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Service Quality Dimensions and Customer Satisfaction in Nepalese Banking Sector

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Abstract

This study investigates the relationship between service quality dimensions-tangibility, reliability, responsiveness, assurance, empathy, and customer satisfaction variables. Service quality is an important factor of success in the banking industry since it directly influences client satisfaction and provides a competitive advantage. This study employed the descriptive and casual relational research approach. The primary information utilized in the study consisted of a total of 100 questionnaires that were found useful out of 190 disseminated questionnaires. Data analysis was carried out utilizing descriptive statistics, correlation, and regression analysis. The findings showed that all service quality dimensions have a considerable beneficial impact on customer satisfaction, with a focus on tangible service components such as reliability, responsiveness, competence assurance, and sympathetic interactions. The findings imply that improving these aspects can lead to better customer experiences and satisfaction. From a policy standpoint, the study demonstrates the necessity for banks to improve their service quality in response to client expectations constantly. Financial organizations and other business entities can adopt these findings while deciding business and marketing policies.

Keywords: BFIs, customer gratification, service quality,

JEL Classification: E_5, G_2, M_3

Introduction

Customer satisfaction in the recent volatile and globalized scenario became an unavoidable segment of each business organization that constructively contributes to the perpetual organization prosperity. Thus, recognition of clients' needs, and desires and fulfilling their vital wants is a foundation for the business in which customer satisfaction is a key determinant for the growth and sustainability of the organization. In general, Satisfaction is recognized as a pleasurable outcome, a desirable end state of consumption or patronization (Oliver, 1997), while customer satisfaction is termed as a set of beliefs or results associated with customers' experience towards product and service offerings (Solomon, 2006). Similarly, in the service sector, Zeithaml, Alan, Bitner, and Gremler (2011) recognized that satisfaction or dissatisfaction is an evaluation of a product or service offered to meet a customer's needs or expectations. This is a consumer phenomenon of post-purchase expression on how much the customer likes or dislikes the service after experiencing it (Woodside, Frey, & Daly, 1989).
Therefore, customer satisfaction is a collective outcome of perception, evaluation, and psychological reactions to the consumption experience with a product/service (George & Kumar, 2014). The overall customer satisfaction, however, depends on one's judgment based on matching the difference between actual performance/results and customer expectations towards services. If the performance matches the expectations, the customer will be satisfied; in the case of exceeding performance he/she would be highly satisfied and become delighted, and vice-versa (Kotler & Keller, 2009). Therefore, customer satisfaction is a customer's post-purchase evaluation of products or services while considering expectations (Kotler &

Armstrong, 2012), and thus highly satisfied/delighted customers are an important source of customer loyalty and firms' competitiveness in the service industry.

Next, the banking business has seen the growth of new service delivery channels, such as automated teller machines (ATMs). As global financial systems evolve and competition heats up, there is a growing emphasis on assessing client satisfaction (Bhattarai, et al., (2024).

Moreover, the success of the organization depends on how business entities emphasize on the aspiration of the clients as the fulfillment of customer desire influences the share of the market, enhances profitability, conveys a favorable message, eliminates the cost of marketing, and exerts supportive goodwill and prolonged sustainability (Reichheld & Teal, 1996). Furthermore, the vibrating procedure for enhancing the growth and profitability of the organization massively relies on the satisfaction of customers, especially bank and other financial sectors concentrate on clients' satisfaction while knowing the competitive nature of the entire industry is linked with the perception of the customers in the market (Berry et al., 2002). Thus, recently entire banking and financial institutions have customized their banking services emphasizing the existing willingness and expectation of customers to launch compatible banking products and services (Siddiqi, 2011). This emphasis on customer satisfaction underscores its critical role in shaping the success and reputation of banks in a highly competitive industry (Kant & Jaiswal, 2017).

