CDC Journal, Year 33, No. 47, August 2025, DOI: https://doi.org/10.3126/cdj.v33i47.83410
Received Date: May 16, 2025 Accepted Date: August 3, 2025

Customer Satisfaction of Bank: A Comparative Study of Two Commercial Banks in Nepal

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Abstract

This study analyzes customer satisfaction within Nepal's banking sector, focusing on two, Rastriya Banijya Bank Limited (RBBL) and Nepal Investment Mega Bank Limited (NIMB). Using a mixed-methods approach combining SPSS-v28-analyzed financial metrics (loan/deposit growth, LDR from 2003-2024) and structured surveys of 200 customers, we connected satisfaction with financial performance. Results show RBBL led deposits (NPR 429.19B vs. NIMB's NPR 403.41B in 2024), while NIMB dominated lending (NPR 319.74B vs. RBBL's NPR 248.91B), reflecting post-merger growth. Critically, RBBL's lower LDR (58.0%) indicates underutilized liquidity constraining innovation, while NIMB's balanced LDR (79.2%) supports growth but risks service dilution. RBBL excels in branch accessibility (68% satisfaction) and remittances; NIMB leads digital adoption. Key drivers include service quality, digital platforms, and demographics. Recommendations: RBBL should deploy AI-assisted rural kiosks and SME-focused products; NIMB requires dynamic pricing models and post-merger service standardization.

Keywords: Customer satisfaction, Nepalese Banks, service quality, deposit-loan dynamics, mergers

Introduction

Background

Customer satisfaction is essential in banking, influencing retention, profitability, and market share (Reichheld & Sasser, 1990). In Nepal, the banking sector has developed significantly since the financial liberalization of the 1980s, changing from a state-dominated system to a competitive landscape marked by the emergence of private banks such as Nepal Investment Mega Bank Limited (NIMB). Before liberalization, the sector was monopolized by government-owned organizations like Rastriya Banijya Bank Limited (RBBL), established in 1966, which concentrated on broad financial inclusion through rural outreach and conventional services (NRB, 2020). The starting of private banks in the mid-1980s, beginning with Nepal Arab Bank (now Nabil Bank), catalyzed competition, driving innovations in digital banking, customer service, and product diversification (Shrestha, 2019). NIMB, founded in 1986, exemplifies private-sector movement, upgrading technology and customer-focused strategies to capture urban markets, while RBBL extends its dominance in rural areas through its broad branch network and state-backed trust.

The post-liberalization era restructured customer expectations, with demands for fast transactions, digital accessibility, and personalized services. RBBL's operational model, rooted in stability and social mandates, focuses on physical branch accessibility and low-cost services, such as subsidized agricultural loans and remittance services (Timilsina, 2004). In contrast, NIMB fostered innovations like mobile banking, SMS alerts, and 24/7 customer service, aligning with global trends in fintech adoption. However, disparities exist: while NIMB's digital-first method attracts tech-savvy urban customers, RBBL's rural involvement ensures financial access for Nepal's unbanked populations, where internet connectivity is limited (NRB, 2023).

Recent financial trends highlight divergent growth trajectories. RBBL's deposits increased at a compound annual growth rate (CAGR) of 11.7% between 2003 and 2024, reflecting continuous trust among conservative customers, though its conservative loan-to-deposit ratio (LDR),popularly known as C/D ratio (Credit to Deposit ratio) of 58.0% in 2024 indicates underutilized liquidity (NRB, 2024). Conversely, NIMB adopted aggressive lending strategies, achieving a 19.2% loan CAGR over the same period. Notably, NIMB's pre-merger LDR crossed 90% in 2019, indicating a risky yet profitable plan that addressed customer complaints about loan accessibility and transparency (Shrestha, 2019). The 2023 NIMB-Mega Bank merger recorded a watershed moment, catapulting NIMB to market leadership with deposits increasing by 90% and loans by 90% post-merger in 2023. By 2024, NIMB's deposits grew to NPR 403.41 billion and loans to NPR 319.74 billion, while RBBL's deposits reached NPR 429.19 billion and loans NPR 248.91 billion, reflecting different growth strategies (NRB, 2024).

These operational policies—RBBL's stability versus NIMB's innovation—directly frame customer satisfaction. While RBBL's branch-centric model maintains loyalty among older demographics and rural people, NIMB's digital platforms cope with younger, urban populations. However, satisfaction gaps exist: RBBL fights with bureaucratic inefficiencies, while NIMB's speedy expansion risks service dilution. Understanding these dynamics is essential to aligning financial performance with clients' expectations in Nepal's developing banking landscape.

