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Analysis of the growth and development of Indian mutual fund industry

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Abstract
These days we are hearing more and more about mutual funds as a means of investment. If we are like most people, we probably have most of our money in a bank savings account and our biggest investment may be our home. Apart from that, investing is probably something we simply do not have the time or knowledge to get involved in. We are not the only one. This is why investing through mutual funds has become such a popular way of investing. A mutual fund is a pool of money from numerous investors who wish to save or make money just like you. Investing in a mutual fund can be a lot easier than buying and selling individual stocks and bonds on your own. Investors can sell their shares when they want. Moreover, as the popularity of these mutual funds increased, evidenced by the sheer amount and growth of invested assets from 1999 to 2010, finance scholars and practitioners began to examine the attributes of mutual funds that affected sales of mutual funds. Also to investigate the relative effects of IT Enabled Services on the Customer Satisfaction and Loyalty concepts to determine if the extra effort and cost of introducing IT Enabled Services protocols to highly valued customers really does positively affect customer satisfaction rates and the intention to remain loyal. Another objective of this study is to look at whether these concepts are further affected if other variables are introduced, specifically in a financial service industry context. The study is empirical in nature, based on primary data.

Keywords: mutual funds, empirical, customer satisfaction, loyalty

1. Introduction
These days we are hearing more and more about mutual funds as a means of investment. If we are like most people, we probably have most of our money in a bank savings account and our biggest investment may be our home. Apart from that, investing is probably something we simply do not have the time or knowledge to get involved in. We are not the only one. This is why investing through mutual funds has become such a popular way of investing.

1.1 What is a Mutual Fund?
A mutual fund is a pool of money from numerous investors who wish to save or make money just like you. Investing in a mutual fund can be a lot easier than buying and selling individual stocks and bonds on your own. Investors can sell their shares when they want.

Professional Management: Each fund's investments are chosen and monitored by qualified professionals who use this money to create a portfolio. That portfolio could consist of stocks, bonds, money market instruments or a combination of those.

Fund Ownership: As an investor, you own shares of the mutual fund, not the individual securities. Mutual funds permit you to invest small amounts of money, however much you would like, but even so, you can benefit from being involved in a large pool of cash invested by other people. All shareholders share in the fund' s gains and losses on an equal basis, proportionately to the amount they've invested.

Mutual Funds are Diversified: By investing in mutual funds, you could diversify your portfolio across a large number of securities so as to minimise risk. By spreading your money over numerous securities, which is what a mutual fund does, you need not worry about the fluctuation of the individual securities in the fund's portfolio.

1.2 Mutual Fund Objectives
There are many different types of mutual funds, each with its own set of goals. The investment objective is the goal that the fund manager sets for the mutual fund when deciding which stocks and bonds should be in the fund's portfolio.

For example, an objective of a growth stock fund might be: This fund invests primarily in the equity markets with the objective of providing long-term capital appreciation towards meeting your long-term financial needs such as retirement or a child's education.

Depending on investment objectives, funds can be broadly classified in the following 5 types:

1. Aggressive growth means that you will be buying into stocks which have a chance for dramatic growth and may gain value rapidly. This type of investing carries a high element of risk with it since stocks with dramatic price appreciation potential often lose value quickly during downturns in the economy. It is a great option for investors who do not need their money within the next five years, but have a more long-term perspective. Do not choose this option when you are looking to conserve capital but rather when you can afford to potentially lose the value of your investment.
2. As with aggressive growth, growth seeks to achieve high returns; however, the portfolios will consist of a mixture of

large-, medium- and small-sized companies. The fund portfolio chooses to invest in stable, well established, blue-chip companies together with a small portion in small and new businesses. The fund manager will pick, growth stocks which will use their profits grow, rather than to pay out dividends. It is a medium - long-term commitment, however, looking at past figures, sticking to growth funds for the long-term will almost always benefit you. They will be relatively volatile over the years so you need to be able to assume some risk and be patient.

3. A combination of growth and income funds, also known as balanced funds, are those that have a mix of goals. They seek to provide investors with current income while still offering the potential for growth. Some funds buy stocks and bonds so that the portfolio will generate income whilst still keeping ahead of inflation. They are able to achieve multiple objectives which may be exactly what you are looking for. Equities provide the growth potential, while the exposure to fixed income securities provide stability to the portfolio during volatile times in the equity markets. Growth and income funds have a low-to-moderate stability along with a moderate potential for current income and growth. You need to be able to assume some risk to be comfortable with this type of fund objective.
4. That brings us to income funds. These funds will generally invest in a number of fixed-income securities. This will provide you with regular income. Retired investors could benefit from this type of fund because they would receive regular dividends. The fund manager will choose to buy debentures, company fixed deposits etc. in order to provide you with a steady income. Even though this is a stable option, it does not go without some risk. As interest-rates go up or down, the prices of income fund shares, particularly bonds, will move in the opposite direction. This makes income funds interest rate sensitive. Some conservative bond funds may not even be able to maintain your investments' buying power due to inflation.
5. The most cautious investor should opt for the money market mutual fund which aims at maintaining capital preservation. The word preservation already indicates that gains will not be an option even though the interest rates given on money market mutual funds could be higher than that of bank deposits. These funds will pose very little risk but will also not protect your initial investments' buying power. Inflation will eat up the buying power over the years when your money is not keeping up with inflation rates. They are, however, highly liquid so you would always be able to alter your investment strategy.

