

## **Customer Satisfaction with E-Banking Services in Nepalese Banks**

**Birata Paudel**

Research Scholar

Atharva Business College, Bansbari, Kathmandu, Nepal

[viratapaudel123@gmail.com](mailto:viratapaudel123@gmail.com)

<https://orcid.org/0009-0001-1047-2867>

**Laxman Kandel\***

Faculty of Management

Tribhuvan University, Nepal

[laxmankandel61@gmail.com](mailto:laxmankandel61@gmail.com)

<https://orcid.org/0009-0005-7069-8955>

### **Original Research**

### **Corresponding Author\***

Received: 22 January, 2025

Revised & Accepted: March15, 2025

Copyright: Author(s) (2025)



This work is licensed under a [Creative Commons Attribution-Non Commercial 4.0 International License](https://creativecommons.org/licenses/by-nc/4.0/).

### **Abstract**

This study investigates the customer satisfaction with e-banking services in Nepalese commercial banks. The study has employed descriptive and casual research design. The sampling technique for the study followed non-probabilistic sampling technique. Data were analyzed by using different statistical technique such as descriptive statistic, correlation analysis and regression analysis. This study found that majority of the respondents agreed that empathy, assurance and reliability of e-banking services quality factor highly affects the banking customer's satisfaction and they believe that their satisfaction was also high. The correlation analysis reveals that reliability of e-banking services has positive and significant relationship with customer satisfaction and also correlation between responsiveness and customer satisfaction is significant positive. At the same time, there is significant positive association between assurance of e-banking services and the customer satisfaction. Likewise, tangibles and empathy have positive and significant relationship with customer satisfaction.

Therefore, this study concluded that the impact of e-banking service quality on customer satisfaction is significant.

**Keywords:** Customer satisfaction, reliability, responsiveness, assurance and tangibility

## Introduction

Technology has played a vital role in today's world. Internet has made this world a Global village and the same has revolutionized the banking industry. Conversion from the manual based ledger system to systemized processes and the overture to internet based facilities has given a new facet to the banking sector (Toor, Hunain, Hussain, Ali, & Shahid, 2016). The competition in banking sector augmented over the last few years and to stay competitive, banks are espousing novel tools and techniques to attain customer retention and satisfaction and E-Banking is one tool towards it. As Karjaluoto, Mattila, & Pento, (2002) argued that banking has now liberated from time and geographical limitations. E-banking is of paramount significance in meeting user anticipations. Customer satisfaction leading to gain loyal customers can be achieved by delivering high quality services (Supriyanto, Wiyono, & Burhanuddin, 2021). With rest of the world, Asian consumers are on the quick move to digital banking. And no doubt that automation of banking procedures has unlocked new door of prospects for banking sector in Nepal.

Customer satisfaction is important for business success. Satisfaction depends on product and service quality. Banking sector provides various services to customers for higher customer satisfaction (Subedi, 2019). In present competitive environment, customer satisfaction is an important element to win the competitors. Bank management should identify the service quality dimensions to satisfy their customers by research and development programs. The banking industry is highly competitive. Banks are not only competing among each other; but also with non-banking and financial institutions (Rahman, Khaled Rahman, & Ahmed, 2023). Customer satisfaction is predetermined by how the expectations of the customer are met. Customer satisfaction is directly connected to customers' needs. The degree to which these needs are fulfilled determines the enjoyment in the case of conformity or disappointment from discrepancy (Vansteenkiste & Ryan, 2013). Consumer behavior is regular researchable phenomena.

In a competitive marketplace where businesses compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy (Farida & Setiawan, 2022). To understand the economic problems and choices facing Banks, it is useful to regard them as firms, and apply the general principles of microeconomics, which shape the environments of all firms. However, Banks are firms of a specialized type not simply in terms of the services they provide, but in terms of how and by whom those services are provided. These days' customers face many problems regarding services and customer satisfaction provided by Banks. Studies have shown that many international internet users demonstrate similar behaviors and preferences across nations (Engström, Eriksson, Björnstjerna, & Strimling, 2023). Other researchers have studied the internet in the context of

traditional cultures, and yet delimited by national borders. Some have investigated customer preferences of e-banking. Some have examined the issues on the evolution of e-banking and investigated the success factors in various e-delivery channels in banking scenario (Mishra, Mahat, & Khanal, 2021).

