

Perceived Service Quality and Customer Satisfaction in Nepalese Banking Industry¹

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Abstract

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

Keywords: *Banking Industry, Customer satisfaction, Service quality*

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1. Introduction

The banking history is started in Nepal at the end of 19th century. The first commercial bank in Nepal, Nepal Bank Ltd (NBL) was established in the year 1994 B.S. This is a major milestone in the history of Nepal as the country entered into official financial system. After the nineteen year of establishment of NBL, Nepal Rastra Bank (NRB) was established in the year 2013 B.S. Rastriya Banijya Bank and Agricultural Development Bank Ltd. were established in the year 2022 and 2024 B.S. respectively. The first privately owned commercial bank, Nabil Bank ltd., was established in the year 2041 BS. Seven more commercial banks were added in a decade after 2041 B.S. (<https://www.sharesansar.com>). As per the latest data from Nepal Rastra Bank, there are a total of twenty seven (27) Commercial Banks in Nepal. So far, a total of 3367 branches of commercial banks have been established across the nation (www.nrb.org.np).

The banking sector is very essential for economic development. It helps the business and non-business activities by providing loan for establishment of new industries as well as cash deposit and withdrawn facilities for daily business operations. In the present era of globalization and digitalization, it is evident that the Nepalese banking sector is growing at a rapid pace. Economic liberalization enhances the establishment of private as well as joint venture banks in Nepal. Government owned banks are also competing with the private and multinational/joint venture banks. Physical infrastructure, technology and manpower are major factors to provide services in banking sector. The service quality and facilities have been significantly transforming in the banking sector. In this context, the service provided by banks is required to systematic study for sustainability of banking sector. This research is carried out in context of Nepalese banking sector in order to identify the factors that affect the customer satisfaction because the factors leading to satisfied customers differ from one geographical region to another. In some places, customers are satisfied with the service provided by government banks and in other places they are satisfied from private banks.

Service quality has been determined as an analytical factor of success for the firms through which the firms can formulate their competitive advantage, as well as enhance their competitive power. Many researchers have studied about service quality. Service quality is a measure of how well the service level delivered matches customer expectations. Delivering quality service means conforming to customer expectations on a

consistent basis (Lewis, 1991). Service quality can be measured in the dimensions of SERVQUAL model as; tangibility, reliability, responsiveness, assurance and empathy (Parasuraman, Zeithaml, & Berry, 1991). The service quality accompanies that banks should propose the best services of Internet banking to encourage the customers to migrate toward the usage of online banking services (Raza & Hassan, 2015). The services of Internet banking, which should be offered necessarily, include ease of use, perceived usefulness, reliability, accessibility, security, privacy and responsiveness (Liao & Cheung, 2008).

SERVQUAL model is based on five dimensions. The dimension of tangibility is associated with the physical equipment, physical facilities, personnel and the materials which are related to communication. However, in the context of banking sector, tangibility is usually related with the design of Web sites, contents provided by the banks, installation of updated technologies and visually appealing physical facilities. Reliability basically refers to the capability of performing the promised services precisely, as well as deliberately (Parasuraman, Zeithaml, & Berry, 1991). As far as the banking sector is concerned, the dimension of reliability consists of providing relevant information to the customers as well as timely and reliable services. The responsiveness is associated with the compliance of service providers to provide help and instant services to the customers. This dimension consists of providing response to the customers regarding any of the queries related to their banking services. The responsiveness dimension also includes convenience and easy accessibility of banking services. The dimension of assurance is related to the information and courtesy of employees, as well as their competency to convey reliance and confidence. Assurance dimension is composed of reliable answers and consistent services, sustaining the privacy of account, as well as maintaining error-free records. Empathy refers to the provision of caring and providing peculiar attention to the customers on individual basis. This dimension is associated with providing the best interests to the customers, understanding the particular needs of customers, providing convenient operating hours and providing individual concentration to the customers.

Customer satisfaction is important for business success. Satisfaction depends on product and service quality. Banking sector provides various services to customers for higher customer satisfaction. In present competitive environment, customer satisfaction is an important element to win the competitors. Bank management should identify the

service quality dimensions to satisfy their customers by research and development programs. The banking industry is highly competitive. Banks are not only competing among each other; but also with non-banking and financial institutions (Kaynak & Kucukemiroglu, 1992). Customer satisfaction is predetermined by how the expectations of the customer are met (Kotler & Keller, 2012). Customer satisfaction is directly connected to customers' needs. The degree to which these needs are fulfilled determines the enjoyment in the case of conformity or disappointment from discrepancy (Hill, Roche, & Allen, 2007). Consumer behavior is regular researchable phenomena.

