality parameters do have an effect on customer satisfaction. In a study 609 Impact of service quality Downloaded by Professor JUSTIN PAUL At 01:03 26 June 2016 (PT) carried out in Egypt by Saghier and Demyana (2013) it was found that factors influencing users' evaluation of service quality of banking services are reliability, responsiveness, empathy, and assurance. Kumari and Rani (2011) found that service quality is becoming more crucial for banks in the maintenance of their market shares. Their study identifies customers' perceptions of the bank using the relationship of five factors along with the demographic characteristics of these customers. Vyas and Raitani drew the conclusion that the drivers of bank switching behavior do not work in isolation. Bank switching is the outcome of negative service experiences related to any of the factors of customer satisfaction. "Marinkovic and Obradovic (2015) identified the consequences of customers' emotional reactions in the banking industry. With the help of confirmatory factor analysis and the structural equation model, the authors found that trust, social bonds, image, and service quality are statistically significant drivers of satisfaction.

Zameer et al. (2015) found that there is positive relationship between service quality, customer satisfaction, and corporate image. Service quality and customer satisfaction have high impacts on the customer perceived value as does corporate image. Jan and Abdullah (2014) revealed that technology-based critical success factors (CSFs) positively affect customer satisfaction. These 'technology CSFs' were: impact of internet, sales force automation, software for customer relationship management (CRM), data warehousing and data mining, information system, call centers and coordinating CRM implementation. Customer satisfaction was further measured as it related to service quality, employee courtesy, employee expertise, location, efficiency and relationship." Generally speaking, the literature cited above shows that much work has been done to increase the understanding of customer service in the banking

sector. However, little research has been done in the context of the Indian banking sector. The dimensionality of SERVQUAL and the importance of each dimension varies with the cultural and national context even within the banking industry (Sangeetha and Mahalingam, 2011). Furthermore, there is a lack of comprehensive studies that include most major aspects of “customer satisfaction” with the aid of a regression model. Our study was needed in order to fill this gap. Therefore, the present study investigates the major factors responsible for customer satisfaction with respect to banking service quality based on SERVQUAL model. The study also intends to find the impact these service quality variables have on customer satisfaction level.

Kolter and Armstrong (1999) defended the customer satisfaction as the customer's perception that compare their pre-purchase expectations with post purchase perception. Oliver (1997, p. 13) defines satisfaction as “the consumer’s fulfillment response”, a post consumption judgment by the consumer that a service provides a pleasing level of consumption-related fulfillment, including under or over-fulfillment. Oliver (1997) point of view Customer satisfaction is the evaluation a customer makes to a certain exchange, which reflects the relation of the customer's expectation and their real perception to products and services they receive. Some researchers think customer satisfaction can be measured. For example: suggested using overall measurement to record customers' response to different attributes of products and services. Kuo (1996) recognized seven factors that influence customer satisfaction: service content, price, convenience, corporate image, equipment, staff and procedure. Huang (1998) also defined five factors used to evaluate customer satisfaction: product, service, staff, overall performance of products, and closeness to expectation.

In one research, Ioanna (2002) further proposed that product differentiation is impossible in a competitive environment like the banking industry. Banks everywhere are delivering the same products. For example, there is usually only minimal variation in interest rates charged or the range of products available to customers. Bank prices are fixed and driven by the market price. Thus, banks management tends to differentiate their firm from competitors through service quality. Service quality is an imperative element impacting customers’ satisfaction level in the banking industry. In banking, quality is a multi-variable concept, which includes differing types of

convenience, reliability, services portfolio, and critically, the staff delivering the service.

Many scholars and service marketers have explored consumers' cognitive and affective responses to the perception of service attributes in order to benefit by providing what consumers need in an effective and efficient manner. Consumer satisfaction (e.g. Cadott et al, 1987; Churchill & Surprenant, 1982; Fornell, 1992; Oliver, 1997) and PSQ (e.g. Parasuraman et al, 1985, 1988; Rust & Oliver, 1994; Zeithaml et al, 1996) have been considered the primary intervening constructs in the area of service marketing because ultimately they lead to the development of consumer loyalty or re-patronization of a product or service. Consumer perception of service quality is a complex process. Therefore, multiple dimensions of service quality have been suggested (Brady & Cronin, 2001). One of the most popular models, SERVQUAL, used in service marketing, was developed by Parasuraman et al (1985, 1988). SERVQUAL is based on the perception gap between the received service quality and the expected service quality, and has been widely adopted for explaining consumer perception of service quality. Originally 10 dimensions of service quality were proposed (reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding the consumer, and tangibles). Later these were reduced to five (reliability, responsiveness, empathy, assurances and tangibles). There is general agreement that the aforementioned constructs are important aspects of service quality, but many scholars have been skeptical about whether these dimensions are applicable when evaluating service quality in other service industries (Finn & Lamb, 1991; Cronin & Taylor, 1992). For example, Cronin & Taylor (1992) argued that the evaluation of service quality based on the expectation-performance gap derived from Parasuraman et al (1985, 1988) is insufficient because much of the empirical research supported performance-based measures of service quality. This has more explanatory power than measures that are based on the gap between expectation and performance (e.g. Babakus & Boller, 1992; Babakus & Man gold, 1992; Churchill & Surprenant 1982). In addition, Kang & James (2004) argued that SERVQUAL focuses more on the service delivery process than on other attributes of service, such as service-encounter outcomes (i.e. technical dimensions). In other words, the SERVQUAL measurement does not adequately explain a technical attribute of service. Thus many scholars have argued that the

components of SERVQUAL could not fully evaluate consumer perception of service quality in certain industries (Cronin & Taylor, 1992; Finn & Lamb, 1991).

Grönroos (1984) suggested two attributes of service which have been identified as dimensions of service quality based on the conceptualization of service quality as between perceived service and expected service. As an extension of Grönroos' model, Rust & Oliver (1994) provided a three-component model explaining service quality through service product, service delivery and service environment, while Brady & Cronin (2001) suggested three service quality dimensions – service outcome, consumer-employee interaction and service environment. The notion of service product/service outcome and service delivery/consumer-employee interaction is consistent with the idea of technical attribute and functional attribute derived from Grönroos' model.