In the present context, customers are looking for various benefits from a bank service quality, lower transaction fees, complain handling, a sign of prestige, new products access from different channel and this scheme forces the banks to look for new ways to satisfy customers before any other bank or financial institution does (Karki et al., 2024). Hence, to be more competitive in the market and to increase the performance of an organization especially a service provider organization focuses on different elements that have an impact on customer satisfaction. Effective management of such components helps organization to meet their objectives by satisfying their customers which leads to customer loyalty and retention.

The success in enhancing customer satisfaction and winning the competition is related to maintaining the level of service quality. This means that success of a service provider depends on the consistent provision of quality service and maintaining relationship with customers (Shrestha et al., 2024). This in turn is expected to determine customer satisfaction and loyalty for a service providing firm. Research has shown repeatedly that service quality influences organizational outcome such as performance superiority (Neupane et al., 2025) increasing sales profit and market share, improving customer relations, enhance corporate image and promote customer loyalty (Rai et al., 2024). Furthermore, service quality and customer satisfaction were found to be related to customer loyalty through repurchase intentions. Delivering quality service to customers is a must for success and survival in today's competitive banking. To achieve a high level of customer satisfaction, most researchers suggest that a high level of service quality should be delivered by the service provider as service quality is normally considered an antecedent of customer satisfaction (Rita, Oliveira, & Farisa, 2019). On this regard this research aims to investigate the influence of service quality dimensions (tangibility, responsiveness, reliability and assurance) on the level of customer satisfaction in commercial banks of Nepal.

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

### Objective of the study

- To analyze the relationship between service quality factors (reliability responsiveness, assurance, tangibility and empathy) and customer satisfaction in commercial banks in Nepal.

### Research hypothesis

Based on the objectives of the study, theoretical and empirical literature review of the factors influencing on customer satisfaction following hypothesis are developed.

H<sub>1</sub>: There is significant relationship between reliability and customer satisfaction in commercial banks of Nepal.

H<sub>2</sub>: There is significant relationship between responsiveness and customer satisfaction in commercial banks of Nepal.

H<sub>3</sub>: There is significant relationship between assurance and customer satisfaction in commercial banks of Nepal.

H<sub>4</sub>: There is significant relationship between tangibility and customer satisfaction in commercial banks of Nepal.

H<sub>5</sub>: There is significant relationship between empathy and customer satisfaction in commercial banks of Nepal.

### Research framework

The research is based upon the analysis and interpretation of dependent (customer satisfaction) and independent variables (Reliability, Responsiveness, Assurance, Tangibility and Empathy).

