Customer Satisfaction toward Government Banking Services:
A Case Study of RBB Jajarkot Branch

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Abstract

This study investigates customer satisfaction with government banking services, focusing on the Rastriya Banijya Bank (RBB), Jajarkot Branch in Karnali Province, Nepal. With 350 respondents surveyed using structured questionnaires, the research aims to assess service quality, customer behavior, and the effectiveness of digital banking in a rural context. Key service dimensions such as staff behavior, loan processing, and mobile banking were analyzed. Findings of this study indicates that while most customers are satisfied with staff courtesy and traditional banking services like savings and ATM facilities, significant dissatisfaction exists in areas like digital banking and loan processing due to technical problems, delays of providing services, and communication gaps between bank and customers. Demographic analysis reveals that young, educated users form a majority, yet digital service adoption remains low. The study concludes that improving digital infrastructure, training bank staff, and simplifying loan procedures are essential for enhancing overall satisfaction and strengthening government banks' role in financial inclusion.

Keywords: Customer Satisfaction, Government Banking Services, Digital Banking, Loan Processing, Service Quality, Rural Banking

Introduction

In Nepal, government banks like RBB have traditionally focused on delivering services to underserved populations, particularly in remote districts like Jajarkot. These banks are instrumental in promoting financial inclusion, channeling government payments, and supporting rural development. However, with changing customer expectations, increasing digitalization, and competition from private banks and microfinance institutions, it is now essential to examine how effectively government banks are satisfying their customers. The present study focuses on the Jajarkot Branch of Rastriya Banijya Bank, located in a geographically remote and socioeconomically diverse region. Jajarkot is a hilly district in Karnali Province, where a majority of the population depends on agriculture, remittances, and small-scale trade. Access to financial services in such regions has historically been limited, and public banks like RBB have played a significant role in

bridging this gap. However, merely providing services is no longer enough. It is important to understand how customers perceive the quality of services provided and identify areas where the bank can improve.

Khalanga, the administrative center of Jajarkot District in Karnali Province, Nepal, lies at around 1,150 meters above sea level. Despite its remote location and hilly terrain, it functions as a key hub for governance, economy, and education. The population is diverse, with livelihoods based on agriculture, remittances, and trade. In recent years, road access, public services, and education have gradually improved. Khalanga also preserves local culture through festivals and traditions, though poverty and limited digital access remain challenges. In the banking sector, customer satisfaction is critical for sustainability. Public banks like Rastriya Banijya Bank are now focused on improving service quality to remain competitive. Satisfied customers ensure loyalty, trust, and growth, while poor service risks complaints and reputational damage.

The study investigates various aspects of customer satisfaction, such as the behavior of bank staff, waiting times, ease of transactions, access to loan services, mobile banking experiences, and overall service quality. Special emphasis is placed on evaluating the effectiveness of digital services, which have become essential in modern banking but remain underdeveloped in rural areas like Jajarkot. In this context, digital literacy, technical issues, and infrastructure limitations often act as barriers to successful digital banking adoption. Another key area examined in this study is the loan processing experience, as government banks are often involved in distributing agricultural loans, subsidized credit, and small business financing. The efficiency and transparency of such services directly affect customer trust and satisfaction. Slow loan processing, lack of proper communication, and unclear documentation procedures can negatively impact the customer experience. Pant (2016) laid an important foundation by discussing financial inclusion in Nepal and the pivotal role government banks like Rastriya Banijya Bank (RBB) play in extending banking services to rural and underserved areas. He pointed out that while these banks have a broad outreach, operational inefficiencies and lack of transparency in loan processing hinder customer trust and satisfaction. Pant emphasized the social responsibility of government banks to balance financial inclusion with improved service delivery, particularly in remote districts such as Jajarkot.

Building on this, Subedi (2018) conducted a detailed study on customer perceptions of banking services in rural Nepal. His research revealed that rural customers highly value personalized attention and clear, transparent communication from bank staff. However, many faced dissatisfaction due to long waiting times, bureaucratic delays, and opaque procedures. Subedi's findings indicated that rural customers' satisfaction depends less on advanced technology and more on reliability and human interaction. In the same year, Acharya (2018) compared customer satisfaction between public and private banks in Nepal. Acharya found that although public banks like RBB enjoy a wider reach, especially in rural regions, they generally score lower on service quality, technological adoption, and customer responsiveness compared to private banks. This study underscored the need for government banks to modernize service delivery and adopt customer-centric approaches to compete effectively.