In light of this, it becomes evident that comprehending customer satisfaction is a critical imperative in today's fiercely competitive marketplace. It not only allows businesses to lead in their respective markets but also provides a pathway to achieving the overarching goal of organizational success. Customer satisfaction, in essence, represents a customer's holistic evaluation of a service's performance point. It is a certain encapsulates their emotional responses to various facets, including the quality of goods and services, timeliness, effectiveness, accessibility, environmental factors, and the conduct and attitude of service providers, all measured against their expectations (Adhikari & Nath, 2014).

Review of Literature

A literature review is a study of academic materials on a certain topic. It provides a summary of current knowledge that makes it easier to spot relevant theories, research gaps, and techniques.

Theoretical Foundations

Understanding and demonstrating related theories is crucial before starting any research or study because they provide the theoretical framework for the investigation. Therefore, in this study equity theory and expectation theory are used to analyze the satisfaction of customers.

Equity Motivation Theory (EMT)

Adams (1960) introduced the equity theory of motivation. It plays an important role for motivation of employees. This theory focuses that motivation is the outcome of equity. Generally, individuals compare their job inputs and outcomes with those of others and then respond either they are in equity position or not. According to this theory of motivation, input and output ratio will help the individual to have an idea being in a situation of equity and inequity. This theory suggests that employee motivation at work is driven largely by their sense of fairness. Employees create a mental ledger of the inputs and outcomes of their job and then use this ledger to compare the ratio of their inputs and outputs to others. Inputs may include effort, performance, skills, education, and experience; outcomes generally refer to pay, benefits and promotions. If employees perceive that their ratio of inputs to outcome is not equitable with that of their peers, they may become demotivated and dissatisfied with their job.

The concept of equity theory in customer satisfaction holds that people need congruence between expectations and actual experiences. To give clients a satisfying experience, consistency is essential on both sides of this equation. Strong customer satisfaction results from being able to control expectations and consistently provide an experience that meets and exceeds them. According to the study, any type of purchase is covered under the equity theory of consumer satisfaction. The customer is aware of how the good or service will turn out and knows what to anticipate from the company or brand. The vendor must ensure that the experience matches what the seller has promised when the buyer makes that purchasing decision.

Reisinger and Turner (1998) used equity theory in the tourism area as tourists' perceived gains in social exchanges are influenced by their input, and dissatisfaction arises if the gain is less than their input. Similarly, Oliver and DeSarbo (1998) used equity theory, as applied to customer satisfaction/dissatisfaction, is now widely accepted as an alternative method for understanding how comparisons work.

Expectation Theory of Motivation (EToM)

Oliver (1997) explained the expectation disconfirmation theory in which expectations and perceived performance together provide post-purchase contentment. Positive or negative disconfirmation between expectations and performance mediates this impact. Post-purchase pleasure will occur if a product outperforms expectations (positive disconfirmation). A product that falls short of expectations (negative disconfirmation) is likely to leave the customer disappointed. Expectations, perceived performance, disconfirmation of beliefs, and satisfaction are the four main constructs in the expectation confirmation theory. Expectations are the qualities or traits that a person thinks will be connected to a good, a service, or a piece of technology. A person's impressions of the actual performance of the good, service, or object are referred to as perceived performance. Disconfirmation of beliefs describes the conclusions or assessments a person draws in contrast to their initial hypotheses. The degree to which a person is satisfied with a good, service, or item is referred to as satisfaction. Disconfirming beliefs and perceived performance have a direct impact on satisfaction, and expectations and perceived performance have an indirect impact due to a mediational link.

The most widely acknowledged theory about customer satisfaction processes is expectation theory, which is often referred to as expectancy-disconfirmation theory. According to the notion, a customer's evaluation of a product's or service's performance with preset performance standards leads to satisfaction or discontent. The predetermined standards, in the opinion, are

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the customer's forecasting expectations. The comparison could have one of three results. When performance is thought to be better than the predetermined expectations, positive disconfirmation happens. In this case, the customer is happy. Customers are likely to be satisfied when performance is judged to be exactly equivalent to expectations, or when there is zero disconfirmation. Negative disconfirmation also happens when performance falls short of expectations. Naturally, negative disconfirmation results in angry or dissatisfied clients.