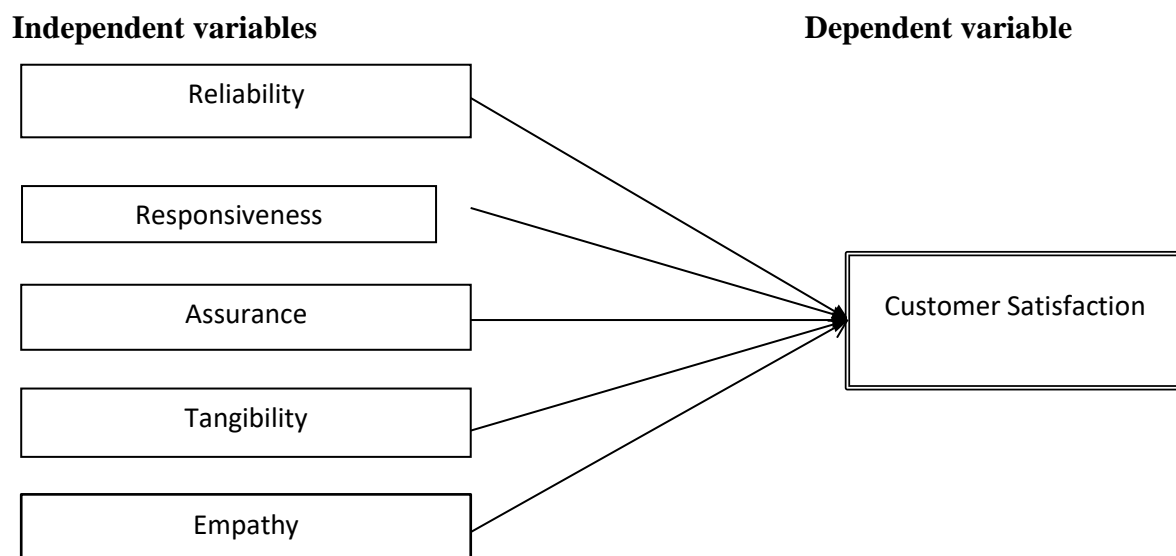


Figure 1 Research framework

## Research Methods

This study adopted a cross-sectional time horizon, using a descriptive research design and a correlational design to examine customer satisfaction with e-banking services in Nepalese banks. The population for this study comprised all 20 commercial banks operating in Nepal. A sample of 206 banking customers was selected. The sampling approach followed a non-probabilistic convenience sampling technique to ensure accessibility and ease of data collection. Survey questionnaires were manually distributed at different locations in Kathmandu Valley, targeting a diverse group of banking customers. Participants were approached as they entered banking halls for transactions, and their voluntary participation was obtained.

To uphold ethical considerations, informed consent was secured before respondents filled out the questionnaire, ensuring that participation was entirely voluntary.

## Results

### Respondent's demographic profile

This section deals with the demographic analysis and interpretation of primary data collected through questionnaires. In this section, the respondents profile was analyzed in terms of gender and age. All the respondents were from the Kathmandu Valley.

Table 1 Gender specification

Gender					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	140	68.0	68.0	68.0
	Male	66	32.0	32.0	100.0
	Total	206	100.0	100.0	

(Source: opinion survey, 2024)

Table 1 shows the distribution of the respondents on the basis of gender. In this study, data from 206 respondents were collected and analyzed. Out of total respondents 68.00 percent of responses are achieved from female and it indicates that banks' majority of the respondents are female. Their out of 206 respondents most of response are received from female in comparisons to male. However, 32.00 percent male provided their response about digital banking and its impact on customer satisfaction in Nepalese commercial banks. From these result female respondents are likely to have more users with digital banking than males. In this context, Nepalese commercial banks can identify both male and female respondents as the main participants for the survey.

Table 2 Years of using e banking services

Since when have you been using E-banking services?"					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-2 years	50	24.3	24.3	24.3
	2-3 years	58	28.2	28.2	52.4
	3-5 years	44	21.4	21.4	73.8
	Less than 1 year	20	9.7	9.7	83.5
	More than 5 years	34	16.5	16.5	100.0
	Total	206	100.0	100.0	

(Source: Opinion Survey, 2024)

Table 2 also stated information regarding respondent's years of using e-banking services of the bank. Out of 206 respondents, 44 respondents representing 73.8 percent have been using the services for about 3-5 years while a total of 34 representing 16.5 percent have been using the services for about more than 5 years. It was also found that, 58 respondents representing 28.2 percent have been using the services for 2-3 years, 50 respondents representing 24.3 percent have been using the services for about 1-2 years and remaining 20 respondents representing 9.70 percent have been using the services for less than 1 year.

## Hypothesis Testing

Table 3 Correlation between Reliability and Customer satisfaction.

Correlations			
		Mean reliability	Mean customer satisfaction
Mean reliability	Pearson Correlation	1	.577**
	Sig. (2-tailed)		.000
	N	206	206
Mean customer satisfaction	Pearson Correlation	.577**	1
	Sig. (2-tailed)	.000	
	N	206	206

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

(Source: Opinion Survey, 2024)

Table 3 shows a relationship between reliability and customer satisfaction. The results reveal a positive correlation of 0.577, meaning that as reliability increases, customer satisfaction tends to increase as well. It shows a significant moderate positive relationship between reliability and customer satisfaction, with a p-value of 0.000. So that it accepts alternative hypothesis.

Table 4 Correlation between Responsiveness and Customer Satisfaction.