Relationship between customer satisfaction and service quality is very critical in service sector like banking. In case of banking sector, clients are attracted by high quality services. Moreover, advancement in technology helps banking sector to upgrade their service quality (example: ATM, Online Banking, Mobile Banking, and Visa card). The point is that clients are satisfied and loyal to those products which have a greater value as compared to those of competitors'. Thus, banks can earn higher profit if they are one step ahead of their competitors in terms of services provided by them. For this reason, every banking institution should focus on service quality so as to satisfy customer and retain customer loyalty.

In the present competitive banking environment, Nepalese banks are trying to provide more facilities to their customers. Office infrastructure, location, technological services, employee's efficiency and customer handling behavior are determinants of customer satisfaction. These factors are improving by the banking sector to attract and retain their customers. Are banking sector customers satisfied by their service practices or not? Is there regular improvement in service quality dimensions of banking sector? Is there association between banking service quality and customer satisfaction? These are research questions for this study. This study has purposed to show the relationship between service quality dimensions and customer satisfaction as well as to analyze the impact of service quality dimensions on customer satisfaction in Nepalese banking industry. Prior study in Tanzania found that service quality has positive-significant impact on customers' satisfaction in Tanzania Islamic banks (Khamis & Rashid, 2018).

2. Literature review

2.1 Service quality

Service quality is a measure of how well the service level delivered matches customer expectations. Delivering quality service means conforming to customer expectations on a consistent basis (Lewis, 1991). Kotler and Armstrong, (2006) have defined the term service quality as the ability of a service firm to hang on to its customer. Furthermore, in their opinion customer retention is the best measure of service quality. The foundation of defining and measuring service quality was established by Gronroos (1984) and Parasuraman et al. (1985). Gronroos, (1984) has suggested that the quality of service as perceived by the customer has two dimensions i.e., technical or outcome dimension and the function of process related dimensions. Parasuraman et al., (1985) have defined service quality as the delivery of excellent or superior service relative to customer expectation. They argued that the customer's perception of service quality offering is a function of ten dimensions categorized as access, communication, competence, credibility, courtesy, reliability, responsiveness, security, tangibles and understanding/knowing customers and suggested SERVQUAL (a service quality measurement tool).

SERVQUAL model: According to the SERVQUAL model by Parasuraman, Zeithaml and Berry, (1988), service quality can be measured by identifying the gaps between customers' expectations of the service to be rendered and their perceptions of the actual performance of the service. That is customer satisfaction gap = Customer expectation of the service – actual service delivered. SERVQUAL is based on five dimensions of service quality (Parasuraman, Berry, & Zeithaml, 1988). Tangibles: the physical surroundings represented by objects i.e., interior design and the appearance of employees. Reliability: the service provider's ability to provide accurate and reliable services. Responsiveness: a firm's willingness to assist its customers by providing fast and efficient service performances. Assurance: knowledge and politeness of employees and their ability to inspire trust and confidence. Empathy: Caring and individualized attention that the firm provides to its customers.

SERVPERF model: Cronin and Taylor, (1992) have studied on measuring service quality: a reexamination and extension. In their empirical work disproved the SERVQUAL model framework (Perceived minus expected service) of Parasuraman et al

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(1985, 1988) with respect to conceptualization and measurement of service quality, and propounded a performance-based measure of service quality called 'SERVPERF' illustrating that service quality was a form of consumer attitude. They argued that SERVPERF was an enhanced means of measuring the service quality construct. The SERVPERF model has same five dimensions as SERVQUAL model to measure the performance of service quality for customer satisfaction but it has focused in measures service quality by using the perceptions of customers. Cronin and Taylor, (1992) argued that only perception was sufficient for measuring service quality and expectations should not be included as suggested by SERVQUAL (Parssuraman, Berry, & Zeithaml, 1988). In this study, the SERVPERF scale is used to measure to service quality in banking Industry. Many studies have been conducted by adopting the SERVPERF model as better and effective model to measure the performance of service quality for customer satisfaction (Cronin & Taylor, 1992; Gyawali & Kunwar, 2014).