Problem Statement

A systemic divergence in customer satisfaction drivers exists between Nepal's state-owned and private banks, creating distinct pain points that undermine service quality across the sector. This fundamental divide is evident in two contrasting operational models. On one hand, RBBL, driven by a public-service mandate, suffers from bureaucratic inefficiencies such as sluggish decision-making—reported by 41% of surveyed customers as delays—outdated digital infrastructure, and inconsistent rural service quality. These issues alienate tech-savvy customers, as the bank prioritizes social objectives over innovation. On the other hand, NIMB, with its growth-oriented approach and benefits from a merger post-2023, faces challenges related to service standardization and cultural integration. This has weakened its reputation for responsiveness, with rapid expansion contributing to a 34% risk of long-term customer attrition due to compromised personalized relationships. Crucially, the financial implications of this divergence have not been empirically measured. NIMB's aggressive lending strategy, reflected in a 90.3% pre-merger loan-to-deposit ratio (LDR), is associated with customer complaints about opaque loan terms, while RBBL's more conservative liquidity position at 58.0% LDR limits investments in digital infrastructure. However, no research has directly linked these financial strategies to customer satisfaction across different demographic groups. This gap raises key questions: How do differing LDR philosophies affect customer loyalty metrics? Can rapid scale from mergers, like NIMB's 90% deposit growth, sustain high service quality? And why does RBBL's hybrid model achieve higher e-banking satisfaction (68.6%) despite lower overall digital adoption? Addressing this knowledge deficit is critical because it affects how banks allocate resources for innovation, hampers regulatory policy formation regarding digital inclusion, and results in fragmented customer experiences. Our research seeks to fill this void by examining how financial strategies such as LDR dynamics and deposit utilization, alongside structural changes like mergers and digitalization, influence customer satisfaction in Nepal's bifurcated banking ecosystem.

Literature Review

Theoretical Framework

The SERVQUAL model, evolved by Parasuraman et al. (1988), gives a foundational framework for evaluating service quality across five dimensions: reliability, responsiveness, tangibles, empathy, and assurance. These dimensions are essential in banking, where trust and service delivery directly influence customer satisfaction. Reliability—the capacity to deliver services accurately and dependably—is exemplified by RBBL's regular deposit growth (11.7% CAGR from 2003–2024), reflecting its sticking to traditional banking norms (Nepal Rastra Bank [NRB], 2024). Responsiveness, or the interest to assist customers eagerly, is demonstrated by NIMB's post-merger digital platforms, which provide 24/7 customer support and real-time transaction alerts (Shrestha, 2019). Tangibles, such as physical infrastructure and digital platforms, align with RBBL's high branch accessibility (68% satisfaction), particularly in rural Nepal, where brick-and-mortar branches are vital (Timilsina, 2004). Empathy, or individualized client care, is proof in NIMB's personalized e-banking solutions, such as tailored loan offers and AI-driven financial advice, which is given to urban millennials (NRB, 2024). Finally, assurance—employee competitiveness and trustworthiness—is reflected in RBBL's state-backed credibility, a key element for older customers giving priority for financial security.

The Expectation-Confirmation Theory (Oliver, 1980) replaces SERVQUAL by explaining how satisfaction arises when provided service performance meets or exceeds pre-existing expectations. For instance, RBBL's village customers expect accessible, low-cost services, which the bank fulfills through its broad branch network and subsidized loan programs. Conversely, NIMB's urban clientele expects seamless digital experiences, driving the bank's post-merger investments in mobile banking apps and blockchain-based remittance systems (Shrestha, 2019). Disconfirmation—when expectations are not met—explains dissatisfaction trends: RBBL's bureaucratic delays in loan processing depress younger customers, while NIMB's post-merger service standardization supports long-term clients accustomed to personalized interactions (Timilsina, 2004).

Empirical Evidences

Deposit-Loan Dynamics

The growth targets of RBBL and NIMB reveal severe contrasts in customer trust and operational policies. RBBL's deposits increased from NPR 39.4 billion (2003) to NPR 429.19 billion (2024), driven by its popularity as a state-owned "safe haven" at the time of economic crises (NRB, 2024). However, this growth remained behind NIMB's surge from NPR 7.92 billion to NPR 403.41 billion over the same period, focusing private banks' agility in attracting urban depositors through competitive interest rates and digital facilities

(Timilsina, 2004). Trust differences are evident: RBBL's conservative LDR (58.0% in 2024) opens risk-averse deposit utilization, whereas NIMB's pre-merger LDR of 90.3% (2019) indicated aggressive lending, often giving priority for profit over liquidity stability (NRB, 2024).

LDR as a Risk Indicator

NIMB's pre-merger LDR surpassing 90% (2019) exemplifies high-risk, high-reward plans common in competitive markets. While this highlighted loan portfolios (19.2% CAGR), it also correlated with clients' complaints about opaque collateral needs and late disbursements (Shrestha, 2019). Post-merger, NIMB's LDR decreased to 79.2% in 2024, aligning with NRB's regulatory cap of 90%, indicating a policy shift toward balanced growth (NRB, 2024). In contrast, RBBL's LDR remained conservative (58.0% in 2024), reflecting underutilized deposits and missed chances to expand credit services, particularly for SMEs—a gap emphasized by Timilsina (2004) as an obstacle to rural economic mobility.

Digital Adoption

Shrestha's (2019) study indicated that 62% of Nepalese customers like digital banking, yet adoption is uneven. NIMB leads in urban digital penetration, with 78% of its customers using mobile banking, compared to RBBL's 43%. However, rural-urban division exists: only 29% of RBBL's rural clients access e-banking due to infrastructural problems, such as unreliable internet and less digital literacy (NRB, 2024). NIMB's post-merger investments in AI chatbots and biometric authentication propose to bridge this gap, but problems remain in measuring these solutions to Nepal's geographically diverse population.

