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## CUSTOMER SATISFACTION ON INFORMATION TECHNOLOGY PRODUCTS IN BANKS

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### Abstract

*The enhanced role of the banking sector in the Indian economy, the increasing level of deregulation and increasing levels of competition have facilitated globalization of the Indian banking system and placed numerous demands on banks. Operating in the demanding environment has exposed banks to various challenges. The last decade has witnessed major changes in the financial sector, new banks, new financial institutions, new windows, new opportunities and new challenges. While deregulation has opened new ways to generate revenues, it also entailed greater competition and greater risks. Demand for new products, made banks to make rapid changes in their processes and operations to remain competitive in the globalized era.*

**Keywords:** *new banks, E-Banking, IT, ATM, Mobile Banking*

This research is an attempt to identify how Information Technology (IT) tools like ATM, E-Banking, Mobile Banking can be used as an effective tool for building relationships with bank customers. A questionnaire was constructed and circulated among 150 respondents to identify their satisfaction on various IT systems used by bank customers based on various dimensions like Implementation of IT System, Performance, Maintenance, Training, Ease of use, Security and Reliability. The data collected is analyzed using the tools like regression, factor analysis and chi-square analysis. The study revealed that customer satisfaction is a function of different features of IT system like Implementation, Performance, Training, Ease of use, Security and Reliability.

### Introduction

Customers are important assets for any business. Companies have to develop close, cooperative relationships with customers. A few broad challenges faced by the Indian banks are enhancement of customer service, application of technology, improvement of risk management systems, enhancement of transparency and disclosures and implementation of new accounting standards. Out of these, enhancement of customer service is very important because in the competitive environment banks can survive only with satisfied customer. Technology is an effective channel using which we can identify the methods to satisfy the customers.

Retention of customers is a big challenge for banks. According to research by Reichheld and Sasser in the Harvard business review, 5 percent increase in customer retention can increase the profitability by 35 percent in banking business, 50 percent in insurance and brokerage and 125 percent in the customer credit card market. Thus banks need to emphasize retaining customers and increasing market share.

### Review of Literature

As changes are inevitable, marketing environment is also changing and developments in information technology have scope for innovations in retaining the customers on one side and maintaining the cordial relationships with the customers. (Burke et al., 1999).

The customer user satisfaction concept was applied in the area of information systems in

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the early 1980s. Bailey and Pearson (1983) developed a measuring instrument to analyze computer user satisfaction. This instrument was adopted by researchers and practitioners for high validity and reliability. They also identified 39 factors affecting user satisfaction and developed a questionnaire using 7-point semantic differential scale of adjective pairs.

**R.Srinivasan and Mrunalini S Rao (2001)** have conducted a study on key factors of banking software products that leads to user satisfaction. They have used the following factors for identifying customer satisfaction like implementation, maintainability, reliability, ease of use, Security, Performance, Output, Vendor's Marketing skills, User Involvement, Training and service. They have conducted factor analysis and identified key factors for user satisfaction like implementation, maintainability, Performance, Security, Ease of use, Output and Vendor's marketing skills. Although these were the key factors all the other variables used in the study were also important enough for the product to be effective. A study was carried out with an objective to compare all the different services provided by different banks to give the suggestions to improve the products in order to make it more competitive and customer friendly. The study was conducted on people of Rajkot who have account in private and nationalized banks in Rajkot city. The study revealed that people prefer private banks rather than nationalized banks due to services and inter connectivity between the branches. The use of e-banking services is not to the mark as expected by the banks. ATM is used mainly for cash with drawal and balance enquiry. The author had made suggestions that the banks need to build up an IT savvy customer base. Since in India the literacy rate on IT is very low, banks need to put in major efforts towards educating people on this aspect. (Dr. Sanjay J. Bhayani, 2005) Many researchers have conducted studies on the effectiveness of banking software.

Based on the above reviews, the following study was conducted in order to identify whether banks are using the IT tools and techniques effectively in order to create a positive relationship with the customers.

#### Objectives of the Study

- This study aims to identify the relationship between features of IT tools like ATM, E-Banking, Mobile Banking and customer satisfaction.

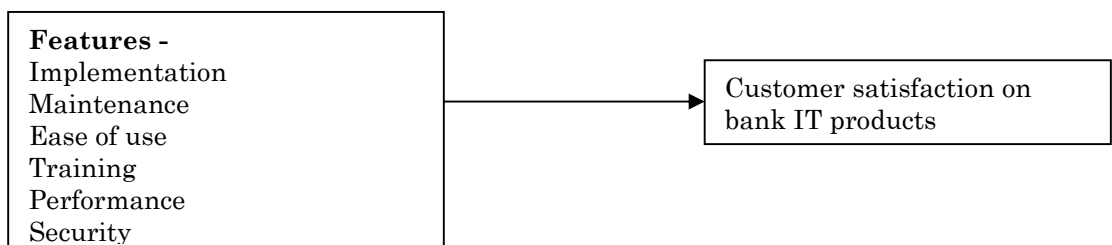
The broad research question is:

- What are the features affecting the customer satisfaction on IT tools in banks?