2.2 Customer Satisfaction

Customers are stakeholders of every organization who provide payment in exchange for offerings provided by the organization with the objective of fulfilling their needs and to maximize satisfaction. Customers want maximum value (satisfaction) against their payment of money. So they use high effort to seek and select supreme products and services. Satisfaction can also be a person's feelings of pleasure or disappointment that results from comparing a product's perceived performance or outcome with their expectations (Kotler & Keller, 2012). Customer satisfaction is defined as "the individual's perception of the performance of the products or services in relation to his or her expectations" (Schiffman & Kanuk, 2004, p. 14). The confirmation or disconfirmation of pre-consumption expectations is the essential determinant of satisfaction (Cronin & Taylor, 1992). Many researchers have observed that satisfaction is a sense of feeling which comes from a procedure of interpreting and judging what is received as a result of expectation as an inclusion of wishes and requirements coupled with the purchase and purchase choice (Bharwana, Bashir, & Mohsin, 2013). Customer satisfaction plays a major role in customer loyalty, but it does not always guarantee customer loyalty. Therefore, the business should focus on enhancing customer perceptions of service quality, satisfaction, perceived value, and corporate image (Hua, Kandampully, & Juwaheer, 2009).

2.3 Service Quality and Customer Satisfaction

Satisfied customers are also likely to tell others of their favorable experiences and thus engage in positive word-of-mouth advertising (File & Prince, 1992). Strong positive linkages have been apparent between service quality dimensions and overall customer satisfaction (Anderson & Sullivan, 1993). Customer satisfaction is widely recognized as a key influencing factor in the formation of consumers' future purchase intentions (Taylor & Baker, 1994). High service quality and customer satisfaction often result in more repeat purchases and market share improvements (Buzzell & Gale, 1997).

An Empirical studies conducted by (Mosahab, Mahamad, & Ramayah, 2010) in Tehran, Iran found out that customer expectations are always higher and service offered by banking is low as well as customer satisfaction can play role of mediator that bridges gap between service quality and customer loyalty. In Bangladesh, service quality was positively related to customer satisfactions in banking sector (Siddiqi, 2011). Satisfaction is the post purchase evaluation of products or services taking into consideration the expectations of customers and product or service quality has associated with feelings of acceptance, happiness, relief, excitement, and delight of users. This means that customers have a certain predicted product performance in mind prior to consumption. During consumption, customers understand the product or service performance/quality (Kotler & Keller, 2012). There was positive and significant relationship between customers' satisfaction and banking service quality in Nepalese commercial banks (Gyawali & Kunwar, 2014). In Jordan and Hong Kong, service quality dimensions have positive effect on customer satisfaction while looking at banking sector. Similarly, in Jordan researchers found that service quality dimension is important instrument to measure customer satisfaction in banking sector (Al-Azzam, 2015). Service quality and customer satisfaction have been emphasized by the banking sector all over the world including Nepal. A study in Tanzania found that service quality has significant positive impact on customers' satisfaction in Tanzania Islamic banks (Khamis & Rashid, 2018). A study on measuring service quality and customer satisfaction: empirical evidence from Nepalese commercial banking undertakings revealed that all the service quality dimensions (i.e., tangibles, reliability, responsiveness, assurance and empathy) were important for forming service quality and customer satisfaction of commercial banks in Nepal and Customer satisfaction is highly affected by service quality dimensions (Koirala & Shrestha, 2012). Sulieman (2013) has conducted a study on 'Basic dimensions of SERVQUAL Model and

its impact on level of customer satisfaction.’ The result of the study revealed that there is statistically significant positive impact of the basic dimensions of the SERVQUAL model on customer satisfaction. It is significant to note that five of the constructs; Tangibles, Reliability, Assurance, Empathy and Price from the direct relationship emerged as the dimensions of retail bank service quality that positively and significantly predicted customer satisfaction (Narteh, 2016). A study conducted in Irbid city, Jordan, revealed that higher the service quality, more the customer’s satisfaction as well as five factors of service quality i.e. tangibles, reliability, responsiveness, empathy and security have positively affected the customer satisfaction (Kant & Jaiswal, 2017).