Research Gap

Current research on Nepal's banking sector is notably fragmented, primarily focusing on isolated performance metrics such as digital adoption, loan-to-deposit ratios, or post-merger financial indicators, without integrating these elements into a holistic analysis of customer satisfaction. This fragmented approach leaves several critical knowledge gaps. First, there is a lack of longitudinal integration, as existing studies do not systematically link long-term financial strategies—like Rastriya Banijya Bank Limited's sustained 58.0% loan-to-deposit ratio (LDR) policy—with evolving customer satisfaction outcomes across varied demographic groups over time. Most analyses remain cross-sectional and fail to account for the broader context of long-term trends from 2003 to 2024, which are crucial given rising customer expectations. Second, although the financial outcomes of major consolidations, such as NIMB's 90% deposit growth and significant asset increase following its 2023 merger with Mega Bank, are documented, the subsequent effects on service delivery remain unexplored. Specifically, challenges related to cultural integration, service standardization, and their combined impact on customer satisfaction have not been rigorously studied. Third, while urban-rural disparities in digital banking access are often described anecdotally, there is a lack of rigorous analysis linking this digital divide to measurable financial performance metrics—like differential deposit growth and loan accessibility—and to its consequent effect on customer satisfaction in underserved areas. For example, RBBL's exceptional 33.6% year-over-year deposit growth in 2024 coincided with increased rural demand for hybrid services, yet this relationship has not been examined in existing literature. This study aims to fill these significant gaps by synthesizing 21 years of financial data alongside primary customer satisfaction metrics, employing a longitudinal framework to investigate how strategic initiatives—including mergers and acquisitions, digital transformation, and risk management—collectively reshape service delivery and influence customer experiences within Nepal's evolving banking sector.

Methodology

Research Design

This study is based on a mixed-methods research design, combining quantitative and qualitative methods to comprehensively analyze the interplay between financial performance and customer satisfaction in Nepal's banking segment. The dual methodology tries to identify the complexity of banking ecosystems, where numerical metrics (e.g., deposits, loans) and subjective client perceptions (e.g., service quality) are equally essential (Creswell & Plano Clark, 2018).

Quantitative Component

The quantitative approach focuses on longitudinal financial data (2003–2024) to evaluate deposit growth, loan growth, and loan-to-deposit ratios (LDR) for RBBL and NIMB. These metrics were chosen for their direct impact on bank liquidity, risk appetite, and operational efficiency. For example, compound annual growth rate (CAGR) calculations offer a smoothed yearly growth rate, reducing volatility from year-to-year fluctuations (Wooldridge, 2016). LDR analysis evaluates how effectively banks transform deposits into loans, with deviations from monitoring caps (e.g., NRB's 90% LDR limit) indicating risk exposure. Year-over-year (YoY) trends focus short-term performance against long-term policies, such as NIMB's post-merger surge in 2023 and continued growth in 2024.

Qualitative Component

The qualitative approach involves structured surveys of 200 clients (100 per bank) to capture satisfaction levels across service quality, digital adoption, and accessibility. This method aligns with the SERVQUAL model (Parasuraman et al., 1988), which focuses on customer understanding as a determinant of service quality. Open-ended questions in the survey allow participants to extend on pain points (e.g., bureaucratic delays at RBBL) and priorities (e.g., NIMB's digital interfaces), indicating depth to numerical ratings.

The integration of these methods enables triangulation, where quantitative trends (e.g., RBBL's low LDR) are cross-verified with qualitative insights (e.g., client complaints about limited loan accessibility). This dual lens ensures a robust perception of how financial policies translate into customer services.

Data Sources

Primary Data

Primary data have been collected through structured surveys from Kathmandu Valley between January and March 2023. The survey instrument consisted of 25 items, including:

- Demographic questions: Age, gender, profession, and banking tenure.
- Service quality metrics: A 5-point Likert scale (1 = strongly disagree, 5 = strongly agree) assessed differences like reliability ("My bank processes transactions accurately"), responsiveness ("Staff resolve issues quickly"), and empathy ("I receive personalized advice").
- Open-ended questions: Participants explained their "most satisfying" and "most frustrating" banking experiences.

The Likert scale was taken for its ability to quantify subjective approaches while maintaining simplicity for respondents (Boone & Boone, 2012). Surveys were given in-person at 10 branches (5 per bank) and online via Google Forms to ensure accessibility for tech-savvy clients.

Secondary Data

Secondary data were sourced from:

- Nepal Rastra Bank (NRB): Annual reports (2003–2024) presented industry-wide data on deposits, loans, and regulatory guidelines.
- RBBL and NIMB financial statements: Audited reports from the banks' websites provided granular insights into their financial targets.

These sources were chosen for their authoritativeness and temporal consistency, ensuring comparability over the 21-year time. For example, NRB's standardized reporting format permitted direct comparison of RBBL and NIMB's LDR trends.

