

# Banking Service and Customer Satisfaction Towards Online Banking: A Case Study in Khotang District

Harka Bir Rai  
Reader, Diktel Multiple Campus  
harka386@gmail.com

## Abstract

*The purpose of the study is to investigate the online banking user customers' perception about service quality and customer satisfaction and to explore the relationship between service quality and customer satisfaction of online banking. To conduct the analysis, 70 customers were randomly selected as respondents from five banks located in Khotang district. The questionnaire consisted of 21 questions covering five dimensions of service quality, namely, reliability, security, convenience, and ease of use. Customer satisfaction was measured using the Likert scale. The SPSS descriptive statistics result shows that 28.86% of respondents were found fully satisfied with the reliability service of online banking service. Similarly, 46.69%, 49.06%, and 36.79% were found fully satisfied with the security, convenience and ease of use of online banking services. SPSS data analysis results in a Cronch Bach Alpha calculation of 0.956, indicating excellent reliability. Security, Convenience, and Ease of Use also demonstrate excellent reliability with Cronch Bach Alpha scores of 0.996, 0.935, and 0.989, respectively. The reliability analysis shows that the customer's satisfaction with online banking is excellent. Also, the hypothesis testing Reliability, Security, Convenience and Ease of Use has a relationship with customer satisfaction toward online banking.*

**Keywords:** Online Banking, Customer Satisfaction, Reliability, Security, Ease to Use, Convenience

## Introduction

E-banking is the use of electronic means to deliver banking services using Internet services. The term is also used to refer to Automatic Teller Machine (ATM), telephone banking, mobile phone banking and electronic funds transfers. E-banking offers Electronic Fund Transfers (EFT), Utility payments, Balance Inquiry, Viewing the Mini Statement and Cheque Book Request, Balance inquiry, Balance Transfer etc. Ongkasuwan and Tantichattanon (2002) further define Internet banking service as a banking service that allows customers to access and perform financial transactions on their bank accounts from their web-enabled computers with Internet connection to banks' websites any time they wish. E-banking services first started in the early 1990s, when telephone banking services, credit card and ATM were three major applications. During the last decade, databases, information systems and other technologies have been applied to banking services at different levels.

Especially, in the present era, with the emergence of the internet as a major channel of service delivery, the need for a scale to measure the service quality in electronic media of services was felt strongly. Customer satisfaction is a measure of how products and services supplied by a company meet or surpass customer expectations. In other words, customer

satisfaction refers to the extent to which customers are happy with the products and/or services provided by a business.

Customer satisfaction in the banking industry plays a vital role in creating a healthy business status, being a service-based industry. In any service-based industry customer service is the highest priority. The well-trained manpower and use of high-level electronic means only can provide better service to the user. In this connection, it is necessary to investigate customer satisfaction of internet banking services in various aspects. (Lamsal, B. P. (2022).

In this case study, I have tried to analyse the online banking services provided by the branch offices of the Jyoti Bikash Bank, Prabhu Bank, Nabil Bank, Rashtriya Banizya Bank and Nepal Bank Limited in Khotang District. It is better to know whether the customers who are using such internet, mobile or online banking services are satisfied or not.

## **Statement of the Problem**

E-banking services allow customers to access online statements, make transactions, withdraw cash, track personal banking activities, and reduce queues in the banking hall (John & Rotimi, 2014).

In the present situation, the Nepalese Banking business and services are topmost competition. They are introducing new products and services for customers. Customer satisfaction is the key points of a business strategy. Banks are making customer satisfaction-oriented strategies to capture the banking business (Teece, 2010). This present study focuses on examining the influencing factors of whether customers are satisfied or not with online banking services in Nepal, Khotang district. Some research questions raise the study are:

1. What are the facilities under E-banking provided by the Nepalese Private/government Commercial Bank?
2. Are the different customers satisfied with the different aspects of internet/ online banking facilities of commercial and development banks?

## **Objectives of the Study**

The objectives of the study are to find out the Internet banking facilities introduced and provided by the different banks and the customers' satisfaction in different aspects of Khotang district. The study's primary goal is to measure customer satisfaction levels in many aspects of online banking. They are Security, the main points are User Friendly, Fund Transfer, Online Bill Pay, E-Statement, decreased cost of transactions, Providing knowledge of the System etc. This study aims to analyze customer feedback and to find out how Nepalese internet banks' customers behave.