A study on tangibility and assurance as predictors of customer loyalty in Nepalese banks confirmed that, all independent variables; tangibility, assurance, empathy, responsiveness and reliability were positively correlated to customer loyalty furthermore; assurance, tangibility and responsiveness have statistically significant positive impact on customer loyalty (Pradhan & Shrestha, 2017). Responsiveness was found to be the most significant predictor of customer satisfaction. On the other hand, Image/Corporate image has a positive but the least significant relationship with customer satisfaction followed by all constructs. The variable Reliability was insignificantly related to customer satisfaction in Indian public sector banks (Al-Hashedi & Abkar, 2017). Khamis and Rashid (2018) have conducted a study on Service quality and customer’s satisfaction in Tanzania’s Islamic banks. The result of the study revealed that customers are satisfied with the Islamic banking services provided by Tanzania banks. However, it has been found that customers are attracted by compliance, tangibility and reliability of the banks. The findings further indicate a significant relationship between service quality and customers’ satisfaction. Empathy, compliance and reliability were found to be the only significant predictors of customers’ satisfaction. The service quality dimensions of tangibles, responsiveness, reliability, assurance and empathy influence the customers overall satisfaction. The tangibility dimension has been found to be the most influential predictor of customer satisfaction, whereas empathy dimension was the least influencing factor with customer satisfaction (Ray, 2018).

2.4 Research Hypothesis

Empirical evidence on the relationship between service quality and customer satisfaction indicate that there is a positive significant relationship between service

quality and customer satisfaction in Islamic banks (Raza & Hassan, 2015). Similar studies found positive significant relationship between customers' satisfaction and service quality dimensions, such as compliance, assurance, reliability, tangibles empathy and responsiveness (Gyawali & Kunwar, 2014). Prior study in Tanzania found that service quality has positive–significant impact on customers' satisfaction in Tanzania Islamic banks (Khamis & Rashid, 2018). Based on the empirical evidence, hypotheses of this study have been formulated as follows:

H₁: There is positive relationship between banking service quality dimensions and customers' satisfaction.

H₂: Banking service quality dimensions (TAN, REL, RES, ASS & EMP) has positive impact on customers' satisfaction.

3. Research methodology

This study is based on positivist philosophy and descriptive research design. Primary data has been collected from 327 bank customers of three commercial banks; Nabil Bank Ltd., Rastriya Banijya Bank Ltd. and Global IME Bank Ltd. operating in Kailali district of Nepal using five point Likert-scale questionnaire (1=strongly disagree to 5= strongly agree). The pre-tested SERVPERF questionnaire was taken from (Kant & Jaiswal, 2017) for primary data collection. For an easy understanding and reading, the questionnaire was designed into two languages: English (For those who can understand easily- used for online data collection) and Nepali (for those who have difficulty to interpret English- used for direct field visit). 300 questionnaires (in English language) were distributed via email and messenger, out of them 96 questionnaires were returned back through online survey (response rate was 32 percent) and rest 231 (in Nepali language) were collected through field survey by directly visiting respondents at selected commercial banks, office/work place of respondents and business houses in different location of Kailali district. Data have been analyzed by using correlation analysis, and multiple regression analysis. Pearson's correlation coefficient (r) was used to analyze the relationship between dependent and independent variables. Multiple regressions analysis was used to determine the impact of independent variables on dependent variables.

3.1 Research Framework of the Study

The research framework for this study has been drawn as figure 1;