1.3 Brief review of the Available Literature

Morrison & Bernd that the marginal contribution of IT to productivity is minus 20%; Loveman finds it to be 0%; and Hitt & Brynjolfsson find it to be plus 95%. These three widely different findings indicate that the researchers may not have selected an appropriate production function to evaluate IT's contribution to Corporate Performance (especially Sales). Hence, the present study uses the ratio approach to evaluate IT's contribution to Corporate Performance (especially Sales). There are also other reasons for using the ratio approach in the present study. *Firsr, the ratio approach appears to be* most appropriate for this study's objectives and goals. Alpar & Kim state that financial ratios "are excellent indicators of the state of a firm and an industry" (1990: 67). IT-related ratios are used by industry associations, consulting firms, and corporate management to compare one or more firms with competitors (Snotty & Gruber, 1981). Similarly, Harris & Katz observe that "financial ratios have been used extensively to predict firms performance" (1989). Studies by Beaver (1966), Altman (1968), Pinches & Mingo (1973), McGowan (1985), and Buzzel & Gale (1987) are all examples of studies using financial ratios to understand and predict Corporate Performance (especially Sales). *Second,* the findings of the financial-ratio approach are more meaningful and easier to interpret than the findings of the production-function approach. For instance, in the production-function approach it is not clear as to what a high- or low-gross marginal product means, or how an organization may apply this knowledge. ln this regard, it is instructive to note that while Hitt & *Brynjolfsson* (1995) [33] found a surprising 95% gross marginal product for 1T (which implies that firms are considerably under-invested in IT), they are quite ambivalent about recommending more IT consumption by firms. On the other hand, Barua *et al*. (1995) use the financial ratio approach, and their results inform us about the degree of relationship as well as the detection of association between a particular IT-spending ratio and a particular financial ratio such as capacity utilization or inventory turnover. Similarly, Harris and Katz (1989) use the financial-ratio approach to develop a model that discriminates, with high reliability, between high-performing and low-performing insurance companies based on their IT spending levels. Third, the production-function approach is based on the assumption that firms are driven solely by the motive of obtaining higher profits or lower costs. This assumption may not always be valid as organizations are run by people, whose motivations are not necessarily aligned with those of the organization.

Sometimes, managers are less interested in increasing firm's profits or reducing firm's costs but more interested in increasing their own job security or stability (Gordorr, 1961). These managers may engage in empire building or showing off{e.g. having more secretaries, better parking spaces, bigger offices, fatter expense accounts), and in increasing their persona! status, power, or income (Williamson, 1966). Thus, managers may make IT investments not for reasons of improving the firm's bottom line but for other reasons, including possession of the latest technology to impress colleagues. The evaluation of IT's contribution to Corporate Performance (especially Sales) is also sensitive to the nature of the specific measure employed as the independent or the dependent variable. The use by Barua (1995) of several lower level financial ratios (capacity utilization or inventory turnover) rather than higher-level financial ratios (return on assets or return or equity) is a case in point. Also, it is important to note that return on equity or return on assets may not always be the most relevant ratios for evaluating the financial heath of all industries. For instance, cash-flow ratios are often better predictors of the financial health of real-estate firms or REIT, like passenger-load factors may better explain the profitability of airlines. Thus, it makes sense to examine the changes in the different financial ratios in different