1.3 Service quality & customer satisfaction Measurement scale used for this study

In this research study additional three extra variables has been added to the original SERVQUAL scale ,the variables are Service charge charged by the bank, interest rate and Customer complain handling system suggested by the researcher like (Bahia and Nantel,2000 ,Suresh Chander 2002) after careful validation by academicians and industry experts and in the case of the Attitudinal measurement domain five variables are explicitly extracted from the Behavioral Intention Battery proposed by (Zeithaml, Berry and Parasuraman ,1996) and (Zeithaml V A 2000).

Moreover, service sector such as banks have the responsibility to provide the best services to their customers in order to have sustainable competitive advantages. Due to the critical quality of service to business, it is difficult for service providers to measure the quality of services. The difficulty of measuring the service quality stems from its intangibility, diversity, and the difficulty of separation (Saghier, & Nathan, 2013). In this vision, the service requires an independent framework for explaining and measuring quality. Among the key frameworks, service quality model developed by (Parasuraman et al., 1985, 1988) is the most popular model and is widely used to measure the quality of service in the service industry. Moreover, the research of service quality, and customer satisfaction issues have dominated the service literature, but no new researches on retail banking setting have been performed to investigate the impact of the performance of service attributes on customer satisfaction in an integrated model. Furthermore, no new researches have included decision-making factors such as the tangible quality of service product and the quality of service

environment. These factors play a vital role in the service environment, especially in the environment of the bank, because they become a sign of quality to the customer. (Herington, & Wearen, 2009). Based on this literature review, it can be concluded the need to investigate and assess the effect of tangibility, reliability, responsiveness, empathy, and security on customer satisfaction. This research heavily depends on previous research recommendations detailed by Simpson (2006), Ashour, (2006), Linier (2013), and Ismail (2009). Finally, the significance of service quality and customer satisfaction appear justified for survival services companies, including banking companies; several empirical researches in various industrial sectors such as banking services, hotels, insurance; long distance call companies, and other financial companies was performed to determine the factors that determine the quality of service.

Successful business companies must obtain new and existing customers to be capable of obtaining the products and services provided rather than switch to competitors. Quality of service is considered a critical success factor for banks to differentiate from competitors. Several researches have been performed to determine the factors of service quality. For instance, studies have discovered that service quality can lead to customer satisfaction (Kheng et al., 2010; Muslim, & Isa, 2005). Customer satisfaction will tend to repurchase from the same service provider (Eshghi et al., 2008); in turn, company revenue will increase in the long run. Variations in service performance may provide opportunities to service quality, and customer satisfaction. Therefore, the relationships between these two aspects can provide bankers with insights into both tangible and intangible service development, particularly to develop a competitive edge in the Jordanian banking industry. The present study uses the SERVQUAL scale to measure customer satisfaction in the banking industry (Parasuraman et al., 1988).

Conceptual framework

Most studies confirm that there is a relationship between service quality and customer satisfaction. For instance, Parasuraman et al. (1988) and Caruana (2002) found a positive relationship between service quality and customer satisfaction. Likewise, Linier, (2013) also found that perceived service quality influences customer satisfaction. Similarly, Nathan, and Elsaghier, (2012) assured that service quality has a positive effect on customer satisfaction which means that the higher quality of service attracts more customers who have bought back the desire and intention to

recommend. Finally, this theoretical framework guiding the evaluation is depicted in figure 1 below, adapted from Parasuraman et al. (1994) and Caruana (2002). Also, this study will investigate five variables of service quality namely: tangibles, reliability, responsiveness, empathy, security and customer satisfaction. Based on the foregoing, the following framework was developed.

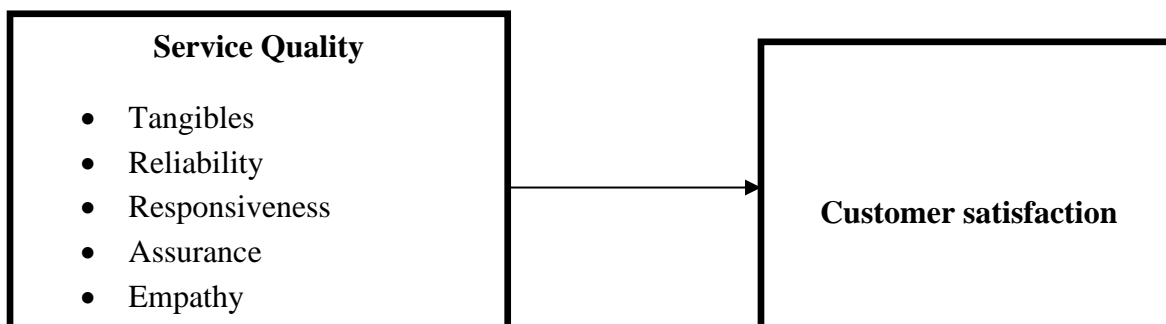


Figure 2.1: Conceptual Framework

2.3 Research gap

There are many studies that examine the relationship between service quality and customer satisfaction and To examine the impact of service quality and customer satisfaction of the organization. However, those studies are basically done in foreign context and very new are done in the context of Nepalese service industry.

Banking sector is one of those highly service sectors in Nepalese market as well. Hence, this study aims to examine the relationship between service quality and customer satisfaction and. Main objective of this research is to examine the level of customer satisfaction of selected commercial banks. And identify the service quality of selected commercial banks.

CHAPTER III

RESEARCH METHODOLOGY

The purpose of this chapter is to describe the research methodology. Methodology is the systematic, theoretical analysis of the methods applied to a field of study. This chapter presents how the study was designed and provides a detailed outline of how the data were gathered and analyzed to meet the objectives of the study. Without a proper methodology, a research loses its track. This chapter, therefore, describes the methodology that was used in this study. The research methodology provides a clear description of the specific steps that were taken to address the research problem. The data were collected through a questionnaire reference by Mesay sata sanku Jan (2013) Article and analyzed with the help of Microsoft Excel and SPSS.

3.1 Research design

Descriptive research design was used to achieve the objectives of this research. Data and information were collected primary sources This study is based on the quantitative method using the structured questionnaire. Quantitative method is used to fulfill the overall objective and provide answers to the proposed research questions.. A structured questionnaire was designed and distributed in physical form and google form to collect response from customers of commercial banks having a branch in Kathmandu valley.

Software named statistical Package of Special Sciences (SPSS), which is the world's leading statistical software, was used to solve research problems, and Microsoft Excel was used to analyze and interpret the data.