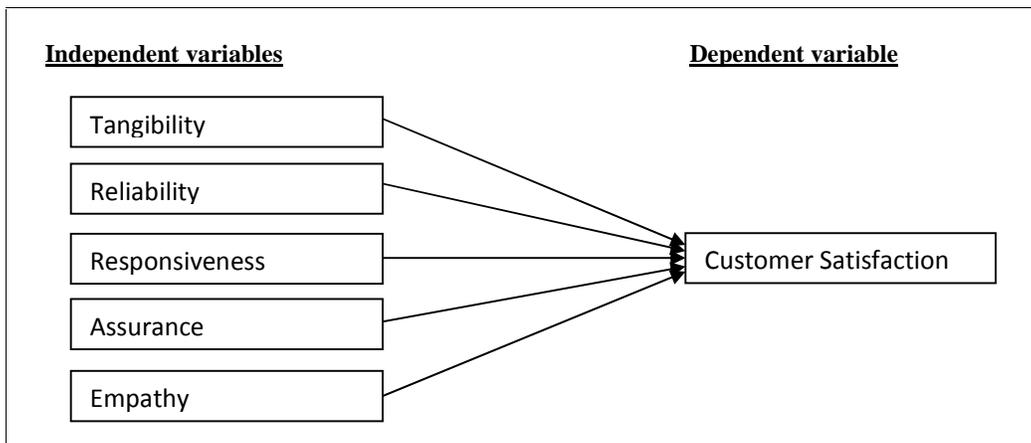


Figure 1: Research framework describing the relationship between service quality dimensions and customer's satisfaction

The model to estimate the impact of service quality on customer satisfaction in parametric form has been defined as follows:

$$CS = \beta_0 + \beta_1 TAN + \beta_2 REL + \beta_3 RES + \beta_4 ASS + \beta_5 EMP + \dots$$

Where,

CS is customer satisfaction, β_0 is constant, β_1 , β_2 , β_3 , β_4 and β_5 are slope coefficients of independent variables, TAN is tangibility, REL is reliability, RES is responsiveness, ASS is assurance, EMP is empathy and \dots is errors in regression model.

3.2 Reliability Test Analysis

Reliability analysis refers to the analysis of the instrument designed to collect the data for the research. It determines whether the scale consistently reflects the construct it is measuring or not. Cronbach, in 1951 introduced a measure that is a common measure in reliability analysis which is commonly known as Cronbach's alpha. It is an estimate of internal consistency associated with scores of every item. The general rule of thumb is that a Cronbach's alpha of .70 and above is good, .80 and above is better, and .90 and above is best. According to George and Mallery (2009), the value of Cronbach alpha should be more than 0.7 for the reliability of the questionnaire. To find the reliability of collected data, the data has been entered in SPSS 20 and Cronbach's alpha test has been

computed for all Likert scale questionnaire. While testing the reliability of the data, the Cronbach's alpha score is 0.927 for 24 items (both dependent and independent variables). Item wise alpha score of five service quality dimensions are all above the acceptable value 0.7 as given in table 1.

Table 1: *Reliability Statistics*

Variables	No. of Items	Cronbach's Alpha
Tangibility	4	0.732
Reliability	4	0.747
Responsiveness	4	0.771
Assurance	4	0.702
Empathy	4	0.824
Customer Satisfaction	4	0.833
Overall Reliability	24	0.927

Source: Field Survey and SPSS calculation

According to Table 1, overall construct reliability is 0.927 or higher than generally accepted value (score) of 0.7. All the items have values of Cronbach's alpha higher than 0.7. So, it can be conclude that scale designed to measure dependent and independent variables has collected reliable data for the research and further analysis can be done.

3.3 Test for Multicollinearity

Multicollinearity is the high correlation among independent variables in a multiple regression model. If the degree of correlation between variables is very high, it can cause problems in model fit and interpret the results and it undermines the statistical significance of an independent variable. The variance inflation factor (VIF) identifies correlation between independent variables and the strength of that correlation. So, it is used to test the Multicollinearity. If the variance inflation factor (VIF) is in between 1 and 10, and Tolerance is in between 0.1 and 1.0 inclusively to have no Multicollinearity effect in the regression analysis (Pallant, 2001).

Table 2: Multicollinearity Statistics

Independent Variables	Collinearity Statistics	
	Tolerance	VIF
Tangibility	0.645	1.549
Reliability	0.481	2.08
Responsiveness	0.431	2.319
Assurance	0.512	1.953
Empathy	0.632	1.583

Source: Field Survey and SPSS calculation (Dependent Variable: Customer Satisfaction)

As presented in table 2, the relatively small value of Variance Inflation Factor (VIF less than 10) and Tolerance (less than 1) shows that these independent variables are not closely related to each other so there is no Multicollinearity.

4. Results and discussion

4.1 Correlation analysis

Correlation analysis has been conducted to examine the relationship/association between the dependent variable (Customer satisfaction) and independent variables (Tangibility, Reliability, Responsiveness, Assurance and Empathy). The range of correlation coefficient (r) is between -1 to +1. The zero (0) value of correlation coefficient (r) depicts the no relationship/association between two variables, correlation coefficient (r) closer to -1 depicts the negative relationship and correlation coefficient (r) closer to +1 depicts positive relationship (Asuero, Sayago, & Gonzalez, 2006). There is a rule of thumb for interpreting the strength of a relationship based on its r value as given in the table 3.