contexts and over time in order to capture meaningfull the impact of IT investments on Corporate Performance (especially Sales). Similarly, it seems that the *ratio of IT spending to total operating expense* is a better predictor of Corporate Performance (especially Sales) than the *ratio of IT spending to the number of employees.* Bender (1986) and Harris & Katz (1988, 1989) use the ratio of IT *spending to total operating expense* as the independent variable in their studies, and their findings are consistent. Each of these three studies finds a significant positive association between IT investments and some key aspect of Corporate Performance (especially Sales). On the other hand, Barua (1995) and Hitt & Brynjolfsson (1996) [34] use the ratio of *IT spending to number of employees* as the independent variable and their findings are inconsistent. Further, it appears that the proportion of the total operating expense that a firm spends on IT is a better indicator of that firm's commitment to IT than an absolute dollar amount per employee that the firm spends on IT. The absolute dollar amount per employee that a Firm spends on IT is not merely a function of that firm's commitment to IT' but also a function of that firm's resource richness. A resource-rich firm is more likely than a resource-scarce firm to purchase IT without necessarily making sure that the IT being purchased is really needed by the firm. Thus, a resource-rich firm with little commitment to IT may spend on IT a higher dollar amount per employee than a resource-scarce firm with a high commitment to IT. On the other hand, the proportion of the total operating expense that a firm is ready to spend on IT is essentially a function of that firm's commitment to IT. Thus, it seems that using the *ratio of IT spending to total operating expense* as the independent variable may provide meaningful insights into the relationship between lT' investments and corporate performance. lt also seems that the identification of the relationship between IT spending and Corporate Performance (especially Sales) is significantly dependent on what specific IT spending ratio is used as the independent variable and what specific financial ratio is used as the dependent variable. Hence, it makes sense to use different 1T spending ratios as independent variables, and examine the relationship between each of them and the various financial ratios to capture IT's contributions to Corporate Performance (especially Sales). Much research has been done to evaluate the *average contribution* of IT to Corporate Performance (especially Sales) atoning forms using IT.

Earlier studies do not examine how IT's contributions to Corporate Performance (especially Sales) vary across firms. Surely, some firms employ IT more effectively and consequently obtain greater benefits from IT usage than other firms. Also, much research seems to be based on the notion that as the amount of IT' used by a firm increases, so do its profits. These studies tend to emphasize the quantity and tend to ignore the quality of information that a firm processes or generates per unit time.

Clearly, if good information management is important for a firm's operations and performance, then both the quantity and quality of information that a firm processes or generates per unit time do matter. A firm's recent-past performance provides some insight into the effectiveness of that firm's existing information-management system. Thus, it would make sense to control for a firm's growth rate in the recent past while exploring the relationship between IT investments and Corporate Performance (especially Sales). Earlier studies exploring the relationship between IT investments and Corporate Performance (especially Sales) have tended to neglect or ignore the factor of risk. It is very important to incorporate risk in the model for evaluation of IT impacts. Clearly, the management of risk is a key aspect of performance. Also, a firm's risk-adjusted performance may be quite different from its performance not adjusted for risk {this is most clearly evident in the case of mutual fund companies or investment advisory firms). Thus, it is not unreasonable to expect that *the relationship* between IT investments and risk-adjusted performance measures may be quite different from the relationship between IT investments and performance measures not adjusted for risks. Ironically, the employment of rapidly advancing IT' not only facilitates risk management but also accentuates the kinds and levels of risks faced by a firm. It is conventional wisdom that introduction of new technology in the marketplace poses challenges for the existing market leader and provides opportunities for the current market follower to overtake the market leader. However, in the information era, the challenges faced by the market leader in any given industry are more frequent and come not only from within the industry but from all parts of the economy. The information ere is characterized by more and increasing levels of knowledge, complexity, and turbulence (Huber, 1984). It is also characterized by constantly shifting demographics, ruthlessly competitive global markets, severe regulation, short product-life cycles, and scarce resources (Piore & Sabel. 1984; Miles & Snow, 1986; Handy, 1989; Ohmae, 1989). To cope with these new environmental realities, organizational adaptations appear to include the strategies of "buy not make" and "collaborate to compete," both characteristics of the Virtual Corporation (VC). Increasingly, organizations are adopting numerous strategies: outsourcing *(Malone.,* 1987; joint ventures *(Harrigan, 1985);* strategic alliances *(Hamel., 1989);* information partnerships *(Konsynski & McFarlan, 1990);* inter-organizationaI collaboration *(Astley & Bruhm, 1989);* new hybrid organizational structures or forms *(Powell, I987; Borys Jemison, 1989);* and dynamic networks that form and reform with a lead firm acting as a broker (Miles and Snow, 1988) or as a hub (Jarillo, 1988). Thus, the barriers and boundaries between organizations and industries appear to be less distinct and more diffuse. Accordingly, the challenge to a firm can come from any number of sources.

Hence, it is important to consider the factor of risk when exploring the relationship between IT investments and Corporate Performance (especially Sales). Further, all studies except Weill (1990) conceive of IT as one monolithic, homogeneous entity. Clearly, there are different types of ITs: from telecommunications to mainframe computers to networked client-servers to stand alone desktops, etc. Why, then, should the impacts of different ITs be the same? Additionally, nearly all studies are plagued with technological determinism: use IT and a definite profitability outcome will ensue.