Oliver (1980) argued that expectations for product performance might be viewed as an adaptation level and then used this idea to the study of consumer satisfaction. Youjae (1993) used expectation theory while conducting the research. The study is conducted to analyze the determinants of customer satisfaction.

Review of Empirical Literature

The research survey was conducted to investigate the service quality and satisfaction of customers obtaining the primary information from Kathmandu Valley. Thus, this investigation aimed to assess the influence of predictor variables including the service quality reflecting responsiveness, reliability, tangibles, and empathy. Moreover, the outcome variable of the study remained customer satisfaction. By using this information, banks may expand their offerings, better fulfill client expectations, and eventually retain more customers. When banks prioritize service quality and provide exceptional experiences, customer are more likely to remain loyal and continue using their services.

Empirical evidence accumulated from the previous studies reflected that customer satisfaction was more inclined to share positive experiences with others that can enhance the goodwill of the company. Thus, this earlier study recognized the loyalty of customers as a vague concept but linked it with customer satisfaction. This study indicated that a better understanding of the association between service quality and customer satisfaction is essential to sustain the banking business (Mosahab et al., 2010). Similarly, other findings showed the link between numerous dimensions including quality, assurance, reliability, tangibles, response, empathy, and customer satisfaction (Awan et al., 2011). The study emphasized the importance of bank management's ability to understand what constitutes service quality and how to effectively measure it. It stressed that understanding service quality is essential for taking subsequent actions to make improvements and enhance value for customers. High service quality was found to play a vital role in both attracting new customers and retaining existing ones over the long term. Meeting customer expectations in the banking sector was seen as a key factor in achieving this. The study recommended that bankers should prioritize and concentrate on improving service quality to ensure customer satisfaction.

Additionally, the evidence emerged from Pakistan studies indicated that service quality and customer satisfaction in the financial and banking institution found a positive and significant association that reveals that banking organization needs to emphasize on better quality services that helps to maintain the customer satisfaction with loyalty (Kant & Jaisawal, 2017). This suggests that employees of public sector banks in India are responsive to customer needs, complaints, and inquiries, which plays a crucial role in enhancing customer satisfaction.

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Assurance was identified as another significant factor that inspires customers to use banking services confidently, especially about safe and hassle-free transactions.

The banking customer satisfaction was influenced by the service tangibility and empathy revealing a comparatively less contributing to satisfaction compared to the responsiveness and assurance. Further, the image of the organization found positively linked with client satisfaction. However, evidence of reliability revealed insignificantly related to customer satisfaction. Similarly, the quality of service and satisfaction were found positive influence (Narteh, 2018). The summary of major articles reviewed for the study has been given in *Table 1*.

Table 1: *Review of Empirical Studies*

Authors	Major Findings
Mosahab, Mahamad, and Ramayah (2010)	Findings showed a positive and significant relationship between all five dimensions of service quality with both customer satisfaction and customer loyalty. Provided understanding of the interplay between service quality, customer satisfaction, and customer loyalty
Awan, Bukhari, and Iqbal (2011)	Emphasized the importance of bank management's ability to understand what constitutes service quality and how to effectively measure it. Found that there is a significant relationship between the various dimensions of service quality and customer satisfaction.
Kant and Jaiswal (2017)	Showed insights into the dimensions of perceived service quality that significantly influence customer satisfaction in public sector banks. Highlighted the need for modernization and targeting specific customer segments, especially the youth and female populations.
Narteh (2018)	Studied the relationship between service quality dimensions and customer satisfaction, taking into account the moderating effect of price. Found that as service level increases the level of satisfaction also increases.
Pakurar, Haddad, Nagy, Popp, and Olah (2019)	Helped to identify gaps between customer expectations and perceptions of service. Found that when banks excel in providing high-quality services across these dimensions, it positively impacts customer satisfaction
Islam, Ahmed, and Asheq (2020)	Observe the positive relationship between service quality and customer satisfaction. Studied the positive impact of customer satisfaction on loyalty.
Ismail, Bakri, Rusli, Bakar, and Othman (2023)	Analyzed the relationships between service quality and customer satisfaction. Emphasized the key role of service quality dimensions in shaping customer perceptions and satisfaction.
Tamilselvan, Krishnan, Raj, Ramya and Xavier (2023)	Compared the service quality and customer satisfaction between public and private sector banks. Showed that there was no significant difference in the level of customer satisfaction between commercial public sector banks and private sector banks