Table 3: Strength of Relationship Based on its 'r' Value

Absolute Value of 'r'	Strength of Relationship
0.9 to 1.0	Very high correlation
0.7 to 0.89	High correlation

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0.50 to 0.69	Moderate correlation
0.30 to 0.49	Low Correlation
0.00 to 0.29	Little if any correlation

Source: (Asuero, Sayago, & Gonzalez, 2006)

Table 4: *Correlation between Service Quality Dimensions and Customer Satisfaction*

	TAN	REL	RES	ASS	EMP	CS
TAN	1					
REL	.493**	1				
RES	.523**	.657**	1			
ASS	.523**	.584**	.634**	1		
EMP	.389**	.538**	.550**	.470**	1	
CS	.484**	.624**	.677**	.657**	.586**	1
N	327	327	327	327	327	327

** Correlation is significant at the 0.01 level (2-tailed). (*Source: Field Survey and SPSS calculation*)

Pearson's correlation was computed to show the relationship/association between the independent variable i.e. service quality and dependent variable i.e. customer satisfaction. It is presented in Table 4.9. The result indicates that, there is statistically significant positive relationship or, association between dependent and independent variables. Tangibility and customer satisfaction has weak but statistically significant positive relationship [$r(325) = .484, p < .01$]. Reliability and customer satisfaction [$r(325) = .624, p < .01$], responsiveness and customer satisfaction [$r(325) = .677, p < .01$], assurance and customer satisfaction [$r(325) = .657, p < .01$] and empathy and customer satisfaction [$r(325) = .586, p < .01$]. The findings of correlation further indicate that, there is highest correlation or, association between responsiveness and customer satisfaction [$r(325) = .677, p < .01$] than other variables and weak correlation or, association between tangibility and customer satisfaction [$r(325) = .484, p < .01$].

Hence, the Pearson correlation coefficient (2-tailed) r - value greater than 0.5 and less than 0.7 ($r > 0.5 < 0.7$), the dependent variable (CS) has moderately strong relationship with independent variables (REL, RES, ASS, EMP) except tangibility (TAN). Tangibility (TAN) and customer satisfaction (CS) has low but statistically significant positive relationship [$r(325) = .484, p < 0.01$].

Developed hypothesis related to relationship/association between dependent variable customer satisfaction and independent variables tangibility, reliability, responsiveness, assurance and empathy (H_1 ; ; There is positive relationship/association between Banking service quality dimensions and customers' satisfaction) is supported. So, it can be concluded that there is statistically significant positive association between banking service quality of Nepalese commercial bank and customer satisfaction. Nepalese commercial banks can increase their customer's satisfaction levels by increasing/improving their service quality dimensions, i.e. tangibility, reliability, responsiveness, assurance and empathy.

4.2 Regression analysis

The multiple regression equation/model of this study is built around two sets of variables, namely dependent variable (customer satisfaction) and independent variables (tangibility, reliability, responsiveness, assurance and empathy) for overall banking industry of Nepal. The regression analysis is used to find the impact of overall commercial banking service quality on customer satisfaction and develop the regression equation/model.

Table 5 provides the value of R and R^2 (R squared) along with standard error of estimate. The R value represents the simple correlation and is .775 (the ' R ' Column), which indicates a high degree of correlation. The R^2 value (the ' R Square' column) indicates how much of the total variation in the dependent variable, can be explained by the independent variable. $R^2 = .601$ means, all the predictors/independent variables (Tangibility, Reliability, Responsiveness, Assurance and Empathy) explain 60.1 percent of the variation in dependent variable (Customer satisfaction).