Barring studies done by Barua (1995) and Hitt & Brynjolfsson (1996) [35], much of the relevant research has tended to ignore all contextual variables. Most studies seem to be based on the notion that a single characterization of the effect of IT usage

on the firm's profitability is possible, and would be true for all firms, irrespective of their size, industry setting, competitive arena, or IT-management practices and tactics. Why should the information needs and IT requirements of a small semiconductor firm be same as those of a large semiconductor firm or of a large airline? Again, why should the impact of IT investments on profitability for a firm using 1T to control costs or improve management control be the same as for a firm using IT to improve customer service or operational flexibility? To conclude, there are clearly a large variety of firms operating in widely different settings and competitive situations. Further, IT's contributions are not limited to just one Corporate Performance (especially Sales) variable or dimension. Should not then, our ability to understand, explain, and predict IT's contribution to Corporate Performance (especially Sales) be dependent on how well we simultaneously address sets of contingencies, performance criteria, and
tactical alternatives.

1.4 Purpose of Study

The initial goal of mutual funds was to make saving and diversification more seamless for the lay investor, but as more and more mutual funds were developed and as more investment companies marketed their mutual funds, it became increasingly difficult and confusing for investors to select mutual funds. Moreover, as the popularity of these mutual funds increased, evidenced by the sheer amount and growth of invested assets from 1999 to 2010, finance scholars and practitioners began to examine the attributes of mutual funds that affected sales of mutual funds. Also to investigate the relative effects of IT Enabled Services on the Customer Satisfaction and Loyalty concepts to determine if the extra effort and cost of introducing IT Enabled Services protocols to highly valued customers really does positively affect customer satisfaction rates and the intention to remain loyal. Another objective of this study is to look at whether these concepts are further affected if other variables are introduced, specifically in a financial service industry context. This study is important for several reasons:

1. The performance persistence, where past performance could possibly predict immediate future returns. This is known as the "hot hands" phenomenon. The topic of persistence is a subject for debate because there are many conflicting views among researchers (Cahart, 1997; Grinblatt *et al*., 1992; Hendricks *et al*., 1993). Also literature review deals with the predictive attributes of mutual funds, excluding past performance. According to Peterson *et al*. (2001), this segment of the literature is much more-sparse than that which examine the persistence and market.
2. An increase in customer satisfaction rates generally translates into an increase in loyalty rates (Jones and Sasser 1995; Reichheld, Markey and Hopton 2000; Bolton, Kaniian and Bramlett 2000; Anderson and Sullivan 1993; Gwinner, Gremler and Bitner 1998). And, an increase in loyalty can decrease administrative costs by 10-40% (Vincent 2000).
3. There is little published empirical research on the subject of IT and IT Enabled Services aside from industry surveys evaluating company results after Information Technology programs are installed. As important, little research exists on differentiating between highly vs. moderately satisfied customers and what effect this has on customer satisfaction and loyalty rates.

1.5 How to Measure Customer Relationship Management – in Mutual Fund Industry

Increasingly, customer satisfaction and loyalty measurements are being integrated with internal operational data that CRM systems provide. Firms also need to be able to justify the enormous costs of their CRM systems and need to be able to measure the effects of CRM on the bottom line. According to James (2002), the top three strategic rationales for implementing CRM have been to increase customer retention/loyalty, to respond effectively to competitive pressure, and to differentiate competitively based on customer service superiority. Linking CRM data with customer satisfaction survey data let firms show that CRM systems have a larger, indirect effect by influencing customers' intentions. Total spending by U.S. banks on CRM was close to $9 billion by the end of 1999 and was expected to grow to $46 billion by the end of 2003 (Patton 2001). In the industry, it is thought that the Pareto rule still holds where a small portion of elite customers account for the bulk of profits (Masters 2000)- approximately 80% of bank profits come from 20% of customers. But, this may be over-stated. Deloitte Consulting suggests that a mere 3% of customers provide up to 44% of profits at Norwest, a Minneapolis-based regional bank now merged with Wells Fargo (Kiesnoski 2000). Increased loyalty among high value customers, actual or potential, has a major effect on profitability according to a Gale Group study (Masters 2000). Generally, this is precisely the reason that financial service industry firms install CRM protocols for their most highly-valued and profitable customers.

CRM, however, is not for the weak-spirited. Although the technology is designed to help companies keep track of their customers and boost revenues by developing long-term relationships and increasing customer loyalty, it is proving difficult to accomplish. Companies are investing up to $70 million in a CRM launch and millions more during multi-year rollouts. Yet some companies still jump into CRM projects without clear strategies or support from top management (Patton 2001). B2B Analysts' President, David Dobrin, in visits to six Fortune 500 companies during 1999 and 2000, described CRM projects as `moribund' or used in a way that didn't match initial expectations (Patton 2001). The collective opinion about CRM implementations and results suggest that part of the problem with CRM is that, once installed, associates are not trained properly to use it efficiently nor does top management continue to give it the support it needs to produce the expected results.