Service quality has great impact on customer satisfaction. The study's direct and moderated models demonstrate that the eight service quality indicators used in the research have a positive impact on customer satisfaction. This implies that retail bank managers in Ghana should focus

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on these service quality dimensions to compete effectively in the banking sector, meet customer expectations, satisfy customers, and retain them. The study's findings have practical implications for bank managers. To compete favorably in the Ghanaian banking sector, managers should prioritize and communicate their commitment to service quality in terms of factors such reliability, price, access, tangible aspects, assurance, empathy, responsiveness, effectiveness, and service portfolios (Pakurar et al., 2019). Moreover, service quality, consumer satisfaction, and loyalty effect on organizational goodwill and reputation deriving the evidence from Bangladesh (Islam, 2020).

Ismail et al., (2023) aimed to analyze the relationship between service quality and customer satisfaction. The study began by reviewing existing literature, selecting forty-one relevant papers for analysis. This literature review formed the basis for understanding the relationship between service quality and customer satisfaction. Customers evaluate service quality by comparing what they are looking for based on their needs and expectations with the actual perceived services they receive. The study measured service quality using the SERVQUAL method, which assesses service quality based on five dimensions: tangible, reliability, responsiveness, assurance, and empathy. This evidence reflects the positive association between customer banking service dimension and customer satisfaction.

Tamilselvan et al., (2023) examined the effect of service quality on customer satisfaction between public and private sector banks. The main objective of the study was to compare the service quality and customer satisfaction between public and private sector banks in Pakistan. The population of the study consisted of customers of commercial public sector banks and private sector banks in urban areas of Pakistan. The findings of the study showed that there was no significant difference in the level of customer satisfaction between commercial public sector banks and private sector banks. Additionally, there was no significant difference in the service quality dimensions between the two types of banks. Based on the findings, the study concluded that service quality and customer satisfaction are important factors for both conventional and Islamic banks. The study also highlighted the relevance of the research for service providers to gain a competitive edge in the banking industry.

Hypotheses of the study

The collection of hypotheses served as the foundation for the investigation. We were able to analyze the link and effect of the dimension of service quality factors on customer satisfaction with the aid of hypotheses. The following are the hypotheses were developed for the study;

H_1: There is a positive influence of tangibility on customer satisfaction.

H_2: There is a positive effect of reliability on customer satisfaction.

H_3: There is a positive influence of responsiveness on customer satisfaction.

H_4: There is a positive influence of assurance on customer satisfaction.

H_5: There is a positive influence of empathy on customer satisfaction.

Conceptual Framework

The conceptual framework demonstrate the guideline for the study representing its study variables and path model for the analysis. Thus, this study employed the independent variables;

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tangibility, reliability, responsiveness, assurance, and empathy. Similarly, the customer satisfaction is a dependent variable.