Correlations			
		Mean responsiveness	Mean customer satisfaction
Mean responsiveness	Pearson Correlation	1	.385**
	Sig. (2-tailed)		.000
	N	206	206
Mean customer satisfaction	Pearson Correlation	.385**	1
	Sig. (2-tailed)	.000	
	N	206	206
**. Correlation is significant at the 0.01 level (2-tailed).			

(Source: Opinion Survey, 2024)

Table 4 shows a relationship between responsiveness and customer satisfaction. The results reveal a positive correlation of 0.385, meaning that as responsiveness increases, customer satisfaction tends to increase as well. It shows a significant moderate positive relationship between responsiveness and customer satisfaction, with a p-value of 0.000. So that it accepts alternative hypothesis.

Table 5 Correlation between Assurance and Customer Satisfaction

Correlations			
		Mean assurance	Mean customer satisfaction
Mean assurance	Pearson Correlation	1	.560**
	Sig. (2-tailed)		.000
	N	206	206
Mean customer satisfaction	Pearson Correlation	.560**	1
	Sig. (2-tailed)	.000	
	N	206	206
**. Correlation is significant at the 0.01 level (2-tailed).			

(Source: Opinion Survey, 2024)

Table 5 shows a relationship between assurance and customer satisfaction. The results reveal a positive correlation of 0.560, meaning that as assurance increases, customer satisfaction tends to increase as well. It shows a significant moderate positive relationship between assurance and customer satisfaction, with a p-value of 0.000. So that it accepts alternative hypothesis.



Table 6 Correlation between Tangibles and Customer Satisfaction

Correlations			
		Mean tangibles	Mean customer satisfaction
Mean tangibles	Pearson Correlation	1	.391**
	Sig. (2-tailed)		.000
	N	206	206
Mean customer satisfaction	Pearson Correlation	.391**	1
	Sig. (2-tailed)	.000	
	N	206	206

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

(Source: Opinion Survey, 2024)

Table 6 shows a relationship between tangible and customer satisfaction. The results reveal a positive correlation of 0.391, meaning that as tangibles increases, customer satisfaction tends to increase as well. It shows a significant moderate positive relationship between tangibles and customer satisfaction, with a p-value of 0.000. So that it accepts alternative hypothesis.

Table 7 Correlation between Empathy and Customer Satisfaction

Correlations			
		Mean empathy	Mean customer satisfaction
Mean empathy	Pearson Correlation	1	.440**
	Sig. (2-tailed)		.000
	N	206	206
Mean customer satisfaction	Pearson Correlation	.440**	1
	Sig. (2-tailed)	.000	
	N	206	206

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

(Source: Opinion Survey, 2024)

Table 7 shows a relationship between empathy and customer satisfaction. The results reveal a positive correlation of 0.440, meaning that as empathy increases, customer satisfaction tends to increase as well. It shows a significant moderate positive relationship between empathy and customer satisfaction, with a p-value of 0.000. So that it accepts alternative hypothesis.

### Summary of hypothesis testing

**H<sub>1</sub>: There is significant relationship between reliability and customer satisfaction in commercial banks of Nepal.**

P-value of reliability is 0.000 which is significant 1 percent level of significance. So, hypothesis 1 is accepted.



**H<sub>2</sub>: There is significant relationship between responsiveness of e-banking services and customer satisfaction in Nepalese commercial banks.**

P-value of responsiveness is 0.000 which is significant 1 percent level of significance. So, hypothesis 1 is accepted.

**H<sub>3</sub>: There is significant relationship between assurance of e-banking services and customer satisfaction in Nepalese commercial banks.**

P-value of assurance is 0.003 which is significant 1 percent level of significance. So, hypothesis 1 is accepted.

**H<sub>4</sub>: There is significant relationship between tangibles of e-banking services and customer satisfaction in Nepalese commercial banks.**

P-value of tangibles is 0.000 which is significant 1 percent level of significance. So, hypothesis 1 is accepted.

**H<sub>5</sub>: There is significant relationship between empathy of e-banking services and customer satisfaction in Nepalese commercial banks.**

P-value of empathy is 0.000 which is significant 1 percent level of significance. So, hypothesis 1 is accepted.