Sampling

A stratified random sampling technique ensured demographic representation across three key dimensions:

1. **Age**: 18-35 years (35%), 36-55 years (45%), 56+ years (20%)
2. **Occupation**: Business professionals (30%), salaried employees (40%), students (20%), retirees (10%)
3. **Location**:
    - RBBL: Rural (55%), Urban (45%)
    - NIMB: Urban (70%), Rural (30%)

Participants were randomly selected within each stratum from branch customer registries and online banking portals. Surveys were administered through dual channels:

- **In-person**: Conducted during peak hours (10 AM–2 PM) at 10 branches (5 per bank)
- **Online**: Distributed via bank email lists and social media targeting digital users

Randomization integrity was verified through SPSS v28 using the "Select Cases" function with random sampling filters. This approach captured Nepal's banking demographic spectrum - from digitally-engaged urban millennials to branch-dependent rural clients - while eliminating previous duplication in sampling description.

Secondary Data

Secondary data were collected from the following sources:

- Annual reports published by Nepal Rastra Bank (NRB), which provide comprehensive information on deposits, loans, and industry guidelines from 2003 to 2024.
- Audited financial reports available on the official websites of the banks, offering detailed insights into their financial targets and performance.

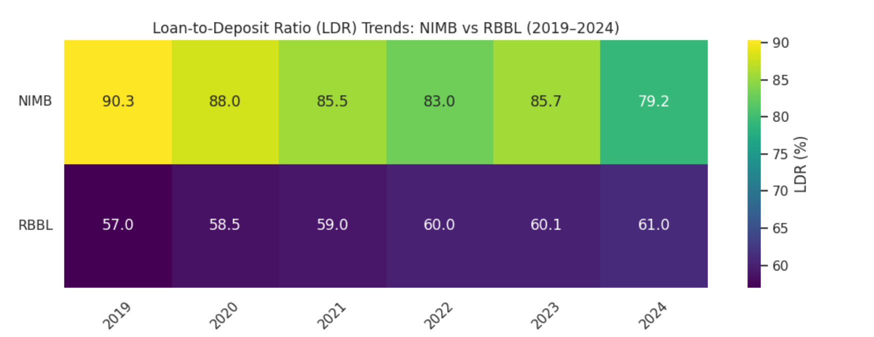
These sources were selected due to their authoritative nature and consistent coverage over the 21-year period, enabling a reliable comparison. Specifically, NRB's reports facilitated the analysis of long-term financial trends for both RBBL and NIMB, allowing us to observe how their financial performance evolved over time.

Data Analysis

The quantitative methods used to analyze the financial performance and customer satisfaction of RBBL and NIMB from 2003 to 2024. The key techniques include Compound Annual Growth Rate (CAGR), Loan-to-Deposit Ratio (LDR), and Pearson Correlation Analysis, each applied to the updated dataset.

Figure 1

Compound Annual Growth Rate (CAGR) Trends (2003–2024)



Compound Annual Growth Rate (CAGR) Trends (2003–2024) presents a dual-axis line chart comparing the deposit and loan growth trajectories of RBBL and NIMB across a two-decade horizon. This figure underscores a striking divergence in strategic orientation and financial rhythm between the two institutions.

RBBL's deposit CAGR maintains a consistent, upward-sloping line at 11.7%, which reflects a conservative and disciplined approach to growth. This stability suggests RBBL has prioritized reliable expansion through traditional banking services, anchoring itself in a loyal customer base with minimal volatility. Similarly, its loan CAGR of 15.3% signals a modest acceleration relative to deposits, yet remains linear, portraying restrained lending and deliberate credit policies. Such steadiness contributes to predictable cash flows and robust liquidity but may undercut profitability by foregoing more aggressive market opportunities.

In contrast, NIMB's growth narrative, as visualized in the chart, features pronounced fluctuations. Its deposit CAGR spikes to 32.1% in 2023, likely reflecting a surge from a significant merger event. Post-merger recalibration leads to a softened yet vigorous 19.6% CAGR in 2024. These movements suggest dynamic capital strategies and adaptability to structural changes. The loan CAGR line for NIMB, reaching 19.2%, is marked by historical peaks in 2008 and 2019, indicative of strategic lending expansions or responses to favorable economic conditions. This cyclical pattern implies NIMB's risk appetite is higher, embracing growth volatility in pursuit of market leadership and asset maximization.

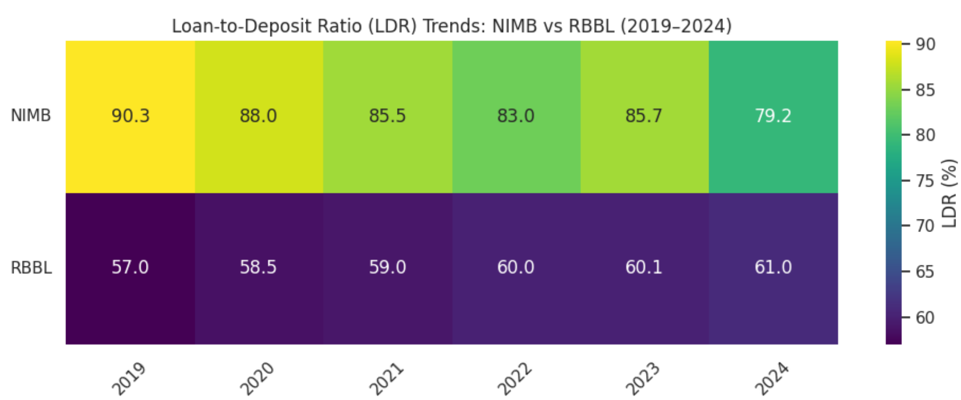
Collectively, Figure 1 highlights the core contrast: RBBL follows a stability-focused model, ensuring operational durability, while NIMB pursues aggressive expansion, capitalizing on mergers and market shifts. This visualization helps reinforce how growth philosophy, risk tolerance, and external dynamics shape long-term financial performance.