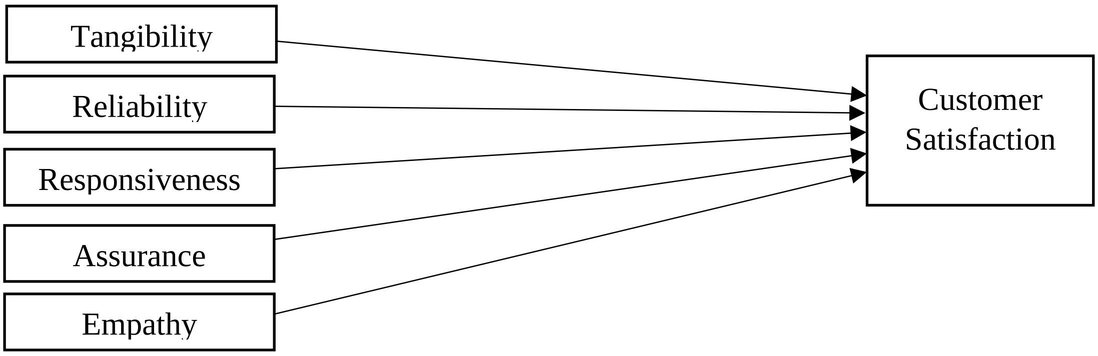

Figure 1. Research framework of the study

As such, service quality emerges as a pivotal determinant in the overall customer satisfaction process, highlighting the significance of understanding and enhancing service quality for positive customer experiences. The independent and dependent variables were collected through various sources which is shown in *Table 2.*

Table 2: *Sources of Variables*

Variables	Sources
Dimensions of Service quality	Islam, Ahmed, and Asheq (2020), Mosahab, Mahamad, and Ramayah (2010), Pakurar, Haddad, Nagy, Popp, and Olah (2019), Awan, Bukhari, and Iqbal (2011)
Customer satisfaction	Islam, Ahmed, and Asheq (2020), Mosahab, Mahamad, and Ramayah (2010), Pakurar, Haddad, Nagy, Popp, and Olah (2019), Awan, Bukhari, and Iqbal (2011)

Methods

The purpose of the study was to examine the influence of the banking service dimension on customer satisfaction. Thus, this study employed descriptive and casual relational research design to test the existing hypothesis. The primary data was collected from the banking customers of 100 respondents out of the 190 disseminated questionnaires. The study employed the purposive sampling. Regarding primary data sources, this research mostly uses survey questionnaires. A five-point Likert scale, from strongly agree to strongly disagree was included in a self-administered structured questionnaire that was given to the general public. After some minor linguistic adjustments, the Likert scale's components were taken from earlier research. To evaluate tangibility first line was taken from Kant and Jaisawal (2017) and the last two lines were taken from (Culiberg & Rojsek, 2010). For the reliability part, the first two lines were taken from Culiberg and Rojsek (2010), and the rest of the two were taken from (Kant & Jaiswal, 2017). Similarly, for the responsiveness part first line was taken from Kant and Jaiswal (2017), and the rest of the three were taken from (Culiberg & Rojsek, 2010). For the assurance

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part two statements were taken from Culiberg and Rojsek (2010) and the rest of the two were taken from (Kant & Jaiswal, 2017). For the empathy part first two lines were taken from Culiberg and Rojsek (2010) and the rest of the two were taken from (Kant & Jaiswal, 2017). Lastly, for the customer satisfaction part, all of the lines were taken from (Sthapit, 2023).

The goal and confidentiality of the study are briefly summarized at the beginning of the questionnaire. In the section on general background, respondents were questioned about their age, gender, and specialized course. Similar to this, Rank order questions and Likert-scale inquiries were used to determine how customer satisfaction was impacted by service quality. In addition, the current study reviewed the body of literature and created the questionnaire using secondary data from published articles, academic journals, and textbooks. The estimated model for the study is presented below:

$CS = \alpha + \beta_1 TNG + \beta_2 REL + \beta_3 RSP + \beta_4 ASSR + \beta_5 EMPT + ei$……………..(1)

Where,

CS = Customer satisfaction

α = Intercept

TNG = Tangibility

REL = Reliability

RSP = Responsiveness

ASSR = Assurance

EMPT = Emathy

ei = Error term

Results

The primary objective of this study is to elucidate the multifaceted determinants influencing service quality and their subsequent impact on customer satisfaction within the Nepalese Banking Industry.

