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Impact of Information Technology on Customer Satisfaction in Financial Institution with Reference to Small Enterprises

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**Abstract** - Banks and other financial services providers continuously claim to offer customer-oriented services, yet they still focus on delivering products instead of providing solutions to their customers' needs. The changing dynamics of banking and other financial institutions market forced players at all levels to re-engineer their business organizations. The banking operations and functions which is intend to meet emerging challenges of bank consolidation, slashing operating cost, outsourcing, portfolio investment, payments and settlement system call for innovative banking practices through Business Process Re-engineering. This is to enable Indian banks to incorporate strategic innovative customer schemes in order to bridge the service gap inherent in Indian banking sector.

**Keywords** - Business Process Re-engineering, Information, Banking, Information process re-engineering.

### Introduction

The banking scenario in India is at cross roads and is continuously evolving, but the progress has been remarkable in recent years with the level of competition increasing in the banking industry. Banks are vying with each other to entice customers with more and more personalized service. Over the last decade, the concept of Business Process Re engineering (BPR) has entered the industry mainstream in many business houses and services. Leading organizations in almost every industry have discovered that by harnessing, managing, and redesigning the organization's business processes can induce spectacular improvements in business performance and customer service. The use of Information and Communication Technology in banking industry has led to the BPR and a shift from the traditional way of banking. However, do these changes in the business process really attract customers and provide satisfaction is in question. This study tries to investigate this phenomenon in the context of small enterprises.

### Literature Study

Ratinder Kaur (2011) studied business process re-engineering in State Bank of Patiala. In India, the changing dynamics of Indian economy have brought many reforms in financial sectors especially in banking and insurance sector. To meet new competitive challenges due to technology induction in banks and change in the customers' perspective forced organizations to rethink about their ways of doing business operations. Consolidations, amalgamations, pressures to reduce operating costs stressed banking community to adopt tools like Business Process Re engineering (BPR) in order to bring strategic benefits to organizations. State Bank of Patiala (SBOP) has initiated BPR initiatives on the lines and

The study attempts to determine whether there is an improvement in the competitive measures of cost management, customer service, quality and productivity of bank under study. In India, no such study on BPR in banking specifically with reference to State Bank of Patiala has been found so far. Thus, present study contributes to the research in banking with regard to BPR.

Saroj K. Datta and Sukanya Kundu (2011) discuss about e-banking initiatives in Indian public sector banks (PSBs) can be considered as a successful case of BPR implementation. Attempt has been made to study e-banking solutions adopted by Indian PSBs and to evaluate their performance in improving the level of customer satisfaction and the business performance of the PSBs. The study is based on secondary data on selected Indian public and private sector banks. The research shows that there is a growth in the usage of ATMs and in the volume of electronic funds transfer which reflects that customers prefer electronic delivery channel more than traditional branch banking. The growth of productivity indicators of re-engineered banking process is higher than that of the partially computerized banks and banks following traditional mode of operation. The research work brings out that information technology (IT) application has a very prospective future in India.

Malarvizhi. V (2011) discuss about modern-banking is a major invention that has changed the business of banking. World over banks are reorienting their strategies towards new opportunities offered by modern-banking. The recent trend shows that most 'brick and mortar' banks are shifting from a 'product-centric' model as they develop their new modern-banking capabilities. With this background an attempt was made with the Objectives; to present an overview of e-banking services offered by both public and private sector banks in Coimbatore city; to examine the socio-economic profile of e-banking user; to study the extent awareness and the usage of modern-banking Services and to ascertain the customer's satisfaction about various modern-banking services. The data was collected with the help of a well structured and pre-tested interview schedule, administered to 100 e-banking users during the period November 2015 to January 2016. The data collected was tabulated and analyzed by using simple percentages, Chi-square test and Garrett ranking technique. From the findings of the study, it was revealed that customers are satisfied with the services provided by the public sector banks than the private sector banks. The study suggests that, Customers have to be educated in the use of every new technology. On the whole e-banking increased operational efficiencies and reduces costs, besides giving a platform for offering valued added services to the customer, thereby fulfilling all the essential prerequisites for a flourishing banking industry. In a nutshell, to meet the emerging challenges banks have to undertake a series of changes in original, structure, functions, practices and marketing to popularize e-banking.

Bidyut Jyoti Bhattacharjee (2011) discusses about due to adoption of privatization and globalization policies, the nationalized commercial banks of India come under pressure in their business. One of the reasons is the presence of private banking companies in this endeavor. Maintaining a good relationship with the customers is the primary functions of the banking business and to increase the profitability of the banking unit; it is necessary to emphasis on the business which is located in rural and semi urban areas in particular. So, the banking units have to satisfy the customer of semi urban areas along with the customers of urban and metropolitan cities. Keeping in mind the above fact, the present study has undertaken to examine whether the customers of semi urban area are satisfied with the banking services especially in the modern era. The study includes 60 customers of Barpeta district of Assam; a semi urban area who is the customers of different nationalized commercial banks of India. The data are classified and interpreted with the help of tabulation and graphs. The result shows that the customers are not satisfied with the banking services at all and especially with the ATM services. Therefore, awareness program should conduct in different time regarding the use of other e-

technology devices to make smooth and prompt business transaction. Moreover, some remedial measure should necessary to adopt by the top management of banking unit to ensure better quality services.