1. To analyze the facilities provided by Nepalese Private Commercial as well as Development Banks, and Bank under E-Banking services in Khotang district.
2. To investigate the impact of e-banking service delivery on customer satisfaction in Nepalese Private Commercial and Development Bank in Khotang district.

## Literature Review

### Electronic Banking Services Available in Khotang District

The following banks are providing electronic banking services to the customers.

1. Rashtriya Banizya Bank (RBB)
2. Nepal Bank Limited (NBL)
3. Prabhu Bank
4. Nabil Bank Limited
5. Jyoti Bikash Bank (JBBL)

The following electronic banking services are provided by different commercial and development banks in Khotang district.

1. Automated Teller Machine
2. Electronic Fund Transfer (EFT)
3. Internet banking,
4. Mobile Banking,
5. Debit Card Service and Credit Card Service.
6. Online Bill Payments

Many more studies have been conducted about online electronic banking services and customer satisfaction in different countries by many researchers. The Topics of the research, researchers, and findings/ abstract of the study in different periods are presented below.

Jenkins (2007) conducted a study to test small Islands among a few populations, the users of Internet banking and the banking services provided by domestic commercial banks. It was found that the domestic commercial banks are in the process of delivering better services of online banking as a result the foreign branches of banks were found losing their customers.

Nupur (2010) analysed the relationship between E-Banking and customer satisfaction in Bangladesh. The study found that internet/ online banking services can provide more speedy, more reliable and faster services to the users and they were found satisfied. Also, the study found that these above are the key factors for providing better service delivery for customer satisfaction.

Ahmad et al. (2011) examined of System of E-banking and customer satisfaction Study of Jourdan Commercial Banks and the study marked that accessibility, convenience, security, privacy, content, speed, and fees had a positive effect on Jordanian Commercial Bank customers' satisfaction.

Kadir et al. (2011) examined the service quality and customer satisfaction from online banking and ATM services in Malaysia. The findings where the banks should improve their service delivery in different aspects for customer satisfaction.

Sakhaei et al. (2014) studied customer satisfaction by the service quality of E-banking services. This study evaluated the influence of service quality on customer satisfaction in Internet Banking. The study found that the least relation to customer satisfaction is website design and the most relation is reliability among the six service quality aspects.

Ling et al. (2016) studied the Case Study in Malacca, to understand customer satisfaction of internet banking. The findings were that there is a close relationship between customer satisfaction by E-banking and web design, content, convenience and speed.

Simon et al. (2016) examined the Effect of electronic banking on customer satisfaction in sampled commercial banks, in Kenya. The study found that there are highly satisfied customers with clear mobile banking. Then point of sale system while internet banking had the least effect on customer satisfaction.

Hammoud et al. (2018) studied the impact of e-banking service quality on customer satisfaction: Evidence from the Lebanese banking sector. The findings show that reliability, efficiency, ease of use, responsiveness and communication; and security and privacy all have a significant impact on customer satisfaction, with reliability being the dimension with the strongest impact.

Shrestha (2019) studied the Customer Satisfaction with E-banking Services of Private Commercial Banks in Nepal. This study identified that the e-banking attributes, accessibility, reliability, convenience and security influence the customer to use the e-banking service through satisfaction. In addition, the research findings help the banks in re-drafting/re-considering their managerial strategies as to how to get better performance to increase the customer satisfaction level.

Lamsal (2022) examined Internet Banking Services and Customer Satisfaction in Nawalpur District. The study found that In Nawalparasi District there is a positive impact on service delivery and customer satisfaction of Internet banking.

The study of many kinds of literature on customer satisfaction with Internet banking security, Accessibility, Customer friendly, convenience and reliability are the independent variables which directly affect customer satisfaction. Therefore, recent studies and literature reviews show that there are many studies on customer satisfaction with the quality of Internet banking services quality of banks.