Descriptive Analysis

Table 3: *Social and Demographic Profile of the Respondents*

Variables	Category	Frequency	Percent
Education level	SLC	15	15
	Bachelor	78	78
	Masters	7	7
	Total	**100**	**100**
Gender	Male	48	48
	Female	52	52
	Total	**100**	**100**
Age group	Below 20	23	23
	20-30	73	73
	Above 30	4	4
	Total	**100**	**100**

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Table 3 shows the demographic characteristics of respondents. Based on demographic information, 78 percent of the respondents were bachelor's degree holders and the majority of the survey respondents and least category of respondents belongs to the masters' level of educational status 7 percent. Further, 52 percent of respondents were female and 48 percent were male. Similarly, the age group category of respondents ranging age between 20 to 30 stands as the leading group of respondents 73 percent, and least number of participants belongs to the age group above 30 years 4 percent.

Table 4: *Experience of Respondents on Banking Service Dimensions*

Variables	Category	Frequency	Percent
User-friendly appearance	Yes	79	79
	No	21	21
	Total	**100**	**100**
Bank's ability to provide consistent accuracy and error-free services	Yes	43	43
	No	57	57
	Total	**100**	**100**
Bank's ability to respond promptly	Yes	69	69
	No	31	31
	Total	**100**	**100**
Assurance of customer transaction security.	Yes	78	78
	No	22	22
	Total	**100**	**100**
Understanding needs of the customer	Yes	60	60
	No	40	40
	Total	**100**	**100**
Overall customer satisfaction	Yes	66	66
	No	34	34
	Total	**100**	**100**

Table 4 shows the experience of the respondents on banking service dimension consisting the user-friendly appearance of service holding experience with yes statement of the participants represent 79 (79 percent) and participants expressed no category involves 21 percent of survey participants. Similarly, experience of respondents on bank providing consistent and accurate service fell into 43 percent and expressing adverse opinion with no statement on same category consists of 57 percent respondents. Moreover, opinion of respondents towards prompt response of the banks with yes expression opining depicts 69 percent of respondents and disagreed with no status involves 31 percent participants. The participants understanding on bank's security system with favorable yes expression involves 78 respondents and participants with no security status represent 22 percent. Additionally, the respondents expression yes opinion of need understanding of customer by banks contains 60 percent and expression no statement involves 40 percent of respondents. Finally, overall customer satisfaction with service dimension features of banks revealing favorable opinion with yes status represent 66 percent and no expressing status represents 34 percent of participants.

Correlation Analysis

Table 5: *Correlation Matrix*

Pearson's Correlation

Variables	**N**	**Mean**	**Std. Deviation**	**Customer Satisfaction**
Tangibility	100	2.59	0.71	.527**
Reliability	100	3.05	0.80	.563**
Responsiveness	100	2.91	0.78	.583**
Assurance	100	2.39	0.69	.634**
Empathy	100	2.59	0.66	.499**

Table 5 shows Pearson's correlation matrix to reflect the direction of correlation and the strength of association. The correlation for score shows the positive association between tangibility and customer satisfaction depicting the favorable association between each other. Similarly, the correlation score manifested a positive correlation between reliability and customer satisfaction. It shows that as the reliability of baking service increases the level of satisfaction among the customer increases. Moreover, the results of the correlation show that there is a positive relationship between responsiveness and customer satisfaction that also reveals a positive link boosting positively to enhance customer satisfaction. Additionally, assurance and customer satisfaction depict a positive relationship between each other demonstrating the positive contribution of assurance to customer satisfaction. Finally, the result depicts a positive association between each other advocating that empathy enhances customer satisfaction.