Companies are beginning to demand more practical and long-term support from CRM consultants. Many firms have learned that CRM is more than a technology or software solution. Other factors involving organizational changes, executive (upper management) support and buy-in, user friendliness, and ongoing CRM consultant support are important in the success of CRM implementations. In a report sponsored by IBM and Royal Mail, it was suggested that the most advanced

companies were at best only two-thirds of the way to implementing CRM by the end of 2000 (Goflon 2001). Insight Technology reported in 2000 that 31% of companies implementing CRM solutions believed they received no return on the investment; 38% reported only minor gains; and 70% reported it was a failure or minor success (Calhoun 2001). The Gartner Group reported that 45% of CRM projects fail to improve customer interactions while 51% generate no positive returns within three years and the Meta Group goes further to say that up to 75% of CRM initiatives fail to meet their objectives (Anonymous 2001). Another study showed that 35% of CRM users reported significant improvement in customer satisfaction; 46% showed slight improvement; and 15% could not tell the difference (Sweat 2001). Although it may be too early to tell, these numbers are discouraging at best. There are many reasons why it is thought that CRM programs have failed. However, one study suggests that to drive loyalty a firm must take an integrated approach that focuses on improving the total customer experience (Calhoun 2001), a strategic and costly approach that not all firms are willing to take. On the other hand, in an article predicting future trends in CM Yorgey (2002) emphasizes that companies will realize that customer satisfaction does not always translate to loyalty, She notes that many customers may be dissatisfied with a service but remain loyal to a product and continue to buy it. And, it is safe to say that the opposite is also true that as many customers may be satisfied with a service but will switch if enticed with a better offer. Most reported results of CRM implementations come from consulting firms or from CRM firms themselves via in-house customer satisfaction surveys. If CRM systems are so sophisticated, then, why is there so much dissatisfaction with them?

Why are measured results so poor compared with firm expectations? Why aren't those companies that install such programs producing the expected increased customer satisfaction and increased loyalty? And, why aren't there more studies analyzing the roots and results of so important an investment? Many factors may contribute but there is an obvious need for more empirical investigations into CRM strategy.

1.6 Overall Customer Satisfaction in Mutual Fund Industry

Why should a financial service firm, then, invest so much money, time and effort to pursue a systemic customer relationship marketing strategy? One reason is that as mentioned earlier, historically, those firms that concentrate their efforts on retaining customers and establishing long-term relationships produce higher profits than those who concentrate their efforts on acquiring new customers (Reichheld and Sasser 1990; Anderson and Sullivan 1993). In the credit card industry, especially, where competition is at the highest it has ever been and where the customer base is saturated with offers from every other financial institution, it is important to understand the customer's needs in order to grow the depth of the relationship and to achieve higher profits. In every economic quarter since the American Customer Satisfaction Index began (in 1994), banks trail the national satisfaction statistics by a significant percentage each year. While overall national satisfaction scores have modestly increased over the past five years, bank customer satisfaction scores have declined 5.1 % (Feinberg, Hokama, Kadam, Kim 2002). Hence, it is important to concentrate efforts on improving customer satisfaction rates. And, one way to do this is through implementation of a CRM strategy. One of the major goals of CRM is to identify what protocols not only satisfy customers but what protocols "delight" them so that customers warn to maintain and grow a relationship with the firm. It is thought that the more satisfied customers are, generally, the more loyal customers are. As was mentioned earlier, several authors have identified a strong and positive link between customer satisfaction and loyalty (Jones and Sasser 1995; Rust and Zahorik 1991); Anderson and Sullivan 1993; Payne, Hoh and Frow 2000). Others have found a distinct link between customer satisfaction, loyalty and customer retention (Reichheld and Sasser 1990; Reichheld 1996). And, research suggests that customer loyalty (rather than relative market share or any other factor) is the primary determinant of profitability. Needless to say, concentrating efforts on customer satisfaction in order to promote loyalty among customers is a major part of the CRM strategy of modern financial service firms. One way to do this is to not only be customer-oriented, but to be involved in educating, training and providing the most sophisticated technical support to the staff to obtain buy-in and understanding of the importance of treating customers with a `long-term relationship' in mind. To accomplish this, every department that directly or indirectly touches a customer must be involved in determining which protocols will result in higher customer satisfaction rates amongst the most highly valued customers. Although some authors conclude that increased customer satisfaction rates lead to increased loyalty, increased retention rates and profitability, there is also discussion about what, exactly, customer satisfaction is. Some authors suggest it is perceived quality (as opposed to expectations) directly affecting satisfaction rates (Churchill and Suprenant 1982). Others show that disconfirniation (the extent to which perceived quality fails to match pre-purchase expectations) is an important antecedent of satisfaction (Anderson and Sullivan 1993) along with perceive quality. Others contend that providing customers with outstanding value may be the only reliable way to achieve sustained customer satisfaction and loyalty (Jones and Sasser 1495; Heskett, Jones, Loveman and Sasser 1994). And, one way to establish value in the financial services industry is to provide customers with choices in their method or channel of banking (e.g., telephone/IVR banking, internet, banking centers). Others have investigated the importance of the overall physical setting and a customer's familiarity with the players (associates) of a firm that can influence a customer's ultimate satisfaction (Garbarino and Johnson 1999). Although there are many different ways to measure customer satisfaction, there is consensus that it should be viewed as a judgment based on a cumulative experience rather than on a one-time transaction event (Homburg and Giering 2001).