3.2 Population and sample size

The population and sample size of variables under this study is the 150 those people who are used banking facility and service quality. There are Five commercial banks are choose in Nepal. Five Nepalese commercial banks likewise NIC asia bank, Kumari Bank, Global IME Bank, Prabhu bank, sanima bank. were taken as the population of the study.

Generally, customers of commercial banks are depositors, borrowers, and others who get banking services. However, the present study could not cover all the customers of commercial banks. It covers only the depositor type of customers.

3.3 Sources of data

The primary sources of data were obtained from structured questionnaires whereas it contained multiple choice questions, and likert questions so as to meet the research objectives. 150 customer responses, service quality and customer satisfaction variables. Service quality different five component likewise, Empathy, Responsiveness, tangibility, reliability, assurance and customer satisfaction Each component five questionnaire asking to the customers. and customer satisfaction variables asking nine different question. total 41 questionnaire primary data, from 5 commercial banks collected data.

3.4 Data collection procedure

Primary data were used in this study; Primary data for this study were collected from the service quality and customer satisfaction of commercial banks.. Researcher met customers on the location of the bank and requested them to fill up the questionnaire. Addition responses for customer survey was collected through the mail and social media. Before data collection, permission was taken from the bank authority. Questionnaires were distributed randomly to the commercial banks customers as in the bank

3.5 Data processing procedure

At the initial phase for the purpose of developing the theoretical framework, the data collection procedure in the later stage, the primary sources of data collected were and make the analysis of the findings. The primary sources of data were structured questionnaires whereas it contained multiple choice questions, and likert questions so as to meet the research objectives.

3.6 Data analysis tools and techniques

Various statistical tools and techniques were used to analyze the data collected from primary, IBM SPSS 21 software was used for data analysis; Microsoft Excel was used to organize data and find the average for generating various tables and Microsoft Word was used to interpret the data. where dependent variables customer satisfaction

and independent variables are Empathy, responsiveness, tangibility, Reliability, Assurance, are independent variables that determine service quality and customer satisfaction.

Independent Variables Service quality. This measure is based on modified version of SERVQUAL as proposed by Parasuraman et al. (1988).which involve five dimensions of Service quality developed Parasuraman 66 Middle Eastern Finance and Economics - Issue 14 (2011) al. (1988). The five dimensions, which consist of 25 items, namely Reliability, Responsiveness, Empathy, Assurance, and Tangibles. these items were made on a five-point Likert format ranged from 1 – strongly disagree to 5 – strongly agree.

Dependent Variable Customer satisfaction. Customer satisfaction was measured by a nine item A sample item include: How satisfied are you with the checking account services provided by bank. The questions of customer satisfaction followed a five-point Likert format with anchors of very dissatisfied(1) and extremely satisfied (5) and an option for not applicable . The item indicates that high scores reflected stronger satisfaction with service.

Correlation analysis

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

Regression analysis

A technique for determining the statistical relationship between two or more variables where a change in a dependent variable is associated with, and depends on, a change in one or more independent variables. Multiple regression is a statistical tool used to derive the value of a criterion from several other independent, or predictor, variables.

It is the simultaneous combination of multiple factors to assess how and to what extent they affect a certain outcome. It can be used to forecast effects or impacts of changes. The multiple linear regression analysis can be used to get point estimates.

Regression model

$$\hat{Y} = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + e_i$$

Where,

| | | |
|----------------------------------|---|--|
| \hat{Y} | = | Customer Satisfaction (dependent variable) |
| X_1 | = | Empathy |
| X_2 | = | Responsiveness |
| X_3 | = | Tangibility |
| X_4 | = | Tangibility |
| X_5 | = | Assurance |
| α | = | Constant |
| $\beta_1, \beta_2 \dots \beta_5$ | = | Regression coefficients of Factor 1 to Factor 5 respectively |
| e_i | = | Error term. |

3.7 Reliability and validity of data

Reliability and validity analysis is done to ensure the trustworthiness of collected data.. For this, Cronbach's alpha coefficient technique has been used for the further analysis. Cronbach alpha coefficient value more than 0.5 is considered as the reliable and validate for further processing. Different steps were taken in order to ensure the validity of the study.

Table 3.1: Reliability test

| Construct | Minimum reliability index | Cronbach alpha | Result |
|-----------------------|---------------------------|----------------|----------|
| Empathy | 0.5 | .0.606 | Reliable |
| Responsiveness | 0.5 | 0.647 | Reliable |
| Tangibility | 0.5 | 0.610 | Reliable |
| Reliability | 0.5 | 0.641 | Reliable |
| Assurance | 0.5 | 0.549 | Reliable |
| Customer satisfaction | 0.5 | 0.783 | Reliable |
| Overall | .05 | 0.888 | Reliable |

From the above table, the values of Cronbach alpha have been recorded to above 0.5 for each variables table under this study. Hence, it can be said that the data higher this study have high level of reliability.

CHAPTER IV

RESULT

4.1 Background

This chapter describes the analysis results generated from the process of data collection. It deals with the analysis and interpretation of the primary data collected through questionnaire from 150 respondents. Data were analyzed with reference to the purpose of this research as mentioned in the earlier chapter. The primary purpose of this chapter is to analyze and interpret the collected data and present the results of the questionnaire survey. The main purpose of this research study will be fulfilled with the outcomes derived from the analysis of the data.

4.2 Respondent profile analysis

In the section, respondents' demographic profile such as age, gender, Highest level of academic qualification, occupation, personal monthly income, reasons for selecting specific banks are presented.

4.2.1 Gender of customer respondents

The total number of respondents is indicate male and female frequency and percentage shows in the table:

Table 4.1 Gender of customer respondents

| Gender | Frequency | Percent |
|--------|-----------|---------|
| Male | 66 | 44 |
| Female | 84 | 56 |
| Total | 150 | 100 |

Out of the total of 150 customer respondents, 66 are male and 84are females. The total number of respondents includes 44% of male and 56% of female respondents. This indicates that more female customer respondents took active participation in this survey

4.2.2 Age-group of customer respondents

The total number of respondents is indicate Age-group of Customer Respondents frequency and percentage shows in the table:

Table 4.2 Age-group of customer respondents

| Age | Frequency | Percent |
|----------|-----------|---------|
| Below 25 | 93 | 62 |
| 25 to 35 | 41 | 27 |
| 36 to 45 | 11 | 7.3 |
| 45 above | 5 | 3.3 |
| Total | 150 | 100 |

The age group of respondents has been categorized into four groups. Out of 150 respondents, 93 respondents fell within the age group below 25 years representing 62%, 41 respondents fell within the age group 25 to 35 years representing 27%, 11 respondents fell within the age group 36 to 45 representing 7.3% and rest 5 respondents fell within the age group of 45 and above representing 3.3%.

