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Examining the Service Quality, Customers' Satisfaction, and Loyalty in Commercial Banks of Nepal

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Abstract

Customer satisfaction represents the degree to which customers' expectations are met by the services received from banks. Loyalty in this context concerns customers' feelings of continuing to conduct business with a particular bank over time, often influenced by their level of satisfaction with the services provided, which are crucial in shaping the competitive landscape and long-term success of banks in Nepal. This study examines the relationship between service quality, customer satisfaction, and loyalty in Nepal's banking sector. The study applies a quantitative research approach to understand the participants' opinions, attitudes, and experiences regarding factors affecting service quality, customer satisfaction, and loyalty in commercial banks in Nepal. The survey research design was applied to collect data for this study. Descriptive statistics and causal-comparative analysis were used as data analysis methods. A primary questionnaire survey was conducted among customers in Kathmandu, and data was collected from various bank branches and online platforms. Analysis using SPSS software reveals positive correlations between tangibility, reliability, assurance, empathy, technology, and responsiveness with customer satisfaction, particularly emphasising the importance of assurance. Regression analysis further highlights the significant influence of assurance, technology, empathy, and tangibility on customer satisfaction. Additionally, customer satisfaction significantly positively correlates with loyalty, primarily driven by assurance and empathy, which contribute to understanding and enhancing customer satisfaction and loyalty in the Nepalese banking industry. The implications of this study would benefit in prioritising service quality, customer satisfaction, and customer loyalty has far-reaching implications for commercial banks in Nepal, impacting their competitiveness, profitability, and long-term sustainability in the market.

Keywords: *banking industry, customer satisfaction, loyalty, quantitative analysis research methodology, service quality*