



## CRM AND INFORMATION TECHNOLOGY: A STUDY ON CUSTOMER SATISFACTION OF SELECT HOUSING FINANCE PROVIDERS IN KERALA

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### Abstract

Information Technology (IT) and Technology based services are getting wider acceptance in the society now a day. Information Technology plays an important role in the Customer Relationship Management (CRM) practices of Financial Institutions. It helps in building and maintaining long term relationship with the customers. Getting expected services from the Financial Institution will make a customer satisfied. This paper explains the effect of Information Technology on Customer Relationship Management of select Housing Finance providers in Kerala. A detailed analysis of the effectiveness of the customer focused IT services such as website and IT enabled communication services are included in this paper. From the findings of the study, it can be inferred that Customer Focused Information Technology plays an important role in CRM and Building Customer Satisfaction.

**Key words:** Information Technology (IT), Customer Satisfaction, Housing Finance Providers.

### 1. Introduction

In the Housing Finance market of Kerala, the key players are Commercial Banks (CB) and Housing Finance Companies (HFC). These players can together be called as Housing Finance Institutions (HFI). These Housing Finance Institutions compete with each other in providing Housing Loan to people of Kerala. Each one is trying to increase their market share through grabbing maximum number of customers. This is possible through increased customer retention and customer satisfaction.

IT and IT enabled communication services are considered to be an effective tool in managing relationship with customers in Housing Finance Industry. The promise of one to one relationships, customer value analysis and mass customisation are now brought to reality by unprecedented advances in IT, transforming the traditional approach to Customer Relationship Management and to an integrated web enabled approach, featured by tools like customer information systems, automation of customer support processes and call centres (Ghodeswar, 2001).

Managing customer interactions through IT and IT based communication services is an emerging trend in the current business scenario. User friendly websites and IT enabled communication services such as E-mails, SMSs and Instant Messaging System are making Financial Institutions more customer friendly and making the customer more convenient in doing business with the Financial Institutions. Customer satisfaction is often defined as a judgment based on one or a series of customer service interactions. This paper explains the effect of Information Technology on Customer Relationship Management of select Housing Finance providers in Kerala.

### 2. Literature Review

Information Technology and communication services are used as the tool for organizational communication, knowledge management and strategies (Laudon & Laudon, 2002). The advances in IT equip enterprises with the capability to collect, store, analyse and share customer information in ways that greatly enhance their ability to respond to the needs of individual customers and thus to attract and retain customers (Butler, 2000). Many customer centric activities are possible through appropriate use of Information Technology. IT facilitates changes to work practices and establishes innovative methods for linking the organisation with its customer.

Technology is an important tool of an organization to attain success in Customer Relationship Management application (Makie, 2001). The Technology allows Financial Institutions to achieve greater communication and better service at lower cost (Sin et al., 2005). IT helps Financial Institutions to gain greater insights into customer needs, behavior and expectations by developing and maintaining interactive one to one relationship with customers. Technology plays an important role in Customer Relationship Management by enhancing firm's intelligence (Boyle, 2004). Many customer centric activities are possible through appropriate use of IT.



Technology will be an enabler in managing the pace and quantum of change. The concept of CRM when viewed in the context of e-business or transactions over an electronic medium, it translates into e-CRM, which essentially deals with managing customer interactions over the web. After the adoption of internet and availability of electronic channels of communication, it is becoming possible to capture customer related information intelligently at the interaction stage itself. Adopting e-CRM, it is generally less costly for any service firm to maintain and develop an existing client relationship (Berry, 1983). From the website, the customer will get the better information than from the unwilling, less knowledgeable and non-cooperative staff of the Financial Institution. Internet as a service delivery channel shifts the control of transactions from Financial Institution's staff to the customers.

The new technologies have enabled the Financial Institutions to clearly identify and distinguish every customer and to serve accordingly. Satisfaction with the delivered services has been suggested and empirically documented as affecting the customer decision to continue a relationship (Ndubisi, 2003, Fornell, 1992). The confirmation/disconfirmation theory (Churchill and Surprenant, 1982; Oliver, 1980) explains that satisfaction is achieved when expectations are fulfilled. According to Hirschman (1970) and Richins (1983) when customers are satisfied, the likelihood of exit from the relationship and negative word of mouth will reduce greatly. In other words customer satisfaction has a direct effect on customer continuity.