Expanding on the importance of service quality, Sharma and Koirala (2020) analyzed how service quality dimensions' influence customer satisfaction in Nepalese banks. Their research

identified staff behavior, responsiveness, and reliability as key factors that strongly affect satisfaction levels. They noted that government banks often suffer from rigid bureaucratic processes and low staff motivation, resulting in a less favorable customer experience relative to private banks. This emphasized the crucial role of courteous and professional staff in enhancing customer satisfaction, especially when other service aspects lag. Similarly, Rai (2020) studied the impact of service quality on customer satisfaction in Nepalese commercial banks, affirming the strong positive correlation between factors like assurance, empathy, tangibility, and responsiveness with overall customer satisfaction. His findings resonate with the global banking literature, highlighting the universal importance of service quality even in government-owned banks. Meanwhile, Thapa (2019) explored the emerging area of digital banking in Nepal, pointing out significant challenges in rural adoption. Despite the benefits of digital services, infrastructure limitations such as unstable internet connectivity, low smartphone penetration, and limited digital literacy impede effective utilization, especially in remote districts like Jajarkot. Thapa's work highlights how these challenges result in low satisfaction with mobile and online banking platforms, urging targeted investments in infrastructure and customer education.

Addressing rural development, Poudel (2021) emphasized the critical role government-owned banks play in financing agriculture, small enterprises, and local development projects. However, Poudel also identified slow loan approvals, lack of clear communication, and weak customer support as primary causes of customer dissatisfaction in these banks. He suggested that simplifying loan procedures and enhancing transparency could significantly improve customer experience and support rural economic growth. From a policy perspective, the Ministry of Finance, Nepal (2022) in its Economic Survey 2021/22 stressed the urgency of financial sector reforms focused on improving operational efficiency, transparency, and technological innovation within public sector banks. The survey recognized that enhancing customer satisfaction in government banks is essential not only for financial inclusion but also for boosting public confidence and accelerating economic development in underserved regions..The Nepal Rastra Bank (2022) published its Financial Access Report, documenting the progress and challenges of banking outreach in rural Nepal. The report highlighted the critical role of government banks in expanding access but also underscored persistent issues such as staff shortages, limited digital service options, and inadequate customer service quality that impact customer satisfaction adversely.

In the latest developments, the Rastriya Banijya Bank Limited (2023) Annual Report detailed ongoing modernization efforts aimed at digitization, staff training, and enhancing customer service quality. The report acknowledged challenges, especially in rural branches like Jajarkot, including technological gaps and human resource constraints. It reiterated the bank's commitment to improving service delivery to meet evolving customer expectations and enhance satisfaction.

Objectives

The objectives of this study were as follows:
- To evaluate customer satisfaction with specific service areas such as staff behavior and loan processing at RBB Jajarkot Branch.

- To assess the usage and challenges of digital banking services among customers in the Jajarkot.

Literature Review

Customer satisfaction refers to the degree to which customers feel happy and fulfilled with a company's services or products. In banking, it reflects how well a bank meets customer expectations in areas such as service quality, staff behavior, transaction speed, digital access, and problem resolution. High customer satisfaction leads to increased trust, loyalty, and long-term engagement, while low satisfaction may result in complaints and customer loss. It is a key performance indicator for banks and helps identify areas needing improvement. For government banks like Rastriya Banijya Bank in rural areas, enhancing customer satisfaction is vital for financial inclusion and institutional success.

Customer satisfaction in the banking sector refers to how well a bank meets or exceeds the expectations of its customers through quality services, efficient processes, courteous staff, and reliable financial solutions. It reflects the overall experience of customers in areas such as account management, transaction speed, accessibility, and problem resolution. High customer satisfaction leads to increased trust, loyalty, and long-term relationships, which are essential for a bank's reputation, competitiveness, and sustainable growth in today's customer-focused financial environment.