4.2.3 Education of customer respondents

The total number of respondents is indicate Age-group of Customer Respondents frequency and percentage shows in the table:

Table 4.3 Education of customer respondents

| Highest level of academic qualification | Frequency | Percent |
|---|-----------|---------|
| +2 and below | 25 | 16.7 |
| Bachelors | 90 | 60 |
| Masters and above | 35 | 23 |
| Total | 150 | 100 |

The table shows that 25 respondents had obtained academic qualification +2 and below representing 16.7%, 90 respondents had obtained bachelor's degree representing 60% and 35 respondents with the highest participation had obtained master's degree representing 23%.

4.2.4 Occupation of customer respondents

The total number of respondents is indicate Age-group of Customer Respondents shows frequency and percent in the table:

Table 4.4 Occupation of customer respondents

| Occupation | Frequency | Percent |
|-----------------|-----------|---------|
| Business person | 21 | 14 |
| Service | 19 | 12.7 |
| Agriculture | 7 | 4.7 |
| Student | 98 | 65.3 |
| Others | 5 | 3.3 |
| Total | 150 | 100 |

Respondents are categorized into five groups with different occupation and profession. 21 respondents were the business person representing 14%, 19 respondents with the highest participation were involved in service representing 12.7%, 7 respondents with lowest participation had agriculture as occupation representing 4.7%, 98 respondents were students representing 65.3% and rest 5 respondents belonged to other occupation representing 3.3%. This others category included housewives, retired person from service.

4.2.5 Personal monthly income of customer respondents

Monthly income varies to respondent to respondent in Nepal. There is great disparities in monthly income in Nepalese income

Table 4.5 Personal monthly income of customer respondents

| Personal Monthly income | Frequency | Percent |
|-------------------------|-----------|---------|
| Below 25000 | 113 | 75.3 |
| 25000 to 40000 | 28 | 18.7 |
| 41000 to 60000 | 8 | 5.3 |
| 61000 and above | 1 | 7 |
| Total | 150 | 100 |

From the table, we can see that out of 150 respondents, 113 respondents had personal monthly income less than Rs. 25000 representing highest portion of 75.3%, 28 respondents had personal monthly income from Rs. 25000 to Rs. 40000 representing

18.7%, 8 has monthly income from Rs. 41000 to Rs. 60000 representing 5.3% and 1 respondents had monthly income of Rs. 61000 and above representing 7%.

4:2.6 Reasons for using banking services from specific bank

The total number of respondents is indicate frequency respondents reasons for using Banking Services from Specific Bank shows in the table:

Table 4.6 Reasons for using banking services from specific bank

| Reasons for Selecting Specific Banks | Frequency |
|---|-----------|
| High-quality banking services | 61 |
| Recommendation from friends/family/employees of the same bank | 56 |
| Location | 25 |
| Others | 8 |
| Total | 150 |

Out of the 150 respondents who are customers of different banks, 61 respondents have been using the banking service of that specific bank because of the high-quality banking services provided by the bank. The highest number of 56 respondents has reasoned that they have been using banking services of the specific banks because it was recommended by their family/friends/employees of the same bank. 25 respondents have reasoned location as the reason for taking banking services of the specific bank. Whereas 8 of the respondents have specified some other reasons for taking banking services from their selected banks which involves mandatory salary account from their job, highest interest rate provided, pension account.

4.3 Descriptive analysis

Descriptive analysis is used to describe the basic features of the data in the study. They provide simple summaries about the sample and the measures. Together with simple graphical analysis, they form the basic virtual of any quantitative analysis of data. It gives idea of the distribution of your data, helps you detect outliers and typos, and enable you identify associations among variables, thus making you ready to

conduct further statistical analyses. However, descriptive analyses are neither difficult nor time consuming, if done systematically. It is easier to think about descriptive analyses.

4.3.1 Analysis of service quality component of empathy

The target respondents were provided with five questions to measure their views on the empathy dimensions in the service provided by the banks for analyzing the customer satisfaction. The respondents were asked the detail analysis of the is shows in the table :

Table 4.7 Analysis of service quality component of empathy

| Descriptive statistics | | | |
|---|-----|--------|----------------|
| Empathy | N | Mean | Std. Deviation |
| Employees in the bank give me personal attention | 150 | 3.5067 | 0.79213 |
| Employees understand my specific need | 150 | 3.7533 | 0.71359 |
| Bank offers very convenient working hour | 150 | 3.9133 | 0.72294 |
| Staffs try to under my problem and respond properly | 150 | 3.9067 | 0.67899 |
| Staffs have the best interest of customers at the heart | 150 | 3.7733 | 0.75215 |

The above table shows the average score for all the statements regarding perceived service quality component of by customers. The average score for all the statements that represent service quality of bank has an average score of 3 and not excellent. This indicates that customers are slightly satisfied with the service quality they are receiving from banks under study. They are neutral about the Staffs try to under my problem and respond properly. They are slightly satisfied with customer care and dissemination of information from banks. Descriptive analysis of table 4.8 service quality component empathy shows bank offers very convenient working hour mean is 3.91, and standard deviation is 0.67 staffs try to understand my specific need.

4.3.2 Analysis of service quality component of responsiveness

The service quality component of responsiveness target respondents were asked five questions to measure the views on the detail analysis of the respondents is shown in the table:

Table 4.8 Analysis of service quality component of responsiveness

| Descriptive statistics | | | |
|---|-----|--------|----------------|
| Responsiveness | N | Mean | Std. Deviation |
| Employees give me prompt service. | 150 | 3.8 | 0.80268 |
| When I have a problem, employees show a sincere interest in solving it. | 150 | 3.8867 | 0.7003 |
| Employees are always willing to help me. | 150 | 3.9 | 0.77503 |
| Staffs are never to busy to respond to customers' needs | 150 | 3.2333 | 0.87789 |
| They inform me every time there is anything related to me. | 150 | 3.8 | 0.94123 |

The table shows the average score for all the statements regarding perceived service quality component of responsiveness by customers. The average score for all the statements that represent service quality of bank has an average score of 3 and not excellent. This indicates that customers are slightly satisfied with the service quality they are receiving from banks. Descriptive analysis of table shows service quality component responsiveness mean is 3.9 which is answers employees are always willing to help me. Standard deviation is 0.70 answer when I have a problem employees show a sincere interest in solving it.