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
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1 0.775 0.601 0.595 0.37429

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

Dependent Variable: Customer Satisfaction

Table 6: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	67.835	5	13.567	96.845	0.000
	Residual	44.969	321	0.14		
	Total	112.804	326			

Dependent Variable: Customer Satisfaction

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

The output of table 6 determines whether or not the model is a significant predictor of the dependent variable (Customer satisfaction). This is tested using Analysis of Variance. As the significance value is less than .05 ($p = .000$), it can be said that the regression model significantly predicts dependent variable. ANOVA table of multiple regressions showed $F(5, 321) = 96.845$, $p < .01$, indicating at least one of predictor's slope coefficients is statistically significant. This indicates that the overall model is reasonable fit and there is a statistically significant impact of the service quality dimensions (TAN, REL, RES, ASS & EMP) on customer satisfaction (CS) in the Nepalese banking industry. Table 7 displays the extent to which the individual predictor variables contribute to the model. It shows the unstandardized and standardized beta coefficients. They predict a change in the independent variables (Banking service quality dimensions), would produce an effect on the dependent variable (customer satisfaction).

Table 7: Regression Coefficients

Model	Variables	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.883	0.168		5.252	0.000
	Tangibility	0.045	0.045	0.044	0.997	0.320
	Reliability	0.128	0.042	0.154	3.035	0.003
	Responsiveness	0.209	0.043	0.258	4.812	0.000
	Assurance	0.284	0.05	0.281	5.699	0.000
	Empathy	0.169	0.035	0.212	4.793	0.000

Dependent Variable: Customer Satisfaction

From the regression analysis, it is determined that service quality dimensions (Reliability with $\beta = 0.128$, $p < 0.01$, Responsiveness $\beta = 0.209$, $p < 0.01$, Assurance $\beta = 0.284$, $p < 0.01$ and Empathy $\beta = 0.169$, $p < 0.01$) are statistically significant and positive impact on customer satisfaction except Tangibility. The developed hypothesis related to impact of service quality dimensions on customer satisfaction (**H₂**; Banking service quality dimensions (TAN, REL, RES, ASS & EMP) has positive impact on customers' satisfaction is supported except one variable tangibility (TAN). Tangibility has statistically insignificant positive impact on customer satisfaction. Since, the significant value (p-value) greater than 0.05 ($\beta = 0.045$, $p = 0.320$), tangibility has positive but statistically insignificant impact on customer satisfaction. This result indicates that higher the service quality, higher will be the level of customer satisfaction. In terms of each coefficient, Assurance has highest impact on customer satisfaction. If one unit increases in Assurance (ASS), customer satisfaction will increase by 0.284 units when the linear effect of other variables is controlled (or holding all other independent variables constant). Next most influencing factor is Responsiveness. It leads the changes in customer satisfaction by 0.209 positively. If one unit increases in Responsiveness (RES), customer satisfaction will increase by 0.209 units holding all other independent variables constant. Likewise, Empathy (EMP) and Reliability (REL) influence the customer

satisfaction by 0.169 and 0.128 respectively. Tangibility is least influencing insignificant predictor, if one unit increases in Tangibility (TAN), customer satisfaction will increase by 0.045 units holding all other independent variables constant.

The standardized beta weights of table 7 indicate that Assurance has highest impact on customer satisfaction. An increase of one standard deviation in Assurance (ASS), customer satisfaction (CS) results an increases by 0.281 standard deviation holding other predictors constant. Responsiveness (RES), Empathy (EMP) and Reliability (REL) has 0.258, 0.212 and 0.154 influence on customer satisfaction (CS) respectively by keeping all other predictors constant. Tangibility is least influencing insignificant predictor, if one standard deviation increases in Tangibility (TAN), customer satisfaction will increase by 0.044 standard deviation holding all other predictors constant.

A Multiple linear regression was performed using SPSS-20 in order to predict the impact of independent variables (TAN, REL, RES, ASS & EMP) on dependent variable (CS). A significant regression model was found [F (5, 321) = 96.845, $p < 0.01$], with R^2 of .601 as;

$$CS = \beta_0 + \beta_1 REL + \beta_2 RES + \beta_3 ASS + \beta_4 EMP + \dots$$

$$\text{Or, } CS = 0.883 + 0.128 * REL + 0.209 * RES + 0.284 * ASS + 0.169 * EMP + \dots$$

Where,

CS is customer satisfaction, β_1 , β_2 , β_3 and β_4 are slope coefficients of independent variables, REL is reliability, RES is responsiveness, ASS is assurance, EMP is empathy and ϵ is errors in regression model.