The banking sector of Nepal comprises a network of financial institutions regulated by Nepal Rastra Bank (NRB), the central bank. It includes commercial banks, development banks, finance companies, and microfinance institutions. Commercial banks play a dominant role in providing financial services such as deposits, loans, remittances, and digital banking. The sector has grown significantly in recent years, expanding access to banking in both urban and rural areas. Government-owned banks like Rastriya Banijya Bank and private banks operate side by side, contributing to economic development, financial inclusion, and stability in Nepal's evolving financial landscape. Customer satisfaction is generally defined as a customer's perception of how well a service or product meets or surpasses their expectations (Oliver, 1997). In banking, satisfaction encompasses several service qualities dimensions such as tangibility, reliability, responsiveness, assurance, and empathy (Parasuraman, Zeithaml, & Berry, 1988). These dimensions have been operationalized in models like SERVQUAL to measure service quality gaps that directly affect satisfaction. Customer satisfaction is closely linked with loyalty, positive word-of-mouth, and overall organizational performance (Reichheld & Sasser, 1990). For government banks, balancing the dual goals of social responsibility and commercial viability adds complexity to maintaining customer satisfaction.

Globally, research has shown that customer satisfaction in banking is influenced by service quality, staff behavior, efficiency, technological adoption, and product variety (Ladhari, 2009). The role of digital banking has emerged prominently, enhancing convenience but also introducing challenges related to access and usability. In Nepal, the banking sector has undergone significant transformation with liberalization, technological advances, and increased competition (Bhattarai, 2019). However, government banks like RBB still retain large customer bases, particularly in rural

and semi-urban areas. These banks are pivotal in promoting financial inclusion but face challenges such as bureaucratic delays, infrastructural constraints, and limited technological innovation (Pant, 2016).

Rastriya Banijya Bank, established in 1966, is the largest government commercial bank in Nepal, with a mandate to provide banking services across the country, especially underserved areas (RBB Annual Report, 2023). Despite its outreach, studies indicate that customer satisfaction in RBB is mixed due to operational inefficiencies and service quality issues. Pant (2016) highlighted that while government banks have broad coverage, issues like long waiting times, opaque loan processing, and lack of customer-friendly procedures adversely affect satisfaction. These findings are echoed by Subedi (2018), who observed that rural banking customers value clear communication and personalized service but often face bureaucratic hurdles in government banks.

Acharya (2018) compared customer satisfaction between public and private banks in Nepal and found that private banks generally outperform government banks in service quality, responsiveness, and technological adoption, leading to higher customer satisfaction. This indicates the pressing need for public banks to modernize operations and align with evolving customer expectations.

Staff behavior is a fundamental determinant of customer satisfaction in banking. Sharma and Koirala (2020) found that courteous, knowledgeable, and responsive staff positively influence customer perceptions and loyalty. Empathy and assurance provided by staff create trust, which is critical in banking where customers deal with sensitive financial matters. In government banks, however, staff motivation and training are often inadequate, resulting in lower service quality (Rai, 2020). Long-standing bureaucratic culture may hinder proactive customer service, which affects customer satisfaction negatively. Speed and efficiency of service delivery are vital. Customers expect prompt processing of transactions, minimal waiting times, and timely responses to inquiries (Ladhari, 2009). Delays, especially in loan processing, are a common complaint in government banks (Poudel, 2021).

Studies in Nepal show that RBB branches often struggle with delays due to staff shortages, procedural complexities, and manual processing (Pant, 2016). This contributes to customer dissatisfaction and can deter potential clients from utilizing formal banking services. Loan services are a critical product for many customers, especially in rural areas where credit supports agriculture and small businesses. The transparency, speed, and fairness of loan processing significantly impact customer satisfaction (Poudel, 2021). However, government banks frequently face criticism for lengthy loan approval processes, lack of communication, and unclear documentation requirements (Subedi, 2018). These barriers reduce trust and limit the effectiveness of banks in supporting local development. Digital banking including internet banking, mobile apps, and ATM services as transformed the banking experience globally. It offers convenience, 24/7 access, and reduced reliance on physical branches (Thapa, 2019). In Nepal, digital banking adoption has increased, but rural and remote areas like Jajarkot face substantial challenges. Thapa (2019) noted that limited internet access, low smartphone penetration, and poor digital literacy impede the effective use of digital services in such areas. Customers frequently report technical glitches, difficulty navigating apps, and inadequate customer support for digital issues. Government banks have been slower than private

counterparts in rolling out effective digital platforms, which negatively affects customer satisfaction and competitiveness (RBB Annual Report, 2023).

Physical accessibility of bank branches, including location convenience and operating hours, influences customer satisfaction (Acharya, 2018). In mountainous districts like Jajarkot, geographical barriers and poor transport infrastructure limit physical access to banking services. Government banks often serve as the only formal financial institution in such areas, making accessibility critical. However, limited branch networks and inconvenient hours reduce customer convenience and satisfaction (Pant, 2016).