### **3. Research Methodology**

#### **3.1. Objectives of the Study**

Information Technology based customer relationship practices is an emerging trend in the Financial Institution's Business. The Housing Finance providers in Kerala are also making use of IT as a tool for building and maintaining better relationship with customers. The Websites of the Financial Institutions have an important role in building and maintaining customer relationships. In the case of Housing Finance providers especially Commercial Banks and Housing Finance Companies, their websites are ready with dealing customer queries. They have given information relating to Housing Finance in website so that the customers can understand the details relating to Housing loan from the website itself. In the case of existing customers personalized E-mails, SMSs and other Group information systems are important IT based services made available by the Housing Finance providers. This study is conducted to know the impact of IT and IT based services on the customer satisfaction of select Housing Finance providers in Kerala.

#### **3.2. Variables Identified for the Study**

To conduct this study, mainly two variables were taken in to consideration. They are user friendly websites and other IT based services.

##### ***i. User Friendly Website***

In the financial service sector, the use of technology to implement CRM and enhance customer relationship is not a new thing. It helps an organisation to provide more tailored offerings to its customers. Internet as a service delivery channel shifts the control of transactions from Financial Service Institution's staff to the customers (Mittal, 2000). According to Trepper (2002), current website customers demand instant access to the organisations with which they do business and expect each person they contact to have full knowledge of their account. Web-based e-commerce activities enable interactive CRM (ICRM), where customer queries can immediately be resolved online in real time. This leads to the faster resolution of customer doubts and online experiential difficulties, thereby increasing customer satisfaction and loyalty.

##### ***ii. IT Enabled Communication Services***

Transactions in the present era takes place on-line reducing the significance of buyers-sellers meetings and face to face interactions to a great extent. IT helps the organisations to achieve competitive advantage over other organisations and there by attracts large number of customers. IT enabled communication services such as E-mails, SMSs and Instant messages are less costly than any other means of communication and is suitable for making lasting relationship with customers. This kind of communications will lead to increased customer retention, customer satisfaction and loyalty. The new technologies have enabled the Financial service Institutions to clearly identify and distinguish every customer and to serve accordingly. IT helps Financial Institutions to gain greater insights into customer needs, behavior and expectations by developing and maintaining interactive one-to-one relationship with customers.

#### **3.3. Data collection**

Four Banks were selected from among the Commercial Banks (One each from SBI and associate Banks, Scheduled Banks, Regional Rural Banks and from Private Banks) and two Housing Finance Companies were selected based on the number of Housing Loan customers. The data were collected by administering a structured questionnaire from 720 customers of these