Table 8 Summary of hypothesis testing

S.N	Hypothesis	Alternative	Null
1.	There is significant relationship between reliability and customer satisfaction in commercial banks of Nepal.	Accept	Reject
2.	There is significant relationship between responsiveness and customer satisfaction in commercial banks of Nepal.	Accept	Reject
3.	There is significant relationship between assurance and customer satisfaction in commercial banks of Nepal.	Accept	Reject
4.	There is significant relationship between tangibility and customer satisfaction in commercial banks of Nepal.	Accept	Reject
5.	There is significant relationship between empathy and customer satisfaction in commercial banks of Nepal.	Accept	Reject

Table 8 shows hypotheses related to customer satisfaction in commercial banks of Nepal, focusing on different factors (reliability, responsiveness, assurance, tangibility, and empathy). Each hypothesis is tested to see if there is a significant relationship between these factors and customer satisfaction. And here we accept alternative hypothesis after finding positive

relationship (i.e if one factor increases another factor also increase) and we reject Null hypothesis after finding that there no significant relationship between two variables. From above table we can prove that there is significant relationship between customer satisfaction and other factors such as (reliability, responsiveness, etc.) and it is found that it affects customer satisfaction. Similarly, it shows p-value of reliability, responsiveness, assurance, tangibles and empathy are 0.000, 0.000, 0.000, 000 and 0.000 respectively which are significant at 1 percent level so hypothesis 1 and hypothesis are accepted.

## **Conclusion**

The study aimed to assess customer satisfaction with e-banking services in Nepalese commercial banks by analyzing key factors such as reliability, responsiveness, assurance, tangibility, and empathy. Based on the demographic analysis, the majority of respondents were female (68%), indicating higher engagement with digital banking among women in the Kathmandu Valley. Additionally, a significant portion of users (73.8%) had been using e-banking services for at least three years, reflecting a growing adoption of digital banking solutions. The hypothesis testing results revealed significant positive correlations between customer satisfaction and all five service quality dimensions. The strongest relationship was found between reliability and customer satisfaction ( $r = 0.577$ ), followed by assurance ( $r = 0.560$ ), empathy ( $r = 0.440$ ), tangibility ( $r = 0.391$ ), and responsiveness ( $r = 0.385$ ). The p-values for all correlations were less than 0.01, confirming their statistical significance at the 1% level. Overall, these findings suggest that reliability and assurance play the most critical roles in enhancing customer satisfaction with e-banking services in Nepalese commercial banks. The study also highlights the need for banks to improve responsiveness, empathy, and tangibility to further enhance user experiences. As digital banking continues to evolve, commercial banks should focus on strengthening these factors to meet customer expectations and foster long-term satisfaction.