A single transaction producing satisfaction is unlikely to produce loyalty and vice verse. It is relatively clear that a lot depends on how you define customer satisfaction and on whom you are trying to satisfy. Satisfaction is relative and

because of the relationship to various norms, it should not be taken in an absolute sense (Goode, Moutinho, Chien 1996). As there are indeed many elements of customer satisfaction, *hence*, many definitions of a satisfied customer exist. They can be thought of as those customers who indicate anything above a "5" on a scale of 1-10 or it can be thought of as only those who are "highly" satisfied by choosing anything above an "8" on the same scale. Some studies reveal that there is a sizeable difference in retention rates between those who say (in a questionnaire) that they are very satisfied and those who are just satisfied (Gummesson 1999). Some organizations do not even distinguish between the satisfaction rates of their most and least valued customers (Gofton 2001).

According to Heskett, *et al*. (1994), there is a distinct relationship between satisfaction and loyalty (defined by them as retained relationships). The more highly satisfied the customer, the more loyal they are and the more likely they are to remain a customer. On the other hand, many customers say they are satisfied but are not loyal and switch for a variety of reasons - persuasion by another firm, the influence of friends, a desire to try something new, etc. And, many dissatisfied customers remain despite the fact that a firm is charging more or offers lower quality than a competitor (Gummesson 1999). Perhaps this is due to their fear of switching or the difficulties involved in establishing new relationships. And, it is important to understand which segments of the customer base are more likely to stay or switch, whatever their reason may be. It is important to note here the existence of the `service paradox' which states that the less profitable customers are, the more satisfied they are; while the more profitable customers are the less satisfied they are (e.g., the airline industry offers an off season economy ticket for $250 and full business for $3000; the business traveller is profitable but highly demanding and the economy traveller is less profitable but grateful for a low price and not as demanding. There is a likelihood that the business traveller is less satisfied even though he/she is offered better service) (Gummesson 1999). This is important because CRM customers are the firm's `most profitable' and possibly their least satisfied customers. For the purpose of this study, customer satisfaction is defined as "those customers who are satisfied with the value of their credit card". In this particular financial service firm, it is the installation and practice of new CRM protocols that is expected to so enhance the customer experience and provide increased value that those customers receiving these protocols will be more highly satisfied than their non-CRM counterparts who receive only basic products and services and no special treatment. It is thought that these protocols and special treatment add value to the customer experience as they are intended to enhance the interaction the customer has with the firm. The objective of CRM, generally, is to enhance the customer experience so that the customer is delighted with the service and is receiving the attributes that make this credit card service better for them than the competition. In the case of this financial service firm, CRM customers receive added protocols that include higher credit limits, waived fees (e.g., late payment fee, check cashing fee, etc.), higher over-limit spending, more thoughtful scripting on the part of employees who they may encounter, and other special treatments.

2.1 Research Objective

The purpose of the study is to determine whether mutual fund attributes affect sales of mutual fund. Attributes such as past record, net asset value, asset under management, brandname, customer satisfaction, service quality, service time are examined. In the age of technology and the Internet, several new factors have begun to play an important role in the type and quality of experience the customer has. In an effort to respond to the proliferation of technology in the process through which products and services are purchased and consumed, Parasuraman and Grewal (2000) created the `pyramid model' by adding technology as a third dimension to Kotler's two-dimensional triangle model suggested earlier (1994). The pyramid model emphasizes the need for effectively managing three new linkages – company technolgy, employee-technology, and customer-technology to maximize marketing effectiveness.

The primary question in this study is whether mutual fund attributes really affect sales of mutual fund. Since there are many mutual fund attributes, it is difficult to make a general statement that these mutual fund attributes unequivocally do or do not affect mutual fund performance. In short we could summarize the objective of research as;

1. To examine relation between customer satisfaction on sales of mutual fund.
2. To study relation between Information Technology and customer satisfaction.
3. To examine relation between quality of service on sales of mutual fund.
4. To study relation between Information Technology on quality of service.
5. To study relation between brand-name and sales of mutual fund.
6. To examine relation between asset under management and sales of mutual fund.
7. To study relation between net asset value on sales of mutual fund.
8. To examine relation between past record and sales of mutual fund.
9. To examine relation between tax rebate and sales of mutual fund.