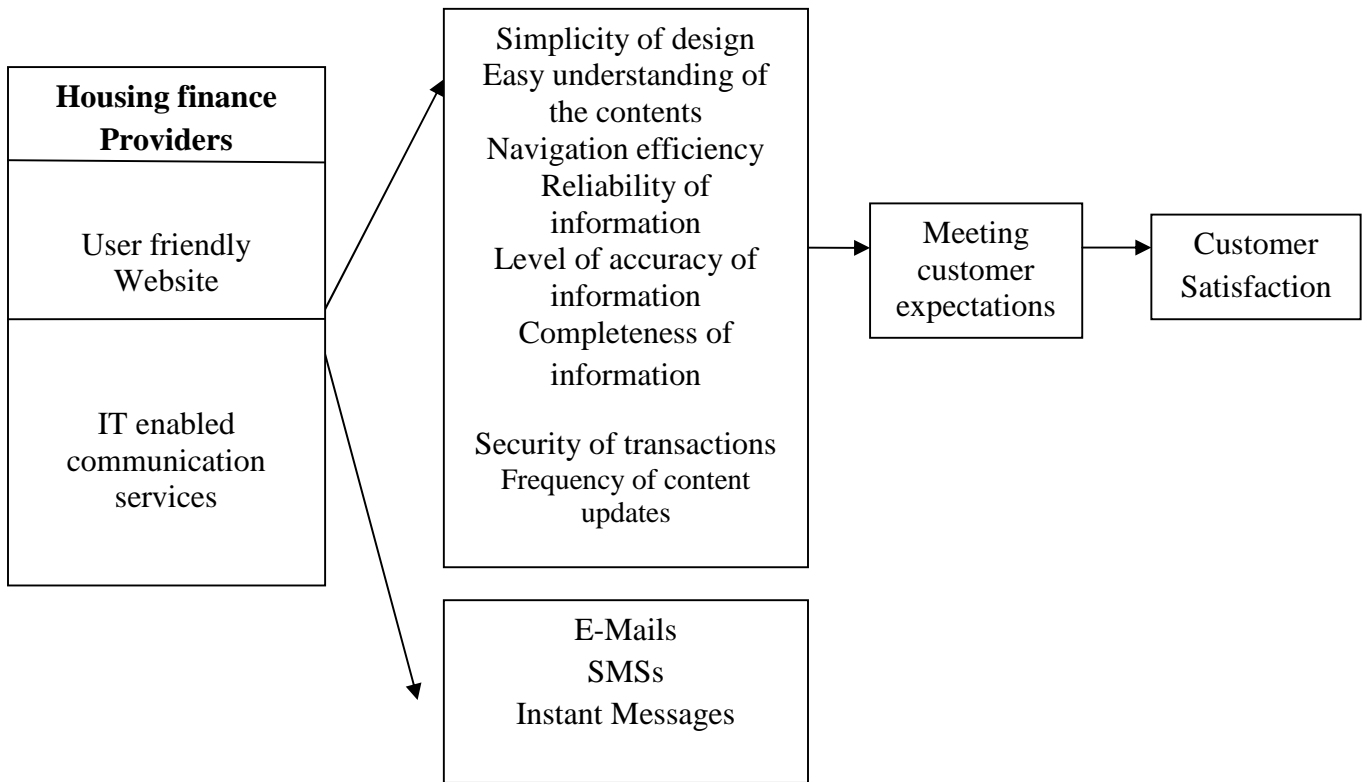


selected Banks and Housing Finance Companies from six districts (Trivandrum, Kottayam, Ernakulum, Thrissur, Kozhikode and Kannur) of Kerala state. The questionnaire was prepared keeping in mind the factors related to customer focused Information Technology. A five point rating scale was used to collect customer data regarding their perception.

For the purpose of collecting data, the state of Kerala was divided in to three regions - North, Central and South. From each of these regions, two districts were selected randomly. From the northern region, Kozhikode and Kannur were selected. Similarly, Ernakulam and Thrissur from Central region and Thiruvananthapuram and Kottayam from southern region were selected for the study. From each of these districts the main branch of the Commercial Banks and Housing Finance Companies were selected. From each branch thus selected, customers were identified using judgment sampling method.

Before finalising the questionnaire, it was tested by collecting data from 90 respondents of the above mentioned Commercial Banks and Housing Finance Companies. The reliability of the questionnaire was checked using Cronbach's coefficient of alpha. The alpha values were above 0.720, which show that the questionnaire is a reliable one. The analyses of data were done with the help of SPSS software, 21 version. The statistical tools such as mean, standard deviation and ANOVA were used for analysis.

**Diagram 1:** Relation between IT based services and customer satisfaction of select Housing Finance providers in Kerala



**4. Discussion**

The analysis of the collected data was done using SPSS software. The following tables show the satisfaction score summary of selected Banks/HFCs with respect to their IT satisfaction level.

**Table 1:** Mean score value of responses of selected customers of Banks/HFCs with respect to User friendly websites

		Descriptive		
		N	Mean	Std. Deviation
User friendly websites	SBT	120	29.8583	4.96762
	Union Bank	120	30.6833	4.87660
	Federal Bank	120	30.5917	3.63109



	NMGB	120	29.8583	5.03149
	HDFC Ltd	120	<b>31.9167</b>	3.64054
	LIC HFL	120	29.6417	4.10737
	Total	720	30.4250	4.46933

Source: Survey data.