4.3.2 Analysis of service quality component of responsiveness

The target respondents were provided with a question to measure their views on the tangibles in the service provided by the commercial banks for analyzing the customer satisfaction. The respondents were asked 'The appearance of physical facilities, equipment, personnel and communication materials are very well.' The detail analysis of the respondents is shown in the table:

Table 4.9 Analysis of service quality component of responsiveness

| Descriptive statistics | | | |
|---|-----|--------|----------------|
| Tangible | N | Mean | Std. Deviation |
| Bank uses modern and advance equipment's to facilitate customers | 150 | 3.92 | 3.35663 |
| Bank has very appealing physical facilities | 150 | 3.7867 | 0.80757 |
| The appearance of staffs is very neat and clean | 150 | 4.12 | 4.23724 |
| Materials associated with service are visually appealing in the bank. | 150 | 3.82 | 0.63531 |
| Branding of the bank is very good. | 150 | 3.9133 | 4.22987 |

The above table shows the average score for all the statements regarding perceived service quality component of tangible by customers. The average score for all the statements that represent service quality of bank has an average score of 3 and not excellent. This indicates that customers are slightly satisfied with the service quality they are receiving from banks under study. They are indicating The appearance of staffs is very neat and clean . Descriptive analysis of table 4.10 service quality component tangible higher mean is 3.92 respondents answered bank uses modern and advance equipment's to facilitate customers. standard deviation is 0.63 materials associated with service are visually appealing in the bank.

4.3.4: Analysis of service quality component of reliability

The target respondents were asked two questions to measure the views on the reliability factor in services of commercial banks for analyzing the customer satisfaction. The detail analysis of the respondents is shows in the table:

Table 4.10 Analysis of service quality component of reliability.

| Descriptive statistics | | | |
|---|-----|--------|----------------|
| Reliability | N | Mean | Std. Deviation |
| Staffs perform the services right at the time promised to do so | 150 | 3.72 | 0.76078 |
| Bank has very appealing physical facilities | 150 | 3.8267 | 0.78361 |
| Staffs are highly cautious to perform right service at first time | 150 | 3.8067 | 0.84103 |
| They keep accurate records | 150 | 4.16 | 0.69591 |
| The services of the bank are dependable | 150 | 3.7067 | 0.94512 |

The table shows the average score for all the statements regarding perceived service quality component tangible by customers. The average score for all the statements that represent service quality of bank has an average score of 3 and not excellent. This indicates that customers are slightly satisfied with the service quality they are receiving from banks. . Descriptive analysis of service quality component reliability mean is 4.16 which is respondents answer they are keep accurate records standard deviation is 0.69 same question.

4.3.5 Analysis of service quality component of assurance

five questions were provided to the target respondents to measure the customer satisfaction on assurance factor in services of Nepalese commercial banks. The respondents were asked “whether staff behaviour of the bank towards customers is excellent or not.” The detail analysis of the respondents is shows in the table :

Table 4.11 Analysis of service quality component of assurance

| Descriptive statistics | | | |
|--|-----|--------|----------------|
| Assurance | N | Mean | Std. Deviation |
| Behavior of staffs build confidence in customer. | 150 | 3.96 | 0.82641 |
| Customers feel safe in their transaction | 150 | 4.0933 | 0.6888 |
| Staffs are highly courteous towards customers. | 150 | 3.84 | 0.6562 |
| Staffs are well trained with knowledge and are competent to answer questions | 150 | 3.7733 | 0.72489 |
| Banks provides all the important information to the customers | 150 | 4.08 | 0.69049 |

The above table shows the average score for all the statements regarding perceived service quality component of responsiveness by customers. The average score for all the statements that represent service quality of bank has an average score of 3 and not excellent. This indicates that customers are slightly satisfied with the service quality they are receiving from banks. Descriptive analysis of table 4.12 service quality component Assurance higher mean is 4.09 which is respondents answer customers feel safe in their transaction. Lower standard deviation is 0.65 respondents answer staffs are highly contribute towards the customers.

4.3.6 Analysis of customer satisfaction

Nine questions were provided to the target respondents to measure the customer satisfaction of Nepalese commercial banks. The respondents were asked “whether customer level of the satisfaction of bank towards customers is excellent or not.” The detail analysis of the respondents is shown in the table :

Table 4.12 Analysis of customer satisfaction

| Descriptive statistics | | | |
|---|-----|--------|----------------|
| Customer satisfaction | N | Mean | Std. Deviation |
| The bank has your best interests at heart. | 150 | 3.6667 | 0.78293 |
| You feel safe in your transactions with the bank. | 150 | 4.24 | 0.64173 |
| The bank has operating hours convenient to all its customers. | 150 | 3.8933 | 0.74317 |
| Employees in the bank have the knowledge to answer your questions. | 150 | 3.9267 | 0.61411 |
| I say positive things about the bank to other people | 150 | 4.1867 | 0.66943 |
| I intend to continue being a customer of the bank for a long time to come | 150 | 4.1467 | 0.59513 |
| I will encourage friends and relatives to use the service offered by the bank | 150 | 4.2533 | 0.647 |
| The bank gives you individual attention | 150 | 3.72 | 0.91314 |
| Overall, I am satisfied with the bank services | 150 | 4.4733 | 0.68244 |

The table shows the average score for all the statements regarding perceived customer satisfaction component by customers. The average score for all the statements that represent customer satisfaction of bank has an average score of 3 and not excellent. This indicates that customers are slightly satisfied with the customer satisfaction they are receiving from banks under study. Employees in the bank have the knowledge to answer the questions mean is 3.92 and standard deviation is 0.59 which is result is the satisfaction.