## **Research Methodology**

The primary data are the main sources of the study. The questionnaire was used to gather information about customer satisfaction in commercial as well as Development bank banks of Nepal online banking systems in Khotang District. The study was conducted to examine the impact of Internet banking on customer satisfaction. Customers using Internet banking services of different banks in Khotang are the population for the study. I made 21 multiple-choice questionnaires. The questionnaire was distributed to 110 respondents, but it was returned by 70 customers from the chosen sample of respondents of Khotang District were collected to analyze. The five options of the questions are Strongly Disagree, Disagree, Neutral, Agree and Strongly Agree. This study is based on primary data which were accumulated on accessibility, convenience, service security and customer satisfaction. Descriptive and Inferential statistics were applied for the data interpretation. Cronbach's Alpha was used to test validity and reliability. The reliability scale for measuring satisfaction by Chronch Bach Alpha Above 0.90 is Excellent, 0.80-0.90 is good, 0.70-0.80 is Acceptable, 0.60-0.70 is Questionable,

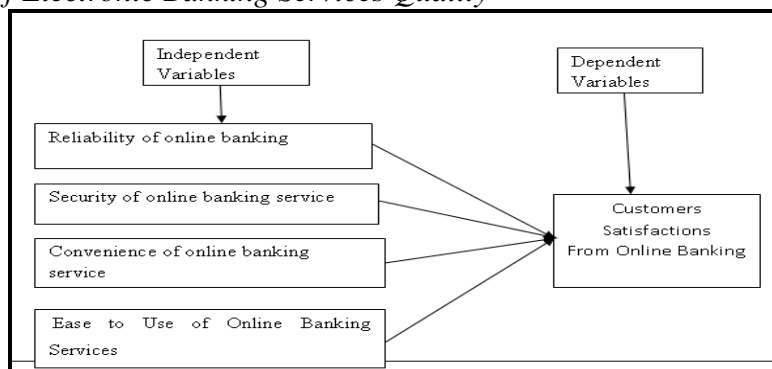
0.50-0.60 Poor and less than 0.50 is Unacceptable. Also, four hypotheses are formulated and tested.

## Conceptual Framework for the Study

In this study, based on a thorough review of literature, the conceptual model is presented in Figure 1.

**Figure 1**

*Dimensions of Electronic Banking Services Quality*



The study model is to test customers' satisfaction with online banking and different aspects of service delivery. Customer satisfaction is a function of reliability, Security, Convenience and Ease of Use.

1. The theoretical statement is structured as follows:

$$Y = f(RL, SC, CV, EU)$$

Y = Customer satisfaction

RL = Reliability of online banking

SC = Security of Online Banking

CV = Convenience of Online Banking

EU = Ease to Use of Online Banking Services

## Formulation of Hypothesis

**H1:** Reliability has a relationship on customer satisfaction toward online banking.

The measure for this factor consists of the bank providing free transactions, customer service over the telephone when needed, contents of the website being up to date and the website providing all details of products and service.

**H2:** Security has a relationship on customer satisfaction toward online banking.

The measure for this factor consists of the: Online banking services suggest strong passwords, always recommend changing new passwords from time to time for security, collect the information of customers carefully, send the alert message after the transaction, transaction on banks website is confidential and blocks the online banking when the password is wrong.

**H3:** Convenience has a relationship on customer satisfaction toward online banking.

The measure for this factor consists of: Online banking system can be used any time anywhere, It reduces the transaction cost, easy fund transfer, free from cash carry, Online bill payment and customer complaints can be solved online.

**H4:** Ease to use has a relationship on customer satisfaction toward online banking.

The measure for this factor consists of the: Online banking services are very simple, E-banking service performs service immediately. It is easy for you to become skillful at using Electronic Banking and you can carry out E-banking services anywhere.

## Result and Findings

### Analysis of Personal Information Section

**Table 1**

*Analysis of Occupation Status of Respondents*

Occupations	Business	Teaching	Government Offices	NGO/INGO	Students	Non	Total
Number of Respondents	12	28	8	4	12	6	<b>70</b>
Percentage	17.14%	40%	11.42%	5.71%	17.14%	8.57%	<b>100%</b>

Sources: Survey Questionnaire 2023

From the above Table No. 1, out of the total respondents, 17.14% were found Businessman. Similarly, 40%, 11.42%, 5.71%, 17.14%, and 8.57% were Teachers, government employees, GO/INGO, students and not involved in any occupations.

**Table 2**

*Education Status of the Respondents*

Education Level	+2	Bachelor	Master	Total
Number of Respondents	37	27	6	70
Percentage	52.85%	38.57%	8.58%	100%

Sources: Survey Questionnaire 2023

From the above Table No. 2, the education status was also collected of the respondents. It was found that 52.85% of respondents passed with Plus Two level, 38.57% were Bachelor and 8.58% were found passed master Level educational status.