5. Discussion of the results

The Pearson's correlation result of this study revealed that, there is statistically significant positive association between overall banking service quality of Nepalese commercial banks and customer satisfaction. Hence, banks can increase their customer's satisfaction levels by improving their service quality. This result is consistent with Siddiqi, (2011); Koirala and Shrestha, (2012); Sulieman, (2013); Gyawali and Kunwar, (2014); Al-Azzam, (2015); Narteh, (2016). It is also supported by the theory of customer satisfaction; higher level service quality leads the higher customer satisfaction, Strong

positive linkages have been apparent between service quality dimensions and overall customer satisfaction (Anderson & Sullivan, 1993).

According to the regression result of this study, service quality dimensions have statistically significant positive impact on customer satisfaction with reference to corporate Nepalese commercial banks. Assurance is most significant positively influencing predictor of customer satisfaction then followed by responsiveness, empathy and reliability. Tangibility is statistically insignificant predictor. So, tangibility has no influence on customer satisfaction of Nepalese commercial banks operating in Kailali district. Bank customers of Kailali, do not focus their attention on physical appearance of the bank. They perceived the quality as service provided by their bank. Therefore, tangibility is insignificant predictor in Nepalese context. This result is consistent with the result of the study by Al-Hashedi and Abkar, (2017); Khamis and Rashid, (2018). This result is contrary with Ray, (2018). In his study tangibility was most significant predictor of customer satisfaction. Further more, tangibility was positively significant predictor of customer satisfaction according to the study of Siddiqi, (2011); Koirala and Shrestha, (2012); Sulieman, (2013); Gyawali and Kunwar, (2014); Al-Azzam, (2015); Narteh, (2016).

6. Conclusion

This study was conducted to examine relationship between banking service quality dimensions and customer satisfaction in Nepalese commercial banks as well as to predict the impact of service quality dimensions on customer satisfaction. Large number similar studies have been conducted in India, Pakistan, Bangladesh, and American and European countries. In Nepal, few studies have conducted in this field. This study has reviewed prior literature and established a base for examining customer satisfaction. The hypotheses presented in this study are tested and findings are presented. The findings of this study revealed that service quality dimensions such as reliability, responsiveness, empathy and assurance have statistically significant positive impact on customer satisfaction but tangibility has no any impact on customer satisfaction in Nepalese commercial banks. It means higher the service quality helps to increase the customer satisfaction. Some service quality dimensions have seemed highly influencing the customer satisfaction whereas some dimensions have the lower influence on customer satisfaction. The factors which have higher influence on customer satisfaction are the

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major concern area for the banks and there is need to pay more attention to increase customer satisfaction.

All the objectives of this study were accomplished during the study work. Main objective was to recognize the major factors that have an impact in customer satisfactions. In this regard, finding exhibit that service quality dimensions such as reliability, responsiveness, empathy and assurance are the most important factors that have an impact on customer satisfaction. Assurance is most significant positively influencing predictor of customer satisfaction then followed by responsiveness, empathy and reliability. Tangibility is statistically insignificant predictor. According the result of this study, Nepalese banking industry can improve their customer satisfaction by keeping regular attention on inspiring trust and confidence in employee while delivering services.

7. Implications of the study

This study will useful in the field of service marketing and understanding customer satisfaction in Nepalese context. It also provides insight to commercial banks manager to understand customer needs and wants in changing environments as well as facilities the higher level employees to take appropriate decisions for improving their business activities towards managing service quality. A practical implication of this study results is that it has provided critical issues for bank managers to focus on their customer's satisfaction in order to compete favorably in the Nepalese banking industry. Bank managers must focus and communicate their service quality in terms of reliability, responsiveness, assurance and empathy in order to meet customer's expectation, satisfaction and retention. This study can suggest innovative ways to improve service quality to satisfy the customers and revise the current services provided by the banks, if necessary. Future researchers of similar field can use this study as a reference.

8. Limitations of the study

This study has focused on service quality dimensions and their impact on customer satisfaction in Nepalese commercial banks. This study did not cover the association between customer satisfaction and customer loyalty. Future researchers can conduct their study focusing on customer's satisfaction and loyalty. Effect of demographic variables on satisfaction is also unanswered in this study so, further study can be done including moderating effect of demographic variables like, age, gender,

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education, occupation and others. Similar study can be conducted in the area of other service sector i.e., education, hotel, hospital, transportation, insurance, communication etc. to measure customer satisfaction.

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