4.4 Correlation analysis

4.4.1: Analysis of correlation

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

Table 4.13 Analysis of correlation

| | | Correlations | | | | | |
|-----------------------|---------------------|--------------|----------------|-------------|-------------|-----------|-----------------------|
| | | Empathy | Responsiveness | Tangibility | Reliability | Assurance | Customer satisfaction |
| Empathy | Pearson Correlation | 1 | .548** | .406** | .475** | .292** | .438** |
| | Sig. (2-tailed) | | .000 | .000 | .000 | .000 | .000 |
| | N | | 150 | 150 | 150 | 150 | 150 |
| Responsiveness | Pearson Correlation | | 1 | .334** | .603** | .518** | .547** |
| | Sig. (2-tailed) | | | .000 | .000 | .000 | .000 |
| | N | | | 150 | 150 | 150 | 150 |
| Tangibility | Pearson Correlation | | | 1 | .471** | .303** | .340** |
| | Sig. (2-tailed) | | | | .000 | .000 | .000 |
| | N | | | | 150 | 150 | 150 |
| Reliability | Pearson Correlation | | | | 1 | .612** | .592** |
| | Sig. (2-tailed) | | | | | .000 | .000 |
| | N | | | | | 150 | 150 |
| Assurance | Pearson Correlation | | | | | 1 | .585** |
| | Sig. (2-tailed) | | | | | | .000 |
| | N | | | | | | 150 |
| Customer satisfaction | Pearson Correlation | | | | | | 1 |
| | Sig. (2-tailed) | | | | | | |
| | N | | | | | | |

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

Where,

The table shows the 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.

The correlation coefficient between the empathy and responsiveness is .548, which means there is a positive correlation between empathy and responsiveness. The corresponding p-value is 0.00, which is lower than the level of significance (α) = 0.05, signifying that there is a signifying relationship between the empathy and responsiveness.

The correlation coefficient between Empathy and tangible perceived by customer is .406 by which means there is a positive correlation between, Empathy and tangible.

The corresponding p-value is 0.000, which is less than the level of significance (α) = 0.05, signifying that there is a significant relationship between, empathy and tangible.

The correlation coefficient between Reliability and empathy perceived by customer is .475 by which means there is a positive correlation between, Empathy and tangible. 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, Reliability and empathy.

The correlation coefficient between Empathy and assurance perceived by customer is .292 by which means there is a positive correlation between, Empathy and tangible. 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, Empathy and assurance.

The correlation coefficient between Empathy and customer satisfaction perceived by customer is .438. by which means there is a positive correlation between, Empathy and customer satisfaction 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 , Empathy and assurance

4.5 Regression Result

4.5.1: Analysis of regression

A technique for determining the statistical relationship between two or more variables where a change in a dependent variable is associated with, and depends on, a change in one or more independent variables. Multiple regression is a statistical tool used to derive the value of a criterion from several other independent, or predictor, variables. It is the simultaneous combination of multiple factors to assess how and to what extent they affect a certain outcome. It can be used to forecast effects or impacts of changes. The multiple linear regression analysis can be used to get point estimates.

Table 4.14: Analysis of regression**Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | | | | |
|-------|-------------------|----------|-------------------|----------------------------|-------------------|----------|-----|-----|---------------|
| | | | | | R Square Change | F Change | df1 | df2 | Sig. F Change |
| 1 | .690 ^a | .476 | .458 | .29476 | .476 | 26.134 | 5 | 144 | .000 |

a. Predictors: (Constant), Assurance, Empathy, Tangibility, Responsiveness, Reliability

ANOVA^a

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|-------|------------|----------------|-----|-------------|--------|-------------------|
| 1 | Regression | 11.353 | 5 | 2.271 | 26.134 | .000 ^b |
| | Residual | 12.511 | 144 | .087 | | |
| | Total | 23.865 | 149 | | | |

a. Dependent Variable: Customer satisfaction

b. Predictors: (Constant), Assurance, Empathy, Tangibility, Responsiveness, Reliability

Coefficients^a

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|----------------|-----------------------------|------------|---------------------------|-------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 1.223 | .283 | | 4.323 | .000 |
| | Empathy | .121 | .067 | .139 | 1.820 | .071 |
| | Responsiveness | .124 | .064 | .165 | 1.955 | .053 |
| | Tangibility | .025 | .060 | .030 | .421 | .674 |
| | Reliability | .170 | .070 | .220 | 2.436 | .016 |
| | Assurance | .294 | .073 | .316 | 4.002 | .000 |

a. Dependent Variable: Customer satisfaction

Regression model

$$\hat{Y} = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + e_i$$

$$\hat{Y} = 1.223 + 0.12 X_1 + 0.124 X_2 + 0.025 X_3 + 0.170 X_4 + 0.294 X_5$$

Where,

| | | |
|----------------------------------|---|--|
| \hat{Y} | = | Customer Satisfaction (dependent variable) |
| X_1 | = | Empathy |
| X_2 | = | Responsiveness |
| X_3 | = | Tangibility |
| X_4 | = | Tangibility |
| X_5 | = | Assurance |
| α | = | Constant |
| $\beta_1, \beta_2 \dots \beta_5$ | = | Regression coefficients of Factor 1 to Factor 5 respectively |
| e_i | = | Error term. |

| R | R Square | Adjusted R Square | F |
|-------------------|----------|-------------------|--------|
| .690 ^a | .476 | .458 | 26.134 |

Analysis of variance (ANOVA) is an analysis tool used in statistics that splits an observed aggregate variability found inside a data set into two parts: systematic factors and random factors. The systematic factors have a statistical influence on the given data set, while the random factors do not. Analysts use the ANOVA test to determine the influence that independent variables have on the dependent variable in a regression study.

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. The results presented in Table 4.10, shows that 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. Similarly, one unit increase in reliability factor would lead to a

0.170 unit increase in customer satisfaction, one unit increase in responsiveness factor lead to a 0.124 unit increase in customer satisfaction and so on. In conclusion, assurance and reliability are significant. Thus, there is positive relationship between independent variables and dependent variable in customer satisfaction.

R^2 explains the variable included in 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.

4.6 Major findings

The main purpose of this study was to understand and identify the relationship between service quality and customer satisfaction and impact of service quality and customer satisfaction of the commercial banks in Nepal. The study investigated different factors that determine service quality and customer satisfaction in commercial banks.

