

Cashless Policy of Nepalese Commercial Banks and Customer Satisfaction

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Abstract

This paper attempts to examine customer satisfaction towards cashless policy in Nepalese commercial banks. The data has been collected from 384 respondents of Kathmandu Valley through structured questionnaire. Descriptive statistics, correlation coefficient and regression methods have been used to estimate the relationship between dependent and independent variables. The study reveals that cashless policy is the most important factor affecting customer satisfaction in Nepalese commercial banks.

Key Words: Customer satisfaction, Ease of use, Cost effectiveness, Convenience, Reliability, Level of awareness

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Introduction

A cashless policy is a policy where no one uses cash, all purchases being made are by credit cards, QR code, connect IPS, cheques, or direct transfers from one account to another through mobile banking. In other words a policy that discourages the use of cash for transactions but encourages the use of bank transfer, ATM card, POS, and other financial instruments for transferring cash in transactions. It is an initiative to reduce the physical movement of cash in circulation thereby encouraging the use of electronic platforms for settlement or payment for goods and services. The cashless transaction guarantees more manageable payment across the nation

The benefits of adoption of cashless policy include reduction in corruption and the cost of services by banks, increased operational efficiency, improved financial inclusion, providing alternatives that aid easy transactions and greater reach, and improved efficiency of the monetary policy.

The disadvantages of going cashless include less privacy, greater exposure to hacking, technological dependency, magnifying economic inequality, and more. Similarly, a cashless leads to overspending of money.

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The use of digital payment systems and credit or debit cards has significantly increased in Nepal in recent years which are evident by the data provided by the Nepal Rastra Bank (NRB). Digital transaction or cashless payments has been increased every year i.e. in 2018 it was NPR 712 billion while in 2019, the amount increased to NPR 1,559 billion. Similarly it was around NPR 2,000 billion in 2021. Some of the prominent companies that provide digital monetary transaction services like eSewa, Khalti and IME Pay etc. observed a substantial rise in terms of users.

There was a huge increase in the number of users of eSewa, Khalti and IME Pay since the start of the COVID-19 pandemic. The substantial increase in the number of users indicates the growth potential of digital payment platforms. The COVID-19 pandemic has played a crucial role to accelerate the use of cashless payment methods. One of the major reasons for people to shift to a cashless payment method is the fear of transmission of the coronavirus through physical money

(Shrestha, S. 2021).

The pandemic has caused the remittance sector, the insurance sector, school, hospital, and government payments to go digital. In the case of the remittance sector, as per the directive of NRB, Nepali people living abroad can [send](#) remittances directly through digital payment platforms like mobile banking, internet banking, electronic card, digital wallet, etc. (Shrestha, S. 2021).

Digitization has heavily influenced consumer behavior, which has resulted in new ways of living. Electronic payment has become increasingly trustworthy because of the increased acceptance of online services, as well as the expansion of the range of providers and the size of their delivery networks. Cashless transaction is the process of development in which no physical cash is printed or available, rather, all are in digital forms ([Shrestha, N. 2022](#))

Customer satisfaction has been one of the intriguing areas of study for researchers and practitioners over the last few decades. Prior research has linked customer satisfaction with different predictors. Among them, cashless policy, that is essential for banks to continuously attract and retain customers, is one of the important predictors. A cashless payment, secured and convenient way of making payments, is a behavioral change in the people where people eliminate usage of money as a medium of exchange for goods and services by allowing electronic transfer payments or non-electronic payment via cheques (Slozko & Pello, 2015; Tee & Ong, 2016). Renman and Ahmed (2008) revealed that convenience is one of the most important variable influencing customer choices among other factors namely customer services, online banking facilities and overall bank environment. Customers devote much emphasis on electronic services which gives them quick and convenient access to the bank service (Mokhlis, 2009).

Muhammad and Rana (2012) found perceived ease of use, perceived usefulness, compatibility, innovativeness and perceived credibility influencing customers' intention to adopt internet banking. Likewise, Hsueh-Ying et al. (2012) found trust, perceived usefulness and perceived ease of use and relative advantage having a significant effect on

customers' behavioral intention to adopt internet banking. Chang and Hamid (2010) also stated perceived ease of use and perceived usefulness influencing behavioral intention of customers. In the same way, Yiu et al. (2007) also found perceived usefulness, perceived ease of use, perceived risk and personal innovativeness on information technology have a positive relationship with internet banking adoption.