## References

- Engström, E., Eriksson, K., Björnstjerna, M., & Strimling, P. (2023). Global variations in online privacy concerns across 57 countries. *Computers in Human Behavior Reports*, (100268), 100268. doi:10.1016/j.chbr.2023.100268
- Farida, I., & Setiawan, D. (2022). Business strategies and competitive advantage: The role of performance and innovation. *Journal of Open Innovation Technology Market and Complexity*, 8(3), 163. doi:10.3390/joitmc8030163
- Karjaluoto, H., Mattila, M., & Pento, T. (2002). Factors underlying attitude formation towards online banking in Finland. *International Journal of Bank Marketing*, 20(6), 261–272. doi:10.1108/02652320210446724
- Karki, T. B., D'Mello, L., Neupane, D., Shrestha, S. K., & Mahat, D. (2024). Exploring the dynamics of death attitude research: A bibliometric analysis of scientific papers in dimension (2015-2024). *Randwick International of Social Science Journal*, 5(3), 318–330. doi:10.47175/rissj.v5i3.960
- Lamichhane, B., & Neupane, D. (2023). Perceived Organizational Support in Nepalese Banks. *International Journal of Atharva*, 1(1), 1-13.
- Mahat, D., Karki, T. B., Neupane, D., Shrestha, D. K., & Shrestha, S. (2024). Decolonization in focus: A bibliometric analysis of scientific articles from 2010 to 2023. *Nepal Journal of Multidisciplinary Research*, 7(1), 1–21. doi:10.3126/njmr.v7i1.65142
- Mishra, S., Mahat, D., & Khanal, L. (2021). Employees Respect and Job satisfaction in Nepalese Private College. *Nepal Journal of Multidisciplinary Research*, 4(4), 45–52. doi:10.3126/njmr.v4i4.43143
- Neupane, D., Mahat, D., Shrestha, S. K., & Karki, T. B. (2025). Reckoning the student perspectives on the educational environment: An in-depth analysis using the Dundee Ready Education Environment Measure in the management discipline. *Humanities and Social Sciences Letters*, 13(1), 301–312. Retrieved from <https://ideas.repec.org/a/pkp/hassle/v13y2025i1p301-312id4106.html>
- Neupane, D., & Lourdasamy, A. (2024). Beyond Borders: The Accelerating Momentum of Domestic Violence Research Worldwide. *NPRC Journal of Multidisciplinary Research*, 1(2 July), 34-52.
- Rahman, M. M., Khaled Rahman, S. M., & Ahmed, S. (2023). Determinants of efficiency of non-bank financial institutions: an empirical evidence from Bangladesh. *Asian Journal of Economics and Banking*, 7(3), 380–396. doi:10.1108/ajeb-07-2022-0092
- Rai, N., Khadka, N., Rai, M., Shrestha, P., Lekhak, M., Shrestha, M., & Mahat, D. (2024). Rise of foreign employment and challenges faced by Nepali youth in the domestic job market. *International Journal of Applied and Advanced Multidisciplinary Research*, 2(7), 497–508. doi:10.59890/ijaamr.v2i7.2140
- Rita, P., Oliveira, T., & Farisa, A. (2019). The impact of e-service quality and customer satisfaction on customer behavior in online shopping. *Heliyon*, 5(10), e02690. doi:10.1016/j.heliyon.2019.e02690
- Shrestha, S. K., Mahat, D., Neupane, D., & Karki, T. B. (2024). E-wallet usage and customer purchase intention: Understanding the mediating role of shopping satisfaction and E-wallet structure. *Multidisciplinary Reviews*, 8(3), 2025091. doi:10.31893/multirev.2025091
- Shah, M. H., & Siddiqui, F. A. (2006). Organisational critical success factors in adoption of e-banking at the Woolwich bank. *International Journal of Information Management*, 26(6), 442–456. doi:10.1016/j.ijinfomgt.2006.08.003
- Subedi, P. P. (2019). Customer satisfaction in retail banking services in Nepal. *PYC Nepal Journal of Management*, 12(1), 45–58. doi:10.3126/pycnjm.v12i1.30585



- Shrestha, J., & Chaudhary, R. P. (2024). Assessment of Equipment Handling Practices in the Hospitality Industry: A Case Study of Kathmandu's Key Departments. *International Journal of Atharva*, 2(2), 265-281.
- Shrestha, R., & Shrestha, S. (2024). Banking Preferences and Perceptions Among College Students: A Study on Influential Factors and Service Satisfaction. *International Journal of Atharva*, 2(2), 198-212.
- Supriyanto, A., Wiyono, B. B., & Burhanuddin, B. (2021). Effects of service quality and customer satisfaction on loyalty of bank customers. *Cogent Business & Management*, 8(1), 1937847. doi:10.1080/23311975.2021.1937847
- Toor, A., Hunain, M., Hussain, T., Ali, S., & Shahid, A. (2016). The impact of E-banking on customer satisfaction: Evidence from banking sector of Pakistan. *Journal of Business Administration Research*, 5(2). doi:10.5430/jbar.v5n2p27
- Vansteenkiste, M., & Ryan, R. M. (2013). On psychological growth and vulnerability: Basic psychological need satisfaction and need frustration as a unifying principle. *Journal of Psychotherapy Integration*, 23(3), 263–280. doi:10.1037/a0032359
- Wagle, N., Neupane, D., Nyaupane, N. P., & Timalsena, C. (2024). Compassionate Care: Exploration of the Nurse-Patient Relationship and Behavioral Dynamics in Healthcare Settings. *International Journal of Atharva*, 2(1), 65-77.