### **Problem Statement**

BPR implies transforming processes that are part of a larger system in order to enable organizations to empower themselves with contemporary technologies, business solutions and innovations to 'customize' their business processes. In India, the banking sector has a major share in the economy and financial system. Significant developments in the banking sector in the post reforms phase has transformed the face of Indian banking in a manner as never before. The entry of new players in India, including new private sector and foreign banks with the added advantage of their established structure, advanced technology and relatively strong asset portfolio, has jolted the public sector banks. . This incident is the root cause for the emergence of BPR in the Indian banking arena. However, these issues raise the question whether BPR, aimed at customer service, has really created customer satisfaction and that leads to the research question. "Will modern banking facilities enabled by Business

Process Re-engineering influence the customer satisfaction among the small Enterprises?"

### **Objectives Of The Study**

To assess the impact of modern banking facilities enabled by BPR on the small enterprises customers satisfaction.

### **Research Methodology**

The study is designed to describe the characteristics of the variables of interest and further to test the hypotheses to explain the nature of relationship of the variables. A questionnaire based survey was conducted among the small enterprises of the selected banks. The members of Coimbatore District Small Scale Industries Association (CODISSIA) were held as the sample frame work. The samples were randomly selected and the responses are collected from the top management. A total of 507 valid responses are received and the data are sorted, filtered and tabulated for further analysis and inferences. The instrument was validated by factor analysis and reliability is checked. Percentage and chi-square analysis are used to describe the variables. Regression and paired't' test are used to explore the relationship between the variables.

### **Descriptive Statistics**

Out of the 507 responses received, 55.8 % of the respondents are engaged in manufacturing, 24.3 % are traders and 19.9 % are in service industry. On the type of ownership, 43.6 % of the responding companies are proprietor owned, 29.4 % are partnership concerns and 27.0 % are private limited. The organization sizes of the responding companies are categorized as micro, small and medium. Among the respondents, 66.3 % are small enterprises, 22.1 % are micro enterprises, and 11.6 % are medium enterprises. Considering the respondent's area of operation, 14.8 % of firms had their business within Coimbatore, 25.6 % of the firms have business spread within TamilNadu. Majority of the firms (39.6 %) have their business across the nation and about 19.9 % have business at international level. To understand the complexity of the operation, the number of branches or units of the responding firms are analyzed. Thus, the study concluded that 57.8 % of the firms were established in the year of 1991-2000. 55.8 % firms are engaged in manufacturing, 43.6 % of the responding companies

are proprietor owned, 39.6 % has their business across the nation, and 70.0 % of the firms have 6 to 10 branches or units. 66.1 % of the firms have less than 500 employees.

### Validity and Reliability Tests

Opinion on the-banking features that were compiled from various literatures were measured against traditional banking and modern banking. For better analysis and understanding, the 31 variables were considered for dimension reduction. An explorative factor analysis for the variables of traditional banking was done. First, the Kaiser-Meyer-Olkin Measure of Sampling Adequacy and Bartlett's Test of Sphericity for tradition banking variables are analyzed for investigating the sampling adequacy and the degree of factors explained. KMO is found to be 0.809 indicating an adequate sample size (Table 3). The significance ( $p < 0.000$ ) of the Bartlett's Test of Sphericity reveal that the variables explained the dimensions to a larger extent. This can be understood that the number of components identified in factor analysis will explain the measured concept to the maximum.

The same items used for measuring the perception on banking features in traditional banking are used to measure the perception on modern banking also. Therefore, a factor analysis is done on the set of items to understand if the dimensions are similar to traditional banking and in addition to reduce the items for further analysis. Initially the KMO and Bartlett's test are verified for sampling adequacy and strength of factors explained. KMO is found to be 0.901 and Bartlett's Test of Sphericity is significant ( $p < 0.000$ ). This shows that the factors analysis will produce a valid outcome. As the first step, the communalities of the initial extraction are analyzed. All the items are found to above 0.500.

### Inferential Statistics

To investigate the impact of business process re-engineering on the satisfaction of the customers, the dimensions of modern banking features are regressed with measures of level of satisfaction. The satisfaction on 14 features and facilities of the modern banking were measured. For the purpose of regression, these items need to be consolidated into a single construct to be entered as a dependent variable in the regression analysis. Therefore, by dimension reduction method, one factor is extracted from the fourteen items. Factor analysis with one factor extraction is done and is stored in a new variable. The extracted component explains 83.696 % of the variance in the level of satisfaction.