Ma (2012) explored privacy, reputation and price as the key factors affecting customer satisfaction in online banking. Similarly, Alam and Soni (2012) showed customer satisfaction is generated through quick services, affordable service charge, and easiness of depositing and withdrawing money, ATM booths and account statement over SMS/e-mail services and error free records. Zafar et al. (2012) observed tangibility, reliability, competence and conflict handling as the constructs of service quality generating customer satisfaction and customer loyalty. Additionally, Ramadhan (2011) found a positive significant relationship between internet banking adoption and customer satisfaction.

Past studies indicate that key determinants of behavioral intention in mobile banking are perceived usefulness, trust and perceived ease-of-use. Laforet and Li (2005) revealed the main barriers to mobile banking as well as the lack of awareness and understanding of the benefits. Jun and Cai (2001) identified reliability as one of the very important service quality dimensions of internet banking service quality. In a study conducted by Cooper (1997), ease of use of innovative product or service is considered as one of the important characteristics for adoption from the customer's perspective.

Ganguli and Roy (2010) identified the generic service quality dimensions of technology base banking and also examined the effect of these dimensions on customer satisfaction. The results revealed that technology security and information quality, technological convenience, ease of use and reliability as four generic service quality dimensions. It was also found that these service quality dimensions namely security and information quality, technological convenience, ease of use and reliability have positive and significant impact on customer satisfaction.

Khatri and Dhungel (2013) revealed that still many Nepalese customers lack knowledge on cashless services provided by banks. Even though cashless policy has wide range of benefit like reliable and cost-effective service on consumers, business and government, Researchers have found that in Nepal, electricity and telecommunication are not accessible all through the nation, which contrary influences the advancement of online payments.

Objective of the study

The main objective of the study is to assess the linkage between cashless policy and customer satisfaction in Nepalese context.

Hypotheses

Ease of Use and Customer Satisfaction

According to Davis *et.al* (1989), perceived ease of use refers to the degree to which a person believes that using a particular system would be free of effort. Technology can be intimidating to most consumers and one expects that cashless payment tools should be designed to simplify the transactional process for customers. Kassim and Abdullah (2010) found that ease of use was positively related to customer satisfaction. Customers who used internet banking were more focused on the easier ways to conduct banking transactions (Ainin *et al.*, 2005).

Moreover, Karahanna *et al.* (1999) showed that there is a positive relationship between ease of use and acceptance of technologies by customers. Researchers have revealed that ease of use is positively and significantly associated with intention to use of cashless payment system. Based on this, the study develops following hypothesis:

H1: There is a positive relationship between ease of use and customer satisfaction.

Cost Effectiveness and Customer Satisfaction

Cost effectiveness refers to the degree to which services are productive in relation to its cost. Here, cost defines the charge allocated for the cashless services provided

by banks to its customers. Cost of services should not be above the expectation acquired by customer to maintain satisfaction. Bambore (2013) found that customer satisfaction has significant positive relationship with cost effectiveness. Kumbhar (2011) showed that cost effectiveness is the positive predictor of perceived value and satisfaction in e-banking by Indian customers. Auta (2007) examined the impact of e-banking in Nigeria and found that customers are satisfied with e-banking system due to less cost and time saving benefits. Based on this, the study develops following hypothesis:

H2: There is a positive relationship between cost effectiveness and customer satisfaction.

Convenience and Customer Satisfaction

Convenience refers to the accessibility of service provider to its customers. The ease of conducting financial transactions is probably the biggest motivator to go digital in today's world of globalization. Cashless payment systems are important mechanisms used by individual and organizations as a secured and convenient way of making payments over the internet and at the same time a gateway to technological advancement in the field of world economy (Slozko & Pello, 2015).

Convenience is the main attraction and focus of the customers who use internet banking (Shariq, 2006). Convenience has positive effect on consumer adoption of internet banking (Howcroft *et al.*, 2002). Lichenstein and Williamson (2006) found convenience as the main motivator for consumers to bank online. Likewise, Auta (2007) opined that customers are satisfied with e-banking system providing convenience. Based on this, the study develops following hypothesis:

H3: There is a positive relationship between convenience and customer satisfaction.