**Table 3**

*Frequency of Customer Satisfaction Level at Reliability*

		Frequency	Percent	Validated Percent	Cumm.Percent
Valid	Not Satisfied	4	1.15	1.15	1.15
	Partially Satisfied	33	9.43	9.43	10.58
	Neutral	39	11.14	11.14	21.72
	Satisfied	173	49.42	49.42	71.14
	Fully Satisfied	101	28.86	28.86	100
Total		350	100	100	100

Sources: Survey Questionnaire 2023

*Satisfaction level statistics*

N	Valid	350
	Missing	00
	Median	173
	Mode	173

From the above Table No. 3, the statistics show a median and mode value of 173 indicating a good amount of satisfaction with the banking services.49.42% of respondents are satisfied and 28.86% are fully satisfied with the reliability services of online banking.

**Table 4**

*Frequency of Customer Satisfaction in Security from Online Banking*

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not Satisfied	2	0.48	0.48
	Partially Satisfied	6	1.41	1.89
	Neutral	29	6.90	6.90
	Satisfied	187	44.52	44.52
	Fully Satisfied	196	46.69	46.69
Total	420	100	100	100

Sources: Survey Questionnaire 2023

**Satisfaction level statistics**

N	Valid	420
	Missing	00
	Median	187
	Mode	187

From the above Table No. 4, the statistics show a median and mode value of 187 indicating a good amount of satisfaction with the banking services. 44.52% respondents are found satisfied and 46.69 % were found fully satisfied with security services online banking.

**Table 5**

*Frequency of Customer Satisfaction Level at Convenience*

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not Satisfied	3	0.71	0.71
	Partially Satisfied	27	6.42	7.13
	Neutral	28	6.67	6.67
	Satisfied	156	37.14	37.14
	Fully Satisfied	206	49.06	49.06
Total	420	100	100	100

Sources: Survey Questionnaire 2023

**Satisfaction level statistics**

N	Valid	401
	Missing	00
	Median	156
	Mode	156

From the above Table No. 5, the statistics show a median and mode value of 156 indicating a good amount of satisfaction with the banking services. 37.14% of respondents were found satisfied and 49.06% were found fully satisfied with the convenient use of online banking services.

**Table 6**  
*Frequency of Customer Satisfaction Level at Ease to Use*

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not Satisfied	5	1.79	1.79	1.79
	Partially Satisfied	16	5.71	5.71	7.50
	Neutral	21	7.50	7.50	15.00
	Satisfied	135	48.21	48.21	63.21
	Fully Satisfied	103	36.79	36.79	100
Total		280	100	100	100

Sources: Survey Questionnaire 2023

**Satisfaction level statistics**

N	Valid	280
	Missing	00
	Median	135
	Mode	135

From the above Table No. 6, the statistics show a median and mode value of 135 indicating a good amount of satisfaction with the banking services. 48.21% of respondents are satisfied whereas 36.79% are found fully satisfied with the ease of use of online banking services.

SPSS was used to code and analyze the responses. The following results are explored by the SPSS data analysis.

**Table 7**  
*Reliability Statistics*

N	Valid	5	5	5	5	5
	Missing	0	0	0	0	0
Mean		41.6000	49.4000	59.2000	61.20	58.80
Median		35	36	12	6.00	21.00
Mode		1.00 <sup>a</sup>	2.00 <sup>a</sup>	.00 <sup>a</sup>	0	0 <sup>a</sup>
Std. Deviation		36.01805	41.53071	75.22765	81.408	69.876
Variance		1297.300	1724.800	5659.200	6627.200	4882.700
Minimum		1.00	2.00	.00	0	0
Maximum		96.00	100.00	160.00	160	144

Sources: SPSS Result of Descriptive Statistics

The above Table 7 is displayed by the SPSS software where the Mean, Median, Mode, Standard deviation and variance are calculated. The above descriptive statistics result shows that there is a high degree of customer satisfaction from online banking toward reliability.