3.1 Hypothesis Formation

Null Hypothesis (H01): Customer Satisfaction does not have an impact on Sales of Mutual Fund"

Null Hypothesis (H02): Information Technology does not have an impact on Customer Satisfaction"

Null Hypothesis (H03): Quality of Service does not have an impact on Sales of Mutual Fund"

Null Hypothesis (H04): Information Technology does not have an impact on Quality of Service"

Null Hypothesis (H05): Brand-name does not have an impact on Sales of Mutual Fund

Null Hypothesis (H06): Asset Under Management does not have an impact on Sales of Mutual Fund

Null Hypothesis (H07): Net Present Value does not have an impact on Sales of Mutual Fund"

Null Hypothesis (H08): Past Record does not have an impact on Sales of Mutual Fund

4.1 The Sample

The data for this study was collected from customers of Indian Mutual Fund Companies. Out of the total of 33 Mutual Fund Companies 26 were observed and taken as their market capitalisation is greater than Rs.50,000 crores. Questionnaires to measure the customer satisfaction and loyalty constructs were created for and used in a field survey setting where representatives contacted 700 randomly selected customers. A total of 1,000 responses were captured representing a response rate of over 100%. Almost 30% of these respondents, however, were missing demographic and other important data pertinent to the study and these cases were eliminated. Additionally, any other cases missing the respondent's answers to other questions pertinent to the study were also eliminated, bringing the final total sample of available responses to 700. The participants were at least 18 years of age and were the primary or joint financial decision makers regarding their accounts. They were investors who had invested in the Mutual Fund Company through a particular scheme six months preceding the interview. The investor belonged to four major metro cities i.e. Mumbai, Delhi, Kolkatta and Chennai with equal representation of 175 sample. A demographic analysis shows that less than half of the respondents (40%) are female and the remaining Male (60%). A demographic analysis shows less than half again (28%) have higher incomes (Rs.3, 00, 000 or above), with 20% are small investor with low income (below Rs.2, 00, 000) and the remaining 50% in middle income group (between 2 lakh and 3 lakh). A profile of demographic information on respondents can be found in Tables below;

4.2 Demographic Profile

Table 1: Descriptive Statistics for Gender Mean

N	Valid	700
	Missing	0
Mean		1.31
Median		1.00
Std. Deviation		.462

Table 2: Descriptive Frequency for Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	MALE	484	69.1	69.1	69.1
	FEMALE	216	30.9	30.9	100.0
	Total	700	100.0	100.0	

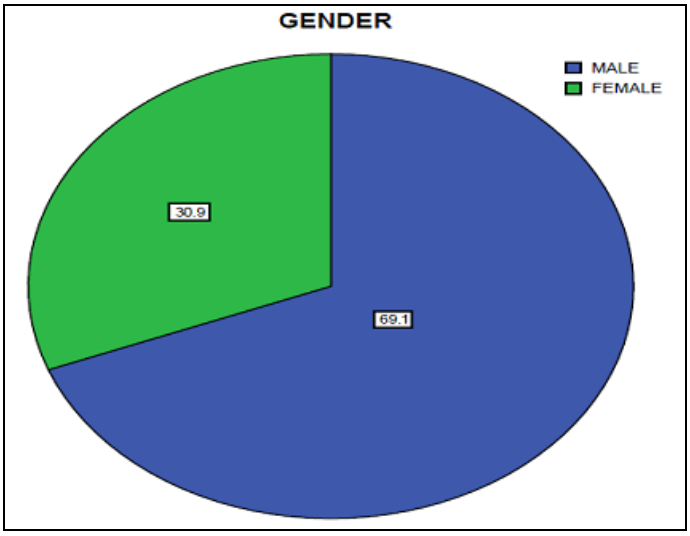

Fig 1: Pie Chart for Gender

Table 3: Descriptive Statistics for Martial status

N	Valid	700
	Missing	0
Mean		1.50
Median		1.50
Std. Deviation		.500

Table 4: Descriptive Frequency for Martial Status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	MARRIED	350	50.0	50.0	50.0
	UNMARRIED	350	50.0	50.0	100.0
	Total	700	100.0	100.0	