Reliability and Customer Satisfaction

Reliability is the quality of trustworthiness or healthy and consistent performance. Reliability of service designates the bank's capability to supply the promised output at the stated level. Jun and Cai (2001) identified one of the very important service quality dimensions of

internet banking service quality is reliability. Khan (2012) revealed that reliability has positive relation with service quality and customer satisfaction towards ATM services. Khan and Mahapatra (2009) concluded that customers are satisfied with the reliability of services provided by banks. This indicates that higher the reliability of services, higher would be customer satisfaction. Ganguli and Roy (2010) also found that reliability has positive and significant impact on customer satisfaction and loyalty. Based on this, the study develops following hypothesis:

H4: There is a positive relationship between reliability and customer satisfaction.

Level of Awareness and Customer Satisfaction

Level of awareness is level of understanding of something. Allee (1997) defined knowledge as experience or information that can be communicated or shared. Sathey (1999) found that higher educational respondents adopt internet banking because they have a higher knowledge of new information technology and skills as compared to respondents of low education.

Therefore, level of awareness is positively related to customer's intention to use internet banking. Polatoglu and Ekin (2001) stated that the more knowledge and skills a customer possess about electronic banking, the easier it was to utilize e-banking which in turn, lead to increased customer satisfaction. Based on this, the study develops following hypothesis:

H5: There is a positive relationship between level of awareness and customer satisfaction.

Methodology Used

This paper has adopted descriptive research design for fact finding and identifies information about impact of cashless policy on consumer satisfaction while also using the causal comparative research design to establish the cause and effect relationship of level of awareness, reliability, ease of use, cost effectiveness, and convenience with customer satisfaction. Out of total population 384 respondents from Kathmandu Valley have been selected using convenience sampling method. Multiple regression model is used for analysis

and the model is presented as:

$$CS = \beta_0 + \beta_1 LA + \beta_2 REL + \beta_3 EU + \beta_4 CE + \beta_5 CON + e_{it}$$

Where, CS= Consumer satisfaction; β_0 = Constant of the regression model; LA= level of awareness; REL=Reliability; EU= Easy to use; CE=Cost effectiveness; CON= Convenience; e_{it} = error

Results and Discussions

Descriptive Analysis

The mean value of ease of use ranges from minimum of 4.19 to the maximum of 4.70 where weighted average mean value for the aspects of ease of use is 4.375 which indicate that aspects of the ease of use are satisfactory. The mean value of convenience from minimum of 4.12 to the maximum of 4.73 where weighted average means value for the aspects of convenience is 4.33 which indicate that aspects of the convenience are satisfactory. Similarly, the mean value of cost effectiveness ranges from minimum of 3.65 to the maximum of 3.97 where weighted average mean value for the cost effectiveness is 3.83 which indicate that an aspect of cost effectiveness is satisfactory.

Likewise, the mean value of level of awareness ranges from minimum of 3.39 to the maximum of 3.84 where weighted average mean value for the aspects of service quality is 3.69 which indicate that aspects of level of awareness are satisfactory. The mean value of reliability ranges from minimum of 3.42 to the maximum of 3.93 where weighted average mean value for the aspects of price is 3.74 which indicate that aspects of reliability are satisfactory. The mean value of consumer satisfaction ranges from minimum of 4.21 to the maximum of 4.67 where weighted average mean value for the aspects of price is 4.41 which indicate that aspects of customer satisfaction are satisfactory.

Correlation Analysis

The Pearson correlation coefficients have been conducted and the results are presented in Table 1

Table 1
Pearson's correlation matrix for the Impact of cashless policy towards customer satisfaction in context of Nepalese commercial bank

This table presents the correlation between dependent variable Customer satisfaction and independent variables Ease of Use (EU), Convenience (CON), Cost effectiveness (CE), Level of awareness (LA), Reliability (REL).

Variables	Mean	Std. Deviation	EU	CON	CE	LA	REL	CS
EU	4.375	.543	1					
CON	4.33	.533	.776**	1				
CE	3.83	.630	.571**	.634**	1			
LA	3.69	.824	.653**	.754**	.837**	1		
REL	3.74	.574	.627**	.726**	.845**	.842**	1	
CS	4.41	.519	.404	.707**	.557**	.661**	.531**	1

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

The results state that there is positive relationship of all independent variables with customer satisfaction which indicates that higher the easiness in use higher would be the customer satisfaction; higher the level of convenience, higher would be the customer satisfaction; increase in cost effectiveness leads to an increase in the customer satisfaction; increase in level of awareness leads to an increase in the customer

satisfaction and reliable services lead to higher customer satisfaction.