The mean score variation is tested with one-way ANOVA.

$H_0$ : There is no significant difference in the responses of selected customers of Banks/HFCs with respect to user friendly websites.

**Table 2: The significance of mean scores variations of user friendly website**

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
User friendly websites	Between Groups	429.050	5	85.810	4.397	.001
	Within Groups	13932.900	715	19.514		
	Total	14361.950	720			

Source: Survey data

The mean score of the responses of the selected customers of the HDFC Ltd about the user friendliness of website is very high (31.9167) when compared to that of other Banks/HFCs. HDFC Ltd is followed by Union Bank (30.6833) and Federal Bank (30.5917). The mean score variation is tested with one way ANOVA, having the F value which is statistically significant at 5 per cent level of significance (Value of F 4.397 with  $p = .001 < .05$ ). Therefore it may be concluded that the website of HDFC Ltd is more user friendly to customers.

**Table 3: Mean score value of responses of selected customers of Banks/HFCs with respect to IT enabled communication services**

Descriptive				
		N	Mean	Std. Deviation
IT enabled communication services	SBT	120	11.4833	1.97881
	Union Bank	120	<b>12.4083</b>	1.70760
	Federal Bank	120	12.3583	2.21832
	NMGB	120	7.1667	1.39828
	HDFC Ltd	120	11.5417	2.75283
	LIC HFL	120	12.3667	1.90061
	Total	720	11.2208	2.75011

Source: Survey data

The mean score variations were also tested with one way ANOVA to know whether there exists any significant difference between customer responses of IT enabled communication services provided by Banks/HFCs.

$H_0$ : There is no significant difference in the responses of selected customers of Banks/HFCs with respect to IT enabled communication services provided.

**Table 4: The significance of mean scores variations of user friendly website**

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
IT Enabled Communication Services	Between Groups	2475.012	5	495.003	119.287	.000
	Within Groups	2962.875	715	4.150		
	Total	5437.887	720			

Source: Survey data

From the table 6.15 it is clear that mean score of responses of selected customers of Banks/HFCs with respect to IT enabled communications were highest for Union Bank (12.4083), followed by LIC HFL (12.36) and Federal Bank (12.35). The result of the one way ANOVA shows that the F value is statistically significant (F value 119.287 with  $p = .000 < .05$ ). So we can conclude that the IT enabled communication service of Union Bank is better than that of other Bank/HFCs.



## 5. Implications of the Study

The findings of the study supported the view that Customer Focused Information Technology factors such as user friendly website and IT enabled communication services of Housing Finance Institutions have a greater impact on building Customer Satisfaction. The outcomes of this study will help Housing Finance Institutions to understand the customer perception about their website and Information technology enabled communication services and to fine tune their strategies to improve the customer acquisition and retention efforts. It is essential that the Housing Finance Institutions with lesser customer satisfaction level should focus their attention on devising measures such as improving the quality of contents of their websites and implementing effective communication methods to have better relationship with customers. They should formulate strategies to achieve competitive advantage over other Housing Finance Institutions. Customer feedback need to be taken frequently and planning has to be done on the basis of this. By this way, the Housing Finance Institutions can improve the level of their customer satisfaction.

## 6. Conclusion

In the Housing Finance Sector of Kerala, there exists strong competition among different Housing Loan providers, especially among the Commercial Banks and Housing Finance Companies. Different players are initiating new strategies to get maximum number of customers and to ensure customer retention through enhanced customer satisfaction. From this study it was found that, the Information Technology is a major factor contributing to the customer satisfaction. IT and IT enabled communication services help the Housing finance providers to serve customers according to their expectations. The analysis of collected data revealed that among the Commercial Banks and Housing Finance Companies, HDFC Ltd is having the highest level of customer satisfaction in respect of User friendly websites and Union Bank is having the highest satisfaction level in respect of IT enabled communication services. As there is significant difference among the customer satisfaction levels of different CBs/HFCs, in respect of their User friendliness of websites and IT enabled communication services, it can be inferred that IT is contributing a lot to the Customer Satisfaction of these Housing Finance providers.

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