Methodology

This study employed a qualitative method, descriptive research design to assess customer satisfaction with government banking services at the Rastriya Banijya Bank (RBB), Jajarkot Branch. The target population consisted of approximately 9,200 active loan and deposit customers of the branch. From this population, a sample of 350 customers was purposively selected to ensure that participants had at least two years of experience with the bank's services and could provide informed responses.

Primary data were gathered using a structured questionnaire that focused on key service areas such as staff behavior, loan processing, digital banking usage, service timeliness, and overall customer satisfaction. The questionnaires were administered in person over a period of two weeks at the bank premises. The researcher assisted respondents who were unfamiliar with survey methods or required clarification. Secondary data were collected from internal bank reports, official government documents, and previous academic studies relevant to customer satisfaction in Nepal's banking sector. These sources were used to provide context and support for the analysis of primary data.

Results

This section presents the analysis of data collected from 350 customers of Rastriya Banijya Bank, Jajarkot Branch, regarding their satisfaction with various banking services.

Demographic Profile of Respondents

The demographic profile of respondents provides essential background information about the customers who participated in the study. Understanding these characteristics helps to analyze customer satisfaction in relation to factors such as age, gender, education, occupation, and banking experience. It also ensures that the sample represents a diverse group of customers served by the Rastriya Banijya Bank (RBB), Jajarkot Branch.

Table 1: *Gender of Respondents*

Gender	Frequency	Percentage (%)
Male	210	60%
Female	140	40%

Source: Survey 2025

Out of 350 respondents, 210 were male (60%) and 140 were female (40%). This indicates a gender imbalance in banking service usage, where men dominate participation.

Table 2: *Education Level of Respondents*

Education Level	Frequency	Percentage (%)

Below Secondary	70	20%
Secondary (10th Grade)	158	45%
Intermediate and above	122	35%

Source: Survey 2025

70 respondents (20%) were below secondary level, 158 (45%) had completed secondary education, and 122 (35%) had intermediate or higher education.

Table 3: *Age Group of Respondents*

Age Group	Frequency	Percentage (%)
Below 25 years	53	15%
25–35 years	158	45%
36–45 years	88	25%
Above 45 years	53	15%

Source: Survey 2025

53 respondents (15%) were under 25, 158 (45%) were aged 25–35, 88 (25%) were 36–45, and another 53 (15%) were above 45.

Table 4: *Usage of Banking Services*

Service Type	Frequency	Percentage (%)
Savings Account	315	90%
ATM Services	245	70%
Loan Services	158	45%
Mobile Banking	105	30%
Current Account	53	15%

Source: Survey 2025

Savings accounts (90%) and ATM services (70%) are most used. Loan services are used by 45%, mobile banking by 30%, and current accounts by 15%.

Table 5: *Satisfaction on Staff Behavior*

Satisfaction Level	Frequency	Percentage (%)
Highly Satisfied	158	45%
Satisfied	105	30%
Neutral	53	15%
Dissatisfied	26	7.5%
Highly Dissatisfied	9	2.5%

Source: Survey 2025

158 (45%) were highly satisfied, 105 (30%) satisfied, 53 (15%) neutral, 26 (7.5%) dissatisfied, and 9 (2.5%) highly dissatisfied.

Table 6: *Satisfaction on Service Timeliness*

Satisfaction Level	Frequency	Percentage (%)
Satisfied	203	58%

Neutral	53	15%
Dissatisfied	77	22%
Highly Dissatisfied	17	5%

Source: Survey 2025

203 respondents (58%) were satisfied, 53 (15%) neutral, 77 (22%) dissatisfied, and 17 (5%) highly dissatisfied.

Table 7: *Satisfaction on Loan Processing*

Satisfaction Level	Frequency	Percentage (%)
Satisfied	122	35%
Neutral	88	25%
Dissatisfied	105	30%
Highly Dissatisfied	35	10%

Source: Survey 2025

122 (35%) were satisfied, 88 (25%) neutral, 105 (30%) dissatisfied, and 35 (10%) highly dissatisfied.