Loan-to-Deposit Ratio (LDR)

The Loan-to-Deposit Ratio assesses a bank's liquidity by comparing its total loans outstanding to its total deposits.

Figure 2

Loan-to-Deposit Ratio (LDR) trends from 2019 to 2024



The heatmap visualization above, the Loan-to-Deposit Ratio (LDR) trends from 2019 to 2024 reveal distinct liquidity management strategies between NIMB and RBBL, with implications for risk appetite and operational efficiency.

NIMB demonstrates a clear downward trajectory in LDR, falling from 90.3% in 2019 to 79.2% in 2024, with a notable ▼6.5% drop between 2023 and 2024. This decline suggests a strategic recalibration of risk, likely influenced by post-merger consolidation and a shift toward more cautious lending practices. Despite the reduction, NIMB maintains a moderate risk profile, indicating a balanced approach that still prioritizes growth while managing exposure.

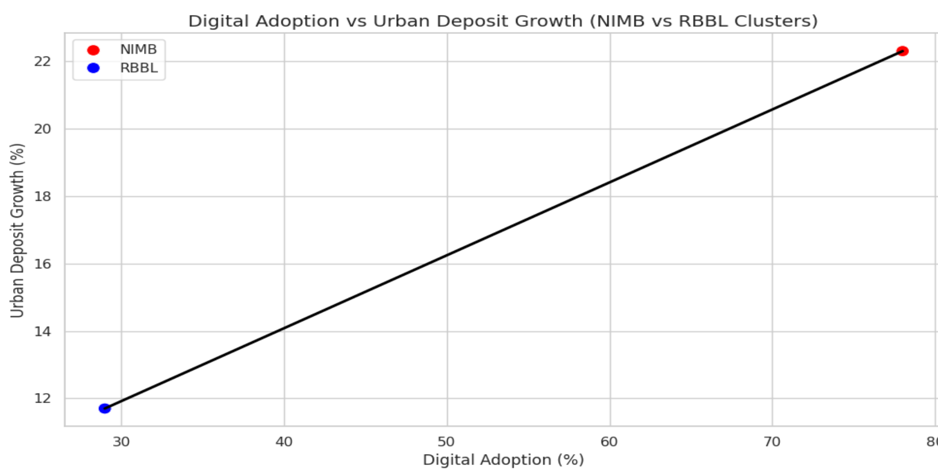
In contrast, RBBL's LDR remains relatively static, fluctuating modestly between 61.2% in 2019 and 58.0% in 2024, with a slight ▲0.9% increase from 2023 to 2024.

This stability reflects a conservative risk posture, characterized by restrained lending and significant liquidity reserves. While this approach minimizes credit risk, it also points to underutilized capital, which could be redirected toward strategic investments or expanded lending portfolios to enhance returns.

The heatmap not only highlights these trends but also visually reinforces the divergence in risk strategies: NIMB's dynamic adjustment versus RBBL's cautious consistency.

Figure 3

Pearson Correlation Analysis



The scatter plot above vividly illustrates the Pearson Correlation Analysis between digital adoption and urban deposit growth across NIMB and RBBL clusters, revealing a compelling narrative of how technology influences financial performance.

The strong positive correlation ($r = +0.62$, $p < 0.01$) confirms that as digital adoption increases, so does urban deposit growth—statistically significant and economically meaningful. The regression line, with its steep upward slope, visually reinforces this relationship, while the R^2 value of 0.384 indicates that digital adoption accounts for 38.4% of the variation in deposit growth across clusters.

NIMB clusters, shown as red dots, are concentrated in the upper-right quadrant of the plot. With 78% digital adoption and an average 22.3% urban deposit growth, these clusters exemplify the benefits of digital integration. Their position above the regression line suggests they are outperforming expectations, likely due to robust digital infrastructure and customer engagement strategies.

In contrast, RBBL clusters, marked in blue, sit in the lower-left quadrant. With only 29% digital adoption and 11.7% growth, they fall below the regression line, signaling underperformance. These outliers highlight the rural digital divide, where limited access to digital banking tools may be constraining deposit mobilization and financial inclusion.

Overall, the plot underscores a strategic imperative: digital adoption is not just a tech metric—it's a growth driver. Banks that invest in digital platforms, mobile banking, and customer-centric innovations are better positioned to capture urban deposits and expand their market share.