**Table 8**

*Security on Online Banking Services Statistics*

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Strongly Disagree
N Valid	5	5	5	5	5	5
Missing	0	0	0	0	0	0
Mean	63.20	61.20	59.00	62.20	61.00	59.20
Median	.00	6.00	27.00	6.00	24.00	24.00
Mode	0	0 <sup>a</sup>	2	0	0 <sup>a</sup>	0 <sup>a</sup>
Std. Deviation	87.927	79.720	70.264	82.941	76.511	69.016
Variance	7.731E3	6.355E3	4.937E3	6.879E3	5.854E3	4.763E3
Minimum	0	0	2	0	0	0
Maximum	180	160	160	165	175	140

Sources: SPSS Result of Descriptive Statistics

The above Table 8 is displayed by the SPSS software where the Mean, Median, Mode, Standard deviation and variance are calculated. The above descriptive statistics result shows that there is high degree of customer satisfaction from online banking toward reliability.

**Table 9**

*Convenience on Online Banking Service Statistics*

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Strongly Disagree
N Valid	5	5	5	5	5	5
Missing	0	0	0	0	0	0
Mean	57.40	55.80	61.80	66.00	65.80	52.20
Median	24.00	14.00	6.00	4.00	9.00	30.00
Mode	1 <sup>a</sup>	2 <sup>a</sup>	0 <sup>a</sup>	0 <sup>a</sup>	0 <sup>a</sup>	0 <sup>a</sup>
Std. Deviation	67.311	64.220	81.647	118.505	115.802	46.768
Variance	4530.800	4124.200	6666.200	14043.500	13410.200	2187.200
Minimum	1	2	0	0	0	0
Maximum	148	136	165	275	270	108

Sources: SPSS Result of Descriptive Statistics

The above Table 9 is displayed by the SPSS software where the Mean, Median, Mode, Standard deviation and variance are calculated. The above descriptive statistics result shows that there is a high degree of customer satisfaction from online banking toward reliability.

**Table 10**

*Ease to Use on Online Banking Statistics*

		Strongly Disagree	Disagree	Neutral	Agree
N	Valid	5	5	5	5
	Missing	0	0	0	0
Mean		57.40	55.80	61.80	56.00
Median		24.00	14.00	6.00	21.00
Mode		1 <sup>a</sup>	2 <sup>a</sup>	0 <sup>a</sup>	2 <sup>a</sup>
Std. Deviation		67.311	64.220	81.647	61.102
Variance		4530.800	4124.200	6666.200	3733.500
Minimum		1	2	0	2
Maximum		148	136	165	125

Sources: SPSS Result of Descriptive Statistics

The above Table -10 is displayed by the SPSS software where the Mean, Median, Mode, Standard deviation and variance are calculated. The above descriptive statistics result shows that there is a high degree of customer satisfaction from online banking toward the Ease of Use.

**Table 11**

*Customer's Satisfaction on Online Banking (Cronbach's Alpha Reliability Statistics)*

S.N.	Service Quality dimension	Cronbach's Alpha	N of Items
1	Reliability	.956	5
2	Security	.996	6
3	Convenience	.935	6
4	Ease to Use	.989	4

Sources: SPSS Result of Cronbach's Alpha

The reliability scale for measuring satisfaction by Chronch Bach Alpha Above 0.90 is Excellent, 0.80-0.90 is good, 0.70-0.80 is Acceptable, 0.60-0.70 is Questionable, 0.50-0.60 Poor and less than 0.50 is Unacceptable. By the Cronch Bach Alpha calculation from SPSS data analysis Reliability 0.956 is found which is said to be excellent. Similarly, the reliability of Security, Convenience and Ease of Use are 0.996, 0.935, 0.989 also excellent. The reliability analysis shows that the customers' satisfaction of online banking is excellent.

**Table 12**

*Result of "t" test Hypothesis*

Variables	t-value	5% level of significance Tabulated Value	Hypothesis Result
Reliability (H <sub>1</sub> )	0.3309	2.776	Supported
Security(H <sub>2</sub> )	0.39	2.776	Supported
Convenience(H <sub>3</sub> )	0.3933	2.776	Supported
Ease To Use(H <sub>4</sub> )	0.1139	2.776	Supported

Sources: SPSS Result of 't' value

The hypothesis of H1, H2, H3 and H4 were formulated. H1 is the research hypothesis that reliability has a relationship with customer satisfaction toward online banking. Similarly, H2 means the hypothesis is that security has a relationship with customer satisfaction toward online banking. Measure for this factor consists of Online banking services suggesting strong passwords, always recommend changing new passwords from time to time for security, collecting the information of customers carefully, sending the alert message after the transaction, transactions on banks websites are confidential and blocks the online banking when the password is wrong. H3 is the research hypothesis that Convenience has a relationship with customer satisfaction toward online banking. The measure for this factor consists of: Online banking system can be used any time anywhere, It reduces the transaction cost, easy fund transfer, free from cash carry, Online bill payment and customer complaints can be solved online. Similarly, H4 is the hypothesis that Ease of Use has a relationship with customer satisfaction toward online banking. It measures for this factor consists of Online banking services are very simple, E-banking service performs service immediately, It is easy for you to become skilful at using Electronic Banking and You can carry out E-banking services anywhere.