Regression analysis

The estimated regression results is shown in table 2

Table 2
Regression result

It represents the regression results customer satisfaction dependent and independent variables i.e. ease of use (EU), convenience (CON), cost effectiveness (CE), level of awareness (LA) and reliability (REL). *The regression results are estimated using regression equation $CS = \beta_0 + \beta_1 E$*

$$U + \beta_2 CON + \beta_3 CE + \beta_4 LA + \beta_5 REL$$

Model	Intercept	EU	CON	CE	LA	REL	Adj R ²	SEE	F-value
1	3.423 (6.397)**	0.248 (2.017)*					0.124	0.33373	4.076
2	2.336 (4.198)**		0.493 (4.582)**				0.477	0.25821	20.903
3	2.522 (3.890)**			0.547 (3.056)**			0.277	0.30289	9.398
4	2.855 (6.962)**				0.399 (4.049)**		0.413	0.27327	16.373
5	3.013 (5.777)**					0.414 (2.875)**	0.248	0.30111	8.216
6	2.043 (3.537)**	(-0.232) (-1.532)	0.691 (4.167)**				0.507	0.25031	12.267
7	2.042 (3.544)**		0.409 (2.948)**	0.177 (0.917)			0.472	0.25911	10.778

8	2.839 (4.654)**			0.007 (0.029)	0.392 (2.144)*		0.383	0.27998	7.796
9	2.918 (6.176)**				0.447 (2.389)*	(-0.074) (-0.306)	0.386	0.27933	7.881
10	2.073 (3.757)**	(-0.260) (-1.726)	0.613 (3.459)**	0.233 (1.217)			0.519	0.24735	8.867
11	2.278 (3.579)**		0.337 (2.057)*	0.004 (0.013)	0.177 (0.891)		0.466	0.26047	7.377
12	2.844 (4.507)**			0.068 (0.192)	0.426 (2.018)*	(-0.100) (-0.355)	0.355	0.28631	5.013
13	2.346 (3.892)**	(-0.263) (-1.816)	0.533 (2.799)	0.031 (0.113)	0.206 (1.899)		0.524	0.247	7.026
14	2.3 (3.537)**		0.388 (2.234)*	0.17 (0.503)	0.243 (1.171)	(-0.273) (-1.014)	0.467	0.26038	5.793
15	2.273 (3.746)**	(-0.262) (-1.789)	0.577 (2.960)**	0.178 (0.596)	0.271 (1.364)	(-0.258) (-1.027)	0.523	0.24564	5.848

* indicates that coefficient is significant at 5 percent level of significance.

** indicates that coefficient is significant at 1 percent level of significance.

Table 2 presents that beta coefficient is positive and significant for ease of use. It presents that the ease of use has positive impact on the customer satisfaction towards cashless policy. This result is similar to the findings of Kassim and Abdullah (2010). Similarly, the beta coefficient is positive and significant for convenience and it indicates that the convenience has positive impact on consumer satisfaction.

Thus, it is consistent with the findings of (Shariq, 2006). Similarly, the beta coefficient is positive and significant for cost effectiveness. It states that the cost effectiveness has positive impact on consumer satisfaction and this finding is similar to the findings of Kumbhar (2011). Likewise, beta coefficient is positive and significant level of awareness. It reveals that level of awareness has positive impact on consumer satisfaction. This finding is similar to the study of Sathey (1999). Again, beta coefficient is positive and significant for reliability which shows reliability has positive impact on consumer satisfaction. This finding is consistent to the findings of Khan and Mahapatra (2009).

Conclusion

The major conclusion of the study is that ease of use and convenience plays the major role in determining the

customer satisfaction towards cashless policy in Nepalese commercial bank. This means that better the ease of use and convenience, higher would be the level of customer satisfaction. The result also revealed that higher the level of awareness and cost effectiveness, higher would be the customer satisfaction. The study also concludes that reliability affects customer satisfaction. It indicates that better the reliability, higher would be the customer satisfaction.

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