#### Research Model Adopted for the Study

Independent variables

Dependent variable



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Based on the framework, this study hypothesizes that:

H0: There is no relationship between features of IT products and Customer satisfaction. This is tested using Multiple regression analysis.

### Methodology

Both primary and secondary data collection was made. As a source of primary data questionnaire was prepared to obtain information from the respondents and apart from this to gather some relevant secondary information the secondary data were obtained from news papers, magazines, records, websites and books. The primary data was collected using a questionnaire. The questionnaire was pre-tested initially with few customers. Minor changes were requested by those people, which were implemented before carrying out the final data collection. The respondents were asked to rate their opinion regarding Implementation, Maintenance, Performance, Training, Ease of use, Security and Reliability of IT bank products etc., in a 5 point Likert Scale (5-Strongly Agree, 4-Agree, 3 – Neutral, 2 – Disagree, 1 – Strongly Disagree).

### Sample Size

The customers are selected from both public and private sector banks using Convenience Sampling. The total sample size is 150. Data is collected from the respondents by circulating questionnaire through email.

### Analysis and Interpretation

#### Regression analysis

**H0:** There is no relationship between features of bank IT products like Implementation, Performance, Maintenance, Training, Ease of use, Security and reliability and customer satisfaction

**Model:** Here customer satisfaction is the dependent variable and the features of IT products like Implementation, Maintenance, Performance, Training, Ease of use, Security and Reliability are the independent variables. The OLS Regression model is used to determine the significance level of the variables for the customer satisfaction.

The basic model was as follows:

Customer satisfaction in bank IT products =

f(Implementation, Maintenance, Performance, Training, Ease of use, Security and Reliability).

$CS-IT = \alpha + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4 + \beta_5x_5 + \beta_6x_6 + \beta_7x_7 + e$  Where,

CS-IT= Customer Satisfaction on bank IT products

X1= Implementation X2= Maintenance X3= Performance X4= Training X5 = Ease of use,

X6 = Security, X7 = Reliability

There  $\alpha$  is constant and  $\beta$ s are coefficients to estimate, and e is the error term.

The ANOVA Test shows the p value is 0.000 which is less than 0.05, hence the result is significant at 5% level of significance. It means there was a significant correlation between dependent variable and independent variables. Therefore customer satisfaction level depends

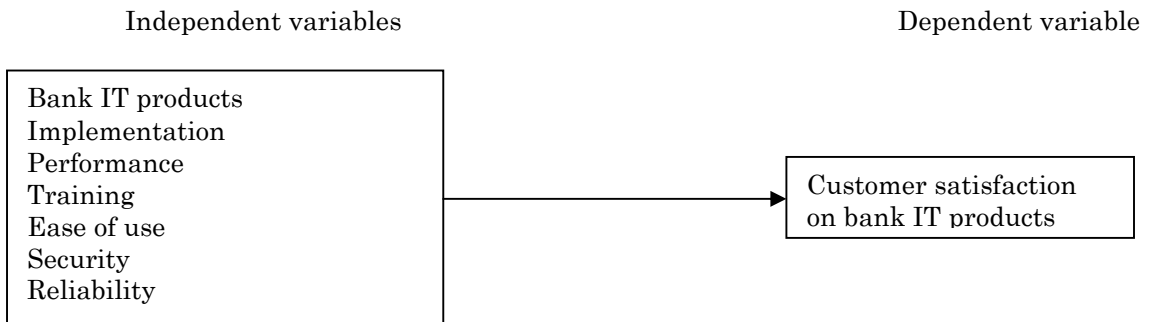
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on different dimensions like Implementation, Maintenance, Performance, Training, Ease of use, Security and reliability. But it does not mean that all factors have significant correlation with customer satisfaction level.

From the regression analysis we can develop the following regression model:

$$\text{CSIT} = 2.008 + .311 X_1 + .045 X_3 + .042 X_4 + .444X_5 + .032 X_6 + .153 X_7$$

New model developed from the study



Since today's world is very competitive, each and every firm needs to adapt to new technology and to make changes in their day to day operations.

The level of satisfaction of customers is having strong association with the features of bank IT products such as implementation, performance, training, ease of use, security and reliability. This implies that customer satisfaction mainly depends on proper implementation of the IT products, Good performance of the software like speed of operations, rigorous training for users, user friendly software products, high security and reliability. Banks should try to concentrate on the above aspects to increase the customer satisfaction and when the banks decide to go for additional software products they should give importance to these dimensions so as to maintain good customer relationship.

### Conclusion

Finally, to compete more efficiently in the marketplace, the banks whether private or public, should provide proper instructions and personnel assistance to their customers on how to use the IT products. Proper training programs have to be arranged for all the customers. The banks are investing heavily on Information technology but unless they train them properly to enjoy all the services, it may be very difficult for them to sustain in the competitive banking scenario.

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