### Regression Analysis

Regression analysis is done by entering the dimensions of modern banking such as procedural Quality, Transactional Quality and customer care obtained in the factor analysis as independent variable and the level of satisfaction on banking as dependent variable. The results are presented in the Table 6. The regression model is found to be significant ( $p < 0.000$ ). The R-Square value is 0.306 meaning that the three independent variables influence the satisfaction to an extent of 30.6 %. All the dependent variables have a significant influence on the satisfaction. Among the three independent variables customer case has more impact ( $B = 0.499$ ,  $p < 0.000$ ) followed by transactional quality ( $B = 0.216$ ,  $p < 0.000$ ) and finally by procedural quality ( $B = 0.105$ ,  $p < 0.01$ ).

The results are analyzed to test the hypothesis  $H_01$ . The results show that the model is significant and regression coefficients are also significant. Therefore the null hypothesis that the modern banking facilities enabled by BPR do not impact the customer satisfaction is rejected

and the alternate hypothesis that the Modern banking facilities enabled by BPR will impact the customer satisfaction is accepted.

Regression analysis with nature of bank as control variable was done to find the difference between the public sector and private sector banks. Table 6 presents the regression model for public sector banks. The model is found to be significant ( $F=53.170$ ,  $p<0.000$ ) and the RSquare value is 0.345 indicating that the independent variables influence the satisfaction to an extent of 34.5 %. Examining the regression coefficients show that Customer care and Transactional Quality have significant and positive influence on satisfaction. However, Procedural quality was found to be insignificant.

The results are verified for testing the hypothesis H2. Though the model is found to be significant, the regression coefficient of procedural quality is found to be insignificant. Therefore, the null hypothesis that modern banking facilities enabled by BPR in public banks does not impact the customer satisfaction is partially accepted.

Similarly, regression analysis for private sector banks is done and the results are presented in Table 6. The regression model is significant with RSquare of 0.260. The regression coefficients of the independent variables are all positive and significant.

Comparing the regression models of public and private sector banks, the RSquare value shows that the data fits the model better for public sector banks.

The results are verified for testing the hypothesis H3. The model is found to be significant and the regression coefficients of all the factors are found to be significant. Therefore, the null hypothesis that modern banking facilities enabled by BPR in private sector banks does not affect the customer satisfaction is rejected. The alternate hypothesis that modern banking facilities enabled by BPR in private sector banks will have an impact on the customer satisfaction is accepted.

### **Factors Influencing Customer Satisfaction**

The impact of modern banking facilities enabled by BPR on the customer's satisfaction among small enterprises is analyzed using the regression analysis. The results show that customer care has the maximum impact on the satisfaction of the customers, followed by transactional quality and procedural quality. All factors are found to be positive and significant. On the predictability of the model, it is found that the independent variables, customer care, transactional quality and procedural quality together predict the level of satisfaction on modern banking to an extent of 30.6%. The outcome of the regression model is represented as the model for customer satisfaction influenced by the business process reengineered banking features.

The Validated Model on Customer Satisfaction in BPR Enabled Banking Features The difference between public sector and private sector banks in the influence of modern banking facilities enabled by BPR on customer satisfaction was also tested and found that the model predictability is high for public sector banks, but the procedural quality was found insignificant. However, for the private sector banks, all the factors were found to significantly influence the satisfaction.

## Conclusions

The-banking scenario in India is at cross roads and is continuously evolving. The progress has been remarkable over the decade with the level of competition increasing in the- banking industry. In the recent years, the concept of “business process re engineering” has entered the-banking industry. Process management offers organizations the opportunity to outperform competitors and take market share away from competitors. The modern banking is transforming the-banking and financial industry in terms of the nature of core products /services and the way these are packaged, proposed, delivered and consumed. Banks are turning to IT to improve business efficiency, service quality and attract new customers. Technology such as automated teller machine (ATM), Phone- banking, Tele- banking, PC-banking and most recently Internet banking have changed the way the banks provide service.

There is a growing interest in understanding the users’ experience as modern banking is observed to be a larger concept than user satisfaction. Today public sector and private sector banks are offering similar products and services. The process of bank computerization was started since 1985 in public sector banks in India. However, some private sector banks have started computerization prior to the public sector banks in India. The banks in India are using ICT not only to improve their own internal processes but also to increase facilities and services to their customers.

BPR began as a private sector technique to help organizations fundamentally rethink how they do their work in order to dramatically improve customer service, cut operational costs, and become world-class competitors. The force of deregulation, globalization and advancing technology have paved the way for the growth of banking industry. In this new era banking, companies are focusing on managing customer relationships in order to efficiently maximize revenues. Now all banks are captivating customers through innovation.

The customers’ choice and awareness have been increasing tremendously during this decade mainly due to the opening up of the economy, the advent of information technology and the media revolution. As market becomes increasingly competitive, customers have an option to choose what they want. Customers have an option to switch banks and banks are forced to work hard on retaining customers. The pressure is that with too many banks competing, retaining as well as gaining new customers has become important.

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