1. The study is quantitative and descriptive research design Total 150 customers respondents, the majority of respondents were females which is 56% is higher than male.
2. The major age group was below 25, Most of the respondents had achieved Bachelors level and most of the respondents, was the major occupation among the students.
3. Descriptive analysis of table 5 being Strongly Agree and 1 being strongly disagree The table shows the average score for all the statements regarding perceived service quality component and customer satisfaction response by customers. The average score for all the statements that represent service quality of bank has an average score of 3 and not excellent.
4. Descriptive analysis of table service quality component empathy shows bank offers very convenient working hour mean is 3.91, and standard deviation is 0.67 staffs try to understand my specific need.
5. Descriptive analysis of service quality component responsiveness mean is 3.9 which is answers employees are always willing to help me. Standard deviation is 0.70 answer when I have a problem employees show a sincere interest in solving it.

6. Descriptive analysis of service quality component tangible higher mean is 3.92 respondents answered bank uses modern and advance equipment's to facilitate customers. standard deviation is 0.63 materials associated with service are visually appealing in the bank.
7. Descriptive analysis of service quality component reliability mean is 4.16 which is respondents answer they are keep accurate records standard deviation is 0.69 same question.
8. Descriptive analysis of service quality component Assurance higher mean is 4.09 which is respondents answer customers feel safe in their transaction. Lower standard deviation is 0.65 respondents answer staffs are highly contribute towards the customers.
9. Descriptive analysis of analysis of customer satisfactions higher mean is 4.47 responds answers overall, I'am satisfied with the bank services we found respondents result is positive.
10. The shows the 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.
11. However, regression analysis of assurance and empathy, is .000 Thus, there is positive relationship between independent variables and dependent variable. R square is 47.6% The result is supported with data.

CHAPTER V

CONCLUSION

5.1 Discussion

This study is mainly focused at finding the level of customer satisfaction regarding service quality of commercial banks in Nepal regarding service quality with the help of five different dimensions. when main purpose of this study was to understand and identify the relationship between service quality and customer satisfaction and impact of service quality and customer satisfaction upon the of the banks in Nepal. The study investigated different factors that determine the customer satisfaction and service quality in banks. The study is quantitative in nature and descriptive research design was used to obtain data from 150 customer respondents, primary data. The data was collected from NIC ASIA bank, Global IME bank, Kumari bank, Prabhu Bank, Sanima Bank different five commercial banks. Random and convenience sampling technique was used to collect responses from customers and quota and convenience sampling methods were used to collect responses from customers. primary data were used for the study purpose. To determine the level of customer satisfaction and service quality primary data were analyzed of the commercial bank. The questionnaire for primary data collection involved structured and closed-ended questions. The 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. Thus, there is positive relationship between independent variables and dependent variable in customer satisfaction. However, regression analysis of assurance and reliability are significant result is consistent.

5.2 Conclusion

The first objective of this study was to study To identify the service quality of selected commercial banks. The result from data analysis reveals and second that To examine the level of customer satisfaction of selected commercial banks. It is very important for any business firm to assess the level of customer satisfaction. High level of satisfaction could translate into profits whereas low level of satisfaction means customers are more likely to shift in favor if competitors

The objective of this study was to examine the relationship between customer satisfaction and service quality with respect to service quality dimensions. This study is consistent with Agbor (2011) to examine the relationship between customer satisfaction and service quality in service sectors with respect to the service quality dimensions. The findings conclude that SERVQUAL dimensions are influential dimensions for service quality and customer satisfaction. *Management Dynamics*, 16(1), 10-20, 2012

The study is consistent with the research done by Han and Baek (2004) to measure service quality and customer satisfaction in the Nepalese commercial banking context. The findings express that tangibles, reliability, responsiveness, assurance and empathy have played greater affect to customer satisfaction. The results from the present study suggest several implications for the use of SERVQUAL in the commercial banking sectors undertakings in Nepal. This study has the potential to make theoretical, managerial, and methodological contributions to the analysis of service quality. Theoretically, we attempted to investigate the causal relationships among service quality dimensions, service quality, and customer satisfaction. The level of service quality has positive impact on customer satisfaction. Managerially, this research provides bank managers with a scale to assess the quality of their service from the perspective of the five underlying dimensions called SERVQUAL. This study also provides marketing managers, especially in the major service sector like banking area, with an insight to understand how to increase customer satisfaction level. Methodologically, this research attempted to examine the suitability of SERVQUAL to measure the service quality in the commercial banking sector context. These methodological attempts and the purified measurement items of the study will provide a valuable guidance to the future empirical research into bank service quality

There is a significant relationship between service quality and customer satisfaction, Another objective of this study was identify the relationship of service quality and customer satisfaction upon the commercial of banks. The present study was an attempt to understand the bank service quality and customer satisfaction in Nepal. The customers rated the service quality fairly good; this is something the banks in Nepal would be happy to know. A strong correlation was found between service quality dimensions – reliability, assurance, tangibles, empathy and responsiveness and customer satisfaction. the study found five service quality dimensions - reliability,

tangibles, empathy, Assurance and responsiveness to be statistically significant predictors of customer satisfaction. Thus it can be said that the service quality dimensions and customer satisfaction are related constructs, and service quality is an antecedent to customer satisfaction.

5.3 Implications

5.3.1 General implication and specific action plan

It is apparent from the present study that managers and decision makers in five different commercial banks to seek and improve the elements of service quality that make the most significant contributions on customer satisfaction. In making such an assessment, managers should examine customers responses to the five dimensions of service quality used in this study. From a managerial point of view, it can be concluded that service quality is indeed an important antecedent to customer satisfaction. It should be noted that the high relative weights of the different service dimensions do not mean that customers are satisfied – on the contrary, it could be argued that there is still room for improvements in that area to further improve the perceived service quality. The importance of our findings for managerial decision-making processes is evident. Banks managers seeking to improve their customers' satisfaction levels, in their effort to increase loyalty, retention rates and attract new customers, may benefit by information about the effect of individual dimensions of service quality on customer satisfaction. From these conclusions, Bank managers should focus on high quality services , and improve service quality effectively.