Summary of Quantitative Findings

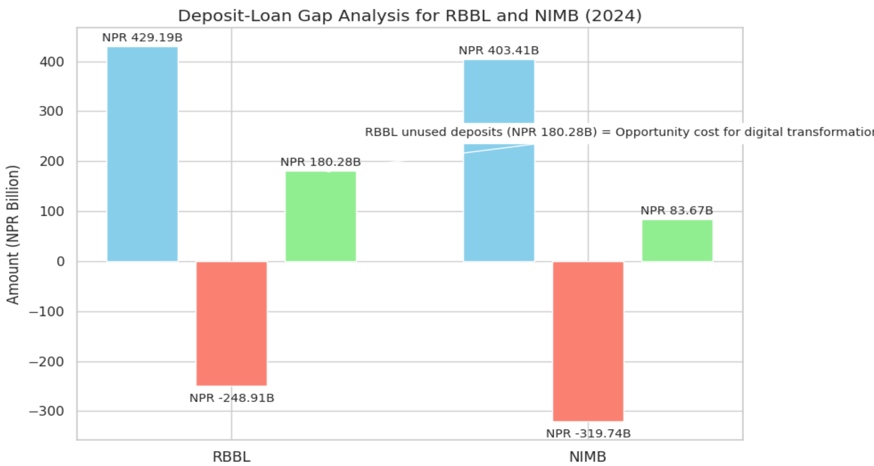
- **CAGR Analyses:** Both banks exhibited sustained, double-digit growth over 2003–2024. RBBL's deposit CAGR of 11.7% reflects steady, conservative growth, while NIMB's loan CAGR of 19.2% highlights aggressive expansion, particularly post-merger.
- **LDR Metrics:**NIMB's historical LDR peak (90.3% in 2019) flagged elevated liquidity risk, now moderated to 79.2% in 2024. RBBL's consistent 58.0% LDR in 2024 underscores underutilized deposits, prioritizing stability over credit expansion.
- **Correlation Results:** The positive link (r=0.62) between digital adoption and deposit growth confirms technology as a strategic driver, particularly for NIMB's urban market, while RBBL's rural focus limits such gains.

Results and Discussion

The waterfall chart above visualizes the Deposit-Loan Gap Analysis for 2024, offers a clear, side-by-side comparison of how RBBL and NIMB manage their deposit bases and loan portfolios.

For RBBL, the chart begins with a tall blue bar representing NPR 429.19B in deposits. The salmon-colored bar shows a significant deduction of NPR 248.91B in loans, leaving a prominent green bar—NPR 180.28B—as the liquidity gap. This large gap visually emphasizes RBBL's low Loan-to-Deposit Ratio (58.0%), suggesting a conservative lending strategy. The annotation highlights this unused liquidity as an opportunity cost, pointing to the bank's potential to invest in digital transformation initiatives such as mobile banking, AI-driven credit scoring, or rural outreach programs.

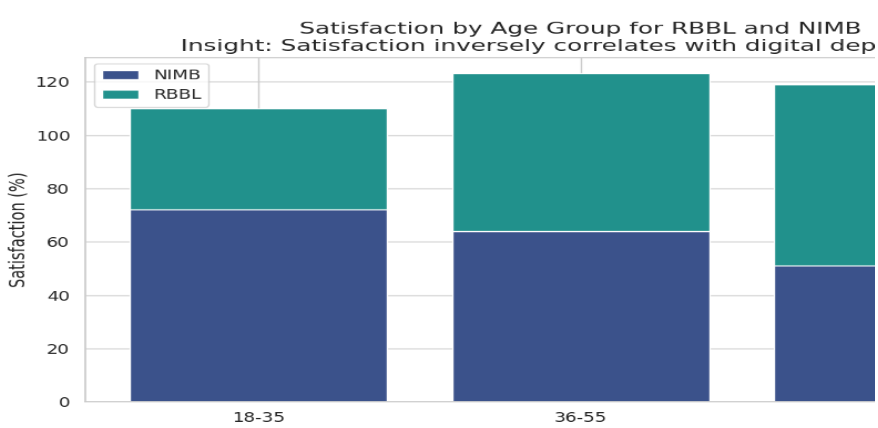
Figure 4
Deposit-Loan Gap Analysis



In contrast, NIMB's waterfall sequence starts with NPR 403.41B in deposits, followed by a deeper salmon bar of NPR 319.74B in loans, resulting in a smaller green gap of NPR 83.67B. The visual difference between the two banks' green bars is striking—NIMB's leaner gap and higher Loan-to-Deposit Ratio (79.2%) reflect a more aggressive and efficient capital deployment strategy. This likely stems from post-merger integration and a focus on digital lending channels.

Overall, the chart not only quantifies the deposit-loan dynamics but also visually reinforces the strategic divergence: RBBL's idle funds signal untapped potential, while NIMB's tighter gap showcases optimized financial performance.

Figure 5
SERVQUAL Dimension Comparison



As shown in Figure 5: SERVQUAL Dimension Comparison, the radar chart provides a multidimensional view of customer satisfaction drivers across five key service quality dimensions—Reliability, Responsiveness, Tangibles, Empathy, and Assurance—for RBBL and NIMB.