Regression Analysis

Table 6: Regression Coefficient

Variables	**Constant**	**B**	**SE**	**t**	**Sig.**	**F**	**P Value**	**R^2**
Tangibility	1.082	0.556	0.091	6.137	0.001	37.663	$.000^b$	0.278
Reliability	0.922	0.524	0.078	6.752	0.001	45.593	$.000^b$	0.318
Responsiveness	0.896	0.559	0.079	7.098	0.001	50.380	$.000^b$	0.34
Assurance	0.876	0.689	0.085	8.115	0.001	65.861	$.000^b$	0.402
Empathy	1.058	0.565	0.099	5.705	0.001	32.548	$.000^b$	0.249

Table 6 shows the regression coefficient of the study variables. The beta coefficient of tangibility ($\beta = 0.556$, $P < 0.05$) shows a positive and significant influence on customer satisfaction depicting that as tangibility increases leading to higher satisfaction of the customer. Similarly, the beta coefficient for reliability ($\beta = 0.524$, $P < 0.05$) depicts the positive impact on customer satisfaction revealing that an increase in reliability leads to an increase in the level of satisfaction among the customer. Further, the beta coefficient for responsiveness ($\beta = 0.559$, $P < 0.05$) demonstrates a positive influence on the satisfaction level of customers manifesting that as responsiveness increases it boosts customer satisfaction. Moreover, the beta coefficient for assurance ($\beta = 0.689$, $P < 0.05$) shows a positive effect on customer satisfaction which enhances the experience of customer satisfaction along with the increase in assurance. Finally, the beta coefficient for empathy ($\beta = 0.565$, $P < 0.05$) depicts the positive and significant influence on

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customer satisfaction depicting the scenario that as the level of empathy increases, there is an increase in the level of customer satisfaction.

Summary of Hypothesis

Table 7: Summary of Hypotheses

Hypotheses	P-value	Remarks
H_1: There is a positive influence of tangibility on customer satisfaction.	0.001	Confirmed
H_2: There is a positive effect of reliability on customer satisfaction.	0.001	Confirmed
H_3: There is a positive influence of responsiveness on customer satisfaction.	0.001	Confirmed
H_4: There is a positive influence of assurance on customer satisfaction.	0.001	Confirmed
H_5: There is a positive influence of empathy on customer satisfaction	0.001	Confirmed

Table 7 shows the summary of hypotheses formulated for the study. The first hypothesis: H_1: tangibility has a positive and significant impact on customer satisfaction which was found positive and significant as p-value < 0.05 and accepted. Next, the second hypothesis: H_2: reliability has a positive and significant impact on customer satisfaction which was also confirmed as a p-value < 0.05. The third hypothesis: H_3: responsiveness has a positive and significant impact on customer satisfaction found to be supported revealing its p-value < 0.05. The fourth hypothesis: H_4: quality assurance has a positive and significant impact on customer satisfaction which was found to be confirmed with a p-value < 0.05. Finally, hypothesis: H_5: empathy has a positive and significant impact on customer satisfaction that found to be confirmed with its p-value < 0.05.

Discussion

The present study was conducted to analyze the effects of service quality on customers in the Nepalese banking sector. Here the independent variables taken were tangibility, reliability, responsiveness, assurance, and empathy which are the components of service quality. The study reveals that the correlation coefficient between all the service quality variables (tangibility, responsiveness, reliability, empathy, and assurance) and customer satisfaction is positively related. It means an increase in service quality variables will lead to an increase in customer satisfaction. The regression of service quality variables on customer satisfaction shows that the relationship between service quality measured by tangibility, reliability, empathy, and assurance with customer satisfaction is positive which indicates that the higher the tangibility, reliability, empathy, and assurance higher the customer satisfaction. Thus, service quality will help in satisfying customers' banking needs and satisfied customers help in retaining the customer for a longer period.