The calculated values of 't' H2, H3 and H4 are 0.3303, 0.39,0.3933 and 0.1139 also supported the research hypothesis. There is a close relationship between reliability, Security, Convenience Ease of Use the customer satisfaction. Based on the result of hypothesis testing (t-test) it is found that all the hypotheses H1, H2, H3 and H4 are supported. Reliability, Security, Convenience and Ease of Use have a relationship with customer satisfaction with online banking.

## **Conclusion and Discussion**

Out of the total respondents to whom the survey questionnaires were distributed, 70 respondents filled out the questionnaire received. The analysis of SPSS descriptive statistics results shows that 28.86% of respondents were found fully satisfied with the reliability service of online banking service. Similarly, 46.69%, 49.06%, and 36.79% were found fully satisfied with the security, convenience and Ease of Use of online banking services. By the Cronch Bach Alpha calculation from SPSS data analysis Reliability 0.956 is found which is said to be excellent. Similarly, the reliability of Security, Convenience and Ease of Use are 0.996, 0.935, and 0.989 also excellent. The reliability analysis shows that the customer's satisfaction with online banking is excellent. Also, to the hypothesis testing Reliability, Security, Convenience and Ease of Use have a relationship on customer satisfaction toward online banking

The calculated values of 't' H2, H3 and H4 are 0.3303, 0.39,0.3933 and 0.1139 also supported the research hypothesis. There is a close relationship between reliability, Security, Convenience and Ease of Use with customer satisfaction. Based on the result of hypothesis testing (t-test) it is found that all the hypotheses H1, H2, H3 and H4 are supported. Reliability, Security, Convenience and Ease of Use have a relationship with customer satisfaction with online banking.

## References

- Ahmad, A. E. M. K., & Al-Zubi, H. A. (2011). E-banking functionality and outcomes of customer satisfaction: an empirical investigation. *International journal of marketing studies*, 3(1), 50-65.
- Ankit, S. (2011). Factors influencing online banking customer satisfaction and their importance in improving overall retention levels: An Indian banking perspective. *In Information and knowledge management, Vol. 1, No. 1*, pp. 45-54.
- Hammoud, J., Bizri, R. M., & El Baba, I. (2018). The impact of e-banking service quality on customer satisfaction: Evidence from the Lebanese banking sector. *Sage Open*, 8(3), 2158244018790633.
- Kadir, H. A., Rahmani, N., & Masinaei, R. (2011). Impacts of service quality on customer satisfaction: study of online banking and ATM services in Malaysia. *International Journal of Trade, Economics and Finance*, 2(1), 1.
- Khanal, K. (2023). Impact of e-Banking Services on Customer Awareness in Nepalese Commercial Banks. *Nepalese Journal of Management*, 1.
- Lamsal, B. P. (2022). Internet Banking Services and Customer Satisfaction in Nawalpur District. *Madhyabindu Journal*, 7(1), 1-10.
- Ling, G. M., Fern, Y. S., Boon, L. K., & Huat, T. S. (2016). Understanding customer satisfaction of internet banking: A case study in Malacca. *Procedia Economics and Finance*, 37, 80-85.
- Nupur, J. M. (2010). E-banking and customers' satisfaction in Bangladesh: An analysis. *International review of business research papers*, 6(4), 145-156.
- Sakhaei, S. F., Afshari, A. J., & Esmaili, E. (2014). The impact of service quality on customer satisfaction in Internet banking. *Journal of mathematics and computer science*, 9(1), 33-40.
- Shrestha, R. (2019). *Customer Satisfaction with E-banking Services of Private Commercial Banks in Nepal* (Doctoral dissertation, Department of Management, People's Campus Paknajol, Kathmandu).
- Simon, V. T., Thomas, A. S. R., & Senaji, R. (2016). Effect of electronic banking on customer satisfaction selected commercial banks, Kenya. *International Academic Journal of Human Resource and Business Administration*, 2(2), 41-63.