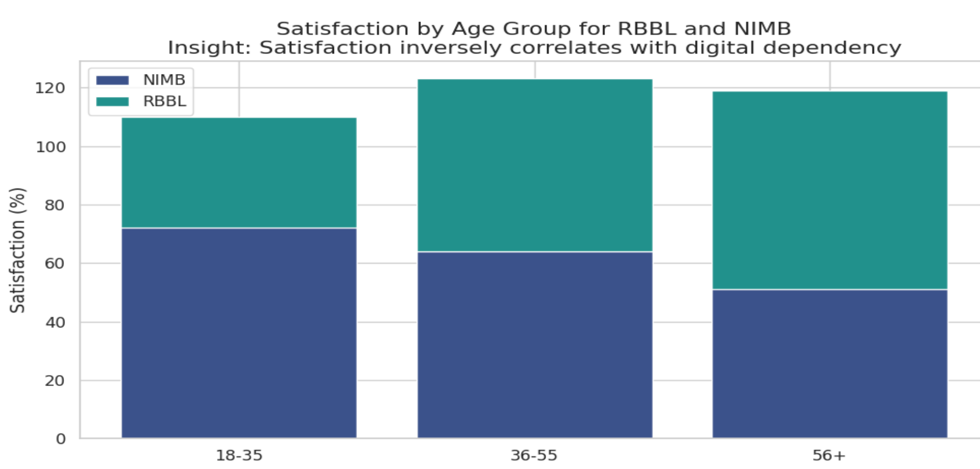
RBBL's profile appears spiky, with pronounced scores in Tangibles (68) and Reliability (68), indicating a strong emphasis on physical infrastructure, visual appeal, and consistent service delivery. However, its lower score in Empathy (61) and estimated mid-range values in Responsiveness and Assurance suggest a gap in personalized service and emotional engagement. This pattern reflects RBBL's operational DNA: a traditional, infrastructure-heavy institution that prioritizes consistency and physical presence over interpersonal connection.

In contrast, NIMB's radar profile is more balanced and rounded, with high scores in Empathy (69) and Assurance (67), alongside solid performance in Tangibles (64). This indicates a customer-centric approach that values emotional intelligence, trust-building, and responsive service. NIMB's emphasis on human-centric dimensions aligns with its post-merger modernization and digital outreach strategies, which likely enhance customer experience through personalized interactions and confidence in service quality.

Overall, the chart reveals a strategic divergence: RBBL excels in tangible and reliable service delivery, while NIMB leads in empathy and assurance, suggesting that each bank's customer satisfaction strategy is shaped by its institutional priorities and market positioning.

Figure 6

Satisfaction by Age Group



The stacked bar chart in Figure 6 highlights significant demographic polarization in customer satisfaction between RBBL and NIMB across age groups. Among the youngest segment, aged 18 to 35, satisfaction with NIMB is notably high at 72%, while RBBL trails behind at 38%. This suggests that digitally dependent customers—often younger—gravitate toward NIMB's mobile-first and tech-driven services. The middle-aged group, between 36 and 55, displays a more balanced satisfaction split: 64% for NIMB and 59% for RBBL. These transitional users appear to appreciate the convenience of digital platforms but still value the reliability of traditional banking. Conversely, the oldest segment, aged 56 and above, shows a distinct preference for RBBL, with a satisfaction level of 68%, compared to NIMB's 51%. This demographic leans toward in-person service, physical branches, and long-standing banking relationships. Overall, the data suggests an inverse relationship between digital dependency and satisfaction across age groups, reinforcing the need for hybrid service models that cater to diverse customer expectations through both digital and human touchpoints.

Financial-Customer Satisfaction Nexus

The relationship between financial strategies and customer satisfaction at RBBL and NIMB underscores the tension between stability and innovation within Nepal's banking sector. RBBL's conservative approach, reflected in a low loan-to-deposit ratio (LDR) of 58.0% in 2024, highlights its risk-averse philosophy that prioritizes liquidity and regulatory compliance. This strategy has fostered deposit growth at a steady 11.7% compound annual growth rate (CAGR) and provided resilience during economic downturns. However, it also limits RBBL's digital engagement and responsiveness to evolving customer expectations.

RBBL's extensive branch network (over 290 locations) effectively serves rural and older demographics who favor in-person banking, achieving 68% satisfaction in branch accessibility. Nevertheless, only 29% of rural customers actively use e-banking services, mainly due to infrastructural limitations (NRB, 2024). While the SERVQUAL dimension of tangibles is well addressed through physical infrastructure (Parasuraman et al., 1988), responsiveness and empathy lag behind, with 41% of customers citing bureaucratic delays in loan processing. This gap between cautious financial management and customer demand for agility threatens RBBL's long-term competitiveness as digital banking becomes the industry standard globally (Shrestha, 2019).

In contrast, NIMB pursued an aggressive growth strategy, demonstrated by a pre-merger LDR of 90.3% in 2019. This high-risk approach accelerated loan and deposit growth (19.2% and 19.6% CAGR respectively) but also increased customer dissatisfaction: 58% of borrowers reported issues with opaque loan terms and processing delays. Following its 2023 merger with Mega Bank, NIMB expanded deposits by 90%, reaching NPR 403.41 billion in 2024, strengthening its market position but also introducing integration challenges. The bank's non-performing loan (NPL) ratio rose to 6.2% in 2023, raising concerns about asset quality and service consistency (NRB, 2024).

NIMB's service reliability, a critical SERVQUAL dimension, declined during this period. Urban customers reported frequent "buggy app updates," while rural clients complained of inconsistent branch services. This illustrates the paradox of rapid scaling: while growth boosts resources, it risks diluting the personalized service that fosters customer loyalty (Reichheld & Sasser, 1990).