This study examines very limited measures of service quality and customer satisfaction, of commercial banks. However, very impotent variables studies that has studied and interrelationship shows between service quality and customer satisfaction Thus this study has added to the body of literature on the bank's. The service industry especially the banking industry is growing in Nepal very rapidly and the competition is ever increasing. The ultimate winner will be only those who will be able to satisfy customers the most because customers are the ultimate king in the market. Similarly, the impact of service companies and customer satisfaction of service sector seems to be very significant in developing and developed countries. Thus, banks should start to give focus on the level of their service quality and customer's satisfaction to grow more in this rapidly changing and highly competitive service industry. This will ensure long term growth and profitability of banks.

Finally, the Results are important to allow bank managers to better understand customer perceptions of the quality of banking services and how to improve their satisfaction with respect to aspects of quality of service. Due to the increasing competition in the banking, customer service is an important part of bank managers who need to rethink how to improve customer satisfaction on service quality

5.3.2 Implication for future studies

Further research should be carried out in order to enhance the understanding of the concepts of service quality and customer satisfaction, how they are measured because they are very important for service organizations in terms of profitability and growth. A similar study could be conducted with a larger sample size so that results could be generalized to a larger population. Similar study is recommended to other areas including the impact of poor support to the customer satisfaction, the impact of regulatory policies to customer satisfaction and the impact of customer retention strategies to the customer satisfaction levels.

For the future research, can be added more variable to make the survey more precise and more applicable to the bank industry. Constant research is recommendable as customer needs and expectations constantly changes over time and new technological inventions and products keeps on changing. The research form can take the same method as this research or modified to fit the own criteria more specifically. The further research should be conducted continuously being based on both employee and customer satisfaction and then the data should be stored in their in-house system over time in order to monitor the changes. Different customers have different perceptions and expectations towards service quality, products, price, value and atmosphere. Therefore, implementation of this study to the banking industry might yield different results, which might be fruitful to the industry. Regarding bank service quality many studies have been conducted in developed nations but a few studies have been undertaken in the less developed nations like Nepal. Therefore we hope that the findings of the study gain significance because of the context and would contribute academicians and banks likewise.

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APPENDIX

Dear Respondent

I, am MBS student of Central Department of Management affiliated to Tribhuvan University have been conducting a research on “**Service quality and Customer satisfaction of commercial banks of Nepal**” for Graduate Research Project as a requirement for completion of MBS degree. So, I kindly request you to answer these questions, which will help me for the research purpose.

Thank you for your participation.

Name of the bank:.....

| | | |
|---|--------------------------------------|--|
| Q1. Gender: <input type="text"/> | Q2. Age: <input type="text"/> | Q3. Highest level of academic qualification: <input type="text"/> |
| Male -1 | Below 25 -1 | +2 and below -1 |
| Female -2 | 26 to 35 -2 | Bachelors -2 |
| | 36-45 -3 | Masters and above -3 |
| | 45 and above -4 | |

| | |
|---|---|
| Q4. Occupation: <input type="text"/> | Q5. Monthly Income: <input type="text"/> |
| Business person -1 | Below 25000 -1 |
| Service -2 | 26000 to 40000 -2 |
| Agriculture -3 | 41000 to 60000 -3 |
| Students -4 | 61000 and above -4 |
| Others: -5 | |

Q6. What product/service do you currently use at this bank? (Multiple choice)

Saving account -1 Current account -2 Fixed Deposit -3
 Loan Facility -4 Letter of credit -5 Locker facilities -6
 Remit service -7 Internet/mobile banking -8

Q7. Reasons for joining this bank: (most important one)

High quality banking services -1
 Recommendation from friends/family/employees of same bank -2
 Location -3
 Others:(Please specify) -4

Q8 A. Service quality

Tick to indicate service quality with responsiveness at this bank?

| S.N | Particulars | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree |
|-----|--|-------------------|----------|---------|-------|----------------|
| 1. | Empathy | | | | | |
| a. | Employees in this bank give me personal attention. | | | | | |
| b. | Employees understand my specific need. | | | | | |
| c. | Bank offers very convenient working hours. | | | | | |
| d. | Staffs try to understand my problem and respond properly. | | | | | |
| e. | Staffs have the best interest of customers at the heart. | | | | | |
| 2 | Responsiveness | | | | | |
| a) | Employees give me prompt service. | | | | | |
| b) | When I have a problem, employees show a sincere interest in solving it. | | | | | |
| c) | Employees are always willing to help me. | | | | | |
| d) | Staffs are never too busy to respond to customers' needs | | | | | |
| e) | They inform me every time there is anything related to me. | | | | | |
| 3 | Tangibility | | | | | |
| a) | Bank uses modern and advanced equipment's to facilitate customers | | | | | |
| b) | Bank has very appealing physical facilities | | | | | |
| c) | The appearance of staffs is very neat and clean | | | | | |
| d) | Materials associated with service are visually appealing in the bank. | | | | | |
| e) | Branding of the bank is very good. | | | | | |
| 4 | Reliability | | | | | |
| a) | Staffs perform the services right at the time promised to do so | | | | | |
| b) | Bank has very appealing physical facilities | | | | | |
| c) | Staffs are highly cautious to perform right service at first time | | | | | |
| d) | They keep accurate records | | | | | |
| e) | The services of the bank are dependable | | | | | |
| 5 | Assurance | | | | | |
| a) | Behavior of staffs build confidence in customer | | | | | |
| b) | Customers feel safe in their transaction | | | | | |
| c) | Staffs are highly courteous towards customers | | | | | |
| d) | Staffs are well trained with knowledge and are competent to answer questions | | | | | |
| e) | Banks provides all the important information to the customers | | | | | |

B. Customer satisfaction

Tick to indicate level of satisfaction associated with responsiveness at this bank?

| S.N | Particulars | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree |
|-----|---|-------------------|----------|---------|-------|----------------|
| 1. | The bank has your best interests at heart. | | | | | |
| 2. | You feel safe in your transactions with the bank. | | | | | |
| 3. | The bank has operating hours convenient to all its customers. | | | | | |
| 4. | Employees in the bank have the knowledge to answer your questions. | | | | | |
| 5. | I say positive things about the bank to other people | | | | | |
| 6. | I intend to continue being a customer of the bank for a long time to come | | | | | |
| 7. | I will encourage friends and relatives to use the service offered by the bank | | | | | |
| 8. | The bank gives you individual attention | | | | | |
| 9. | Overall, I am satisfied with the bank services | | | | | |

Thank you!