Table 8: *Satisfaction on Digital Banking Services*

Satisfaction Level	Frequency	Percentage (%)
Satisfied	70	20%
Neutral	53	15%
Dissatisfied	140	40%
Highly Dissatisfied	87	25%

Source: Survey 2025

Only 70 (20%) were satisfied, 53 (15%) neutral, while 140 (40%) were dissatisfied, and 87 (25%) highly dissatisfied.

Table 9: *Overall Customer Satisfaction*

Satisfaction Level	Frequency	Percentage (%)
Highly Satisfied	105	30%
Satisfied	122	35%
Neutral	70	20%
Dissatisfied	35	10%
Highly Dissatisfied	18	5%

Source: Survey 2025

105 (30%) were highly satisfied, 122 (35%) satisfied, 70 (20%) neutral, 35 (10%) dissatisfied, and 18 (5%) highly dissatisfied.

Discussion

The findings of this study align with and expand upon previous research on customer satisfaction in government banking in Nepal. For instance, Subedi (2018) found that public banks often struggle with bureaucratic inefficiencies, slow loan processing, and limited digital services

issues also reflected in this study, where only 35% of respondents were satisfied with loan processing, and 65% were dissatisfied with digital banking. Similarly, Pant (2016) highlighted that rural branch of government banks face delays and lack customer-friendly procedures, which parallels the 27% dissatisfaction rate with service timeliness observed in the current study. Acharya (2018) concluded that private banks tend to outperform government banks in responsiveness and digital innovation. This supports our finding that digital banking at RBB Jajarkot remains underutilized and poorly rated. However, consistent with Sharma and Koirala (2020), this study shows strong satisfaction with staff behavior (75%), indicating that interpersonal service quality in public banks like RBB remains a relative strength. Thus, while RBB has maintained good customer relationships through staff interaction, it lags behind in technology-driven service areas. The comparative analysis suggests that for RBB to remain competitive and inclusive, it must prioritize digital infrastructure, staff training, and streamlined loan services particularly in rural regions like Jajarkot.

The study conducted at Rastriya Banijya Bank (RBB), Jajarkot Branch, reveals important insights into customer satisfaction with government banking services. Out of 350 respondents, 60% were male and 40% female, suggesting higher male engagement in banking activities. The majority (80%) of respondents had at least secondary-level education, which supports basic financial literacy, though digital adoption remains limited. Most respondents (45%) were aged between 25–35 years, indicating that economically active youth are the primary users of RBB services.

In terms of service usage, 90% used savings accounts, followed by 70% using ATM services, but only 30% used mobile banking. Satisfaction with staff behavior was relatively high (75%), reflecting positive customer interaction. However, service timeliness received mixed reviews, with 27% expressing dissatisfaction. Satisfaction with loan processing was low, with 40% dissatisfied or highly dissatisfied, mainly due to delays and communication gaps. Digital banking emerged as the weakest area, with 65% of users dissatisfied or highly dissatisfied. Overall, 65% of customers were satisfied or highly satisfied with the bank's services. The findings suggest that while interpersonal service is strong, RBB Jajarkot needs improvements in digital service delivery, loan processing efficiency, and reducing procedural delays to enhance overall customer satisfaction.

Conclusion

The study examined customer satisfaction levels at the Rastriya Banijya Bank (RBB), Jajarkot Branch, with a focus on key service areas such as staff behavior, loan processing, digital banking, and overall service delivery. The findings indicate that while the bank fulfills a vital role in delivering financial services to a remote and rural population, several service areas require improvement. Customers were generally satisfied with the behavior and professionalism of the bank staff, highlighting the importance of respectful and supportive human interaction in building trust. However, dissatisfaction was reported regarding service delays and inefficient loan processes, mainly due to bureaucratic hurdles and lack of clarity in procedures. Digital banking services were identified as underutilized and problematic, largely due to technological limitations, low awareness, and poor infrastructure in rural areas. These issues suggest a need for both digital investment and customer education. Overall, while the bank has made significant contributions to financial inclusion in Jajarkot, raising customer satisfaction will depend on improving operational efficiency, expanding

digital capabilities, and maintaining strong staff-customer relationships. Addressing these areas can enhance the bank's reputation, increase customer loyalty, and strengthen its impact in underserved regions.

Authors' Biography

Nirmal Kumar Thapa is an Assistant Professor at the Graduate School of Humanities and Social Sciences, Mid-West University, Surkhet. He holds a Master of Arts in Economics from Tribhuvan University, Kirtipur, Nepal, and has a strong academic background as well as research interest in development economics.

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