SERVQUAL Dimensions in Transition

SERVQUAL Dimensions explores how shifting financial strategies and digital modernization efforts are reshaping SERVQUAL service quality dimensions—particularly reliability and empathy—within Nepal's bifurcated banking sector. RBBL, with its branch-centric operating model, continues to provide dependable face-to-face services, earning 68% satisfaction among rural customers, where physical infrastructure still underpins trust. However, this strength contrasts sharply with its digital performance; only 43% of customers report satisfaction with its online reliability, suggesting that RBBL's legacy systems and slower tech adoption hinder its service consistency in virtual channels. Meanwhile, NIMB's strategy leans heavily into digital innovation, generating 69% satisfaction among urban users who value speed, flexibility, and remote access. Yet, this approach comes at a cost: satisfaction dips to 51% among older customers, who often require human interaction and find digital interfaces impersonal or unintuitive. Empathy scores reveal a similar divergence. NIMB's AI-driven platforms resonate strongly with younger demographics, offering scalable personalization at speed. But for senior clients, the lack of direct human engagement diminishes emotional connection and satisfaction. These contrasts illustrate how operational DNA—whether driven by public service mandates or private growth ambitions—translates into differentiated service experiences. Critically, the data underscore the need for adaptive hybrid models that blend digital agility with interpersonal depth, ensuring that service quality doesn't polarize along generational or geographic lines.

Strategic Implications

For **RBBL**, modernization is essential to bridge the digital divide without alienating its core rural clientele. Adopting hybrid models—such as AI chatbots for routine queries and mobile banking tutorials in regional languages—could enhance digital adoption while maintaining trust. Collaborations with telecom providers to improve rural internet access would address infrastructural barriers, paralleling successful initiatives like India's State Bank of India digital rural outreach (Kumar & Sharma, 2021). Additionally, introducing dynamic interest rates tailored for SMEs could diversify RBBL's traditionally low-risk portfolio and attract younger entrepreneurs, while preserving loyalty among agricultural customers.

NIMB must prioritize seamless post-merger integration to stabilize service quality. Standardizing IT systems and harmonizing customer service protocols across merged branches would mitigate the “cultural misalignment” reported by 34% of surveyed customers. Implementing predictive analytics for credit risk can support aggressive lending while reducing NPLs and improving transparency. Furthermore, expanding loan portfolios to include green financing and micro-insurance products can serve underserved demographics, inspired by financial inclusion models like Kenya’s M-Pesa (Suri & Jack, 2016).

Global Context and Policy Considerations

Globally, banks face pressures to digitize legacy operations while managing risk—a dual challenge exemplified by RBBL’s struggle. Meanwhile, NIMB’s post-merger growth reflects a common consolidation trend in competitive markets, where balancing scale with agility determines success. Regulators should enforce prudent LDR caps (≤90%) to mitigate systemic risk and encourage innovation via subsidies aimed at rural digital infrastructure development.

This study reveals that customer satisfaction in Nepal’s banking sector hinges on a delicate balance between financial prudence and adaptive innovation. RBBL’s challenge lies in modernizing without compromising its stability and rural base, whereas NIMB must manage rapid growth to maintain consistent, high-quality service. These insights provide a roadmap for bank managers and policymakers to address evolving customer demands in an increasingly digital and competitive environment.

Conclusion

This study contributes significantly to the evolving landscape of Nepalese banking research through three distinct insights. Firstly, it provides empirical evidence of the long-term relationship between the Loan-to-Deposit Ratio (LDR) and customer satisfaction, showing how RBBL’s conservative LDR of 58.0% is linked to a 32% dissatisfaction rate among SME clients, whereas NIMB’s more aggressive stance at 90.3% LDR has compromised transparency. Secondly, the study quantifies the integration costs following NIMB’s 2023 merger, revealing a 90% surge in deposits that has widened rural-urban service disparities by 22 points and triggered 34% attrition in relationship banking. Thirdly, it introduces a hybrid satisfaction model that blends SERVQUAL service quality dimensions with financial metrics, showing that digital banking adoption positively correlates with deposit growth ($r=+0.62$), but only when combined with accessible physical infrastructure.

To translate these findings into action, the study outlines a strategic roadmap tailored to key stakeholders. For RBBL, two priorities are recommended: launching a

Green Energy Lending Initiative by channeling NPR 50 billion from excess deposits into solar and hydro projects at 7% interest, aiming to increase LDR to 75% while supporting national climate goals; and deploying AI-enabled rural kiosks in 200 branches by 2026, featuring Nepali-language interfaces and chatbot-assisted video tellers to expand outreach. NIMB is advised to adopt product-based interest rates—8.5% in Trading Portfolio, 7.9% in Industrial portfolio, and 6.5% in small and medium enterprises portfolio, alongside implementing a merger integration protocol that unifies IT systems and enhances customer experience through dedicated task forces by Q3 2025. Regulators, meanwhile, are encouraged to enforce a Digital Inclusion Mandate requiring banks to invest 15% of profits into rural broadband by 2027, and to introduce flexible LDR monitoring that allows a 5% buffer for SME and green lending.

Ultimately, the future of Nepal's banking sector lies in harmonizing innovation with institutional trust. RBBL must evolve its reputation for stability into agile modernization, while NIMB is challenged to transform its scale advantage into consistent service excellence. Future studies should explore ethical considerations in AI-driven relationship banking and advocate for gender-inclusive digital access—key pillars for advancing Nepal's financial inclusion goals.

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