The result obtained from the data is consistent with the result of Mosahab, Mahamad, and Ramayah (2010) who observed the positive and significant relationship between all five service quality dimensions such as tangibility, reliability, responsiveness, assurance, and empathy on customer satisfaction. Similarly, supported by another study conducted by Awan, Bukhari, and Iqbal (2011) resulted in a positive and significant relationship between service quality dimensions and customer satisfaction. On the other hand, according to the findings of Kant and Jaisawal (2017) and Islam, Ahmed, Rahman, and Asheq (2020), there's a significant relationship between all variables except reliability and it is inconsistent with the result of this research.

There is a positive and significant relationship between service quality dimensions such as tangibility, reliability, responsiveness, assurance, and empathy on customer satisfaction in the banking sector of Nepal which is in line with previous studies (Ismail et al., (2023). Furthermore, the result also showed that there is a positive and significant impact of service quality dimensions on customer satisfaction in the context of the Nepalese Banking Industry. The results obtained from Ismail, Bakri, Rusli, Bakar, and Othman (2023) and Pakurar, Haddad, Nagy, Popp, and Olah (2019) are consistent with the result of a positive and significant relationship between service quality dimensions and customer satisfaction.

Conclusion

The major purpose of the study was to examine the effects of service quality dimensions on customer gratification in the Nepalese banking sector. Further, the study investigated how these service dimensions of digital banking services influence client contentment in the markets. Thus, this research employed tangibility, reliability, responsiveness, assurance, and empathy as its influencer variables, and customer satisfaction was considered as the outcome variable. The findings derived through the inferential statistical analysis showed that tangibility positively and significantly influenced customer gratification. It advocates that as the level of tangibility of technology-based banking service increases, it stimulates the customer exerting a higher level of contentment among the service users. It can be concluded that banking institutions need to enhance the service tangibility of their digital banking services to boost the satisfaction of clients. Similarly, the findings revealed a favorable and significant effect of reliability on client satisfaction. It means that trustworthy online banking services are offered by banks that work as the foundation to enhance customer satisfaction. It can be concluded that banks need to maintain reliability and trust to retain their customers. Additionally, the findings of the study show that the quick responsiveness philosophy of banks enhances customer satisfaction which leads to the goodwill and reputation of banking institutions. It can be concluded that banks and financial institutions have quick and professional responses to customer feedback and suggestions to retain their customers. Finally, the findings of the study revealed attitudes, perceptions, and feelings toward banking services significantly enhance the level of customer satisfaction. It can be concluded that banks need to create sound people empathy through their professional services which can build their positive feelings towards the banking services.

Overall, the study revealed that customer satisfaction is directly influenced by tangibility, reliability, responsiveness, assurance, and empathy. Notably, the study identified competitive interest rates on savings and loans as the most important predictor of consumer satisfaction, followed by low or no costs for basic banking procedures. Positive word-of-mouth recommendations, user-friendly and secure online banking platforms, and honest banking terms and conditions are also important considerations.

Implication

The major purpose of the study was to examine the determinants of customer satisfaction in the banking sector. Further, economic crisis, technological change, perception of customers, business environment, and regulatory provisions are the constraints of banking sectors. Thus, this study employed study independent variables tangibility, reliability, responsiveness, assurance, and empathy and the dependent variable is customer satisfaction. The findings revealed that tangibility, reliability, responsiveness, assurance, and empathy positively influence customer satisfaction which will provide a foundational benchmark for policy makers, banking institutions and others to systematize the online banking services. However, this study had limitations because it only included a small number of covariates as deciding variables, employed cross-sectional data, had a limited sample size, and only covered the Kathmandu Valley. Future research can therefore take advantage of larger sample sizes, variables, and methodologies that encompass different corporate sectors and geographic settings.

Authors Contribution Statement

Conceptualization: 1, 2, 3, 4 & 5
Writing Initial Draft: 1, 2, 3, 4 & 5
Methodology: 1, 2, 3, 4 & 5
Data Analysis: 1, 2, 3, 4 & 5
Data Collection: 4 & 5
Re-write and revision: 1, & 2

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Declaration statement

The authors declare no conflict of interest

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