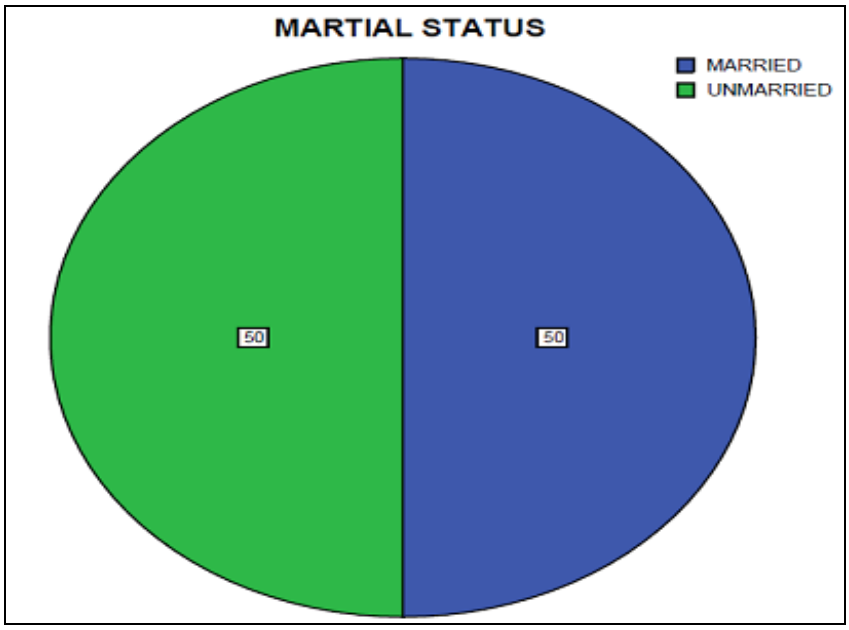

Fig 2: Pie Chart for Martial Status

Table 3: Descriptive Statistics for Occupation

N	Valid	700
	Missing	0
Mean		1.38
Median		1.00
Std. Deviation		.487

Table 4: Descriptive Frequency for Occupation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SALARIED	431	61.6	61.6	61.6
	SELF EMPLOYED	269	38.4	38.4	100.0
	Total	700	100.0	100.0	

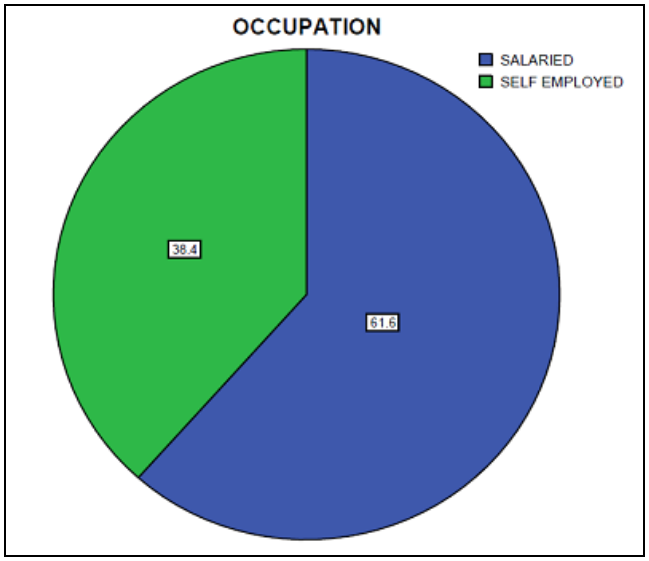

Fig 3: Pie Chart for Occupation

Table 5: Descriptive Statistics for Age Group

N	Valid	700
	Missing	0
Mean		2.27
Median		2.00
Std. Deviation		1.095

Table 4.6.21: Descriptive Frequency for Age Group

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20 TO 25	215	30.7	30.7	30.7
	25 TO 30	215	30.7	30.7	61.4
	30 TO 35	135	19.3	19.3	80.7
	35 TO 40	135	19.3	19.3	100.0
	Total	700	100.0	100.0	

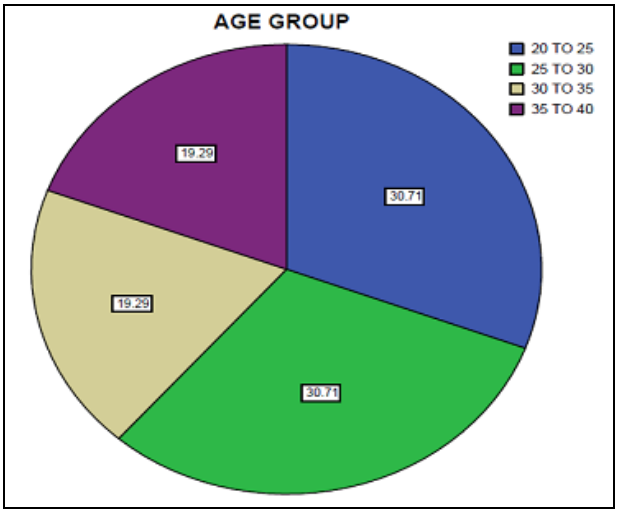

Fig 4 Pie Chart for Age Group

Table 5: 4.6.22 Descriptive Statistics for Annual Income

N	Valid	700
	Missing	0
Mean		2.96
Median		3.00
Std. Deviation		1.315

Table 6: Descriptive Frequency for Annual Income

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.5 TO 2 LAKH	135	19.3	19.3	19.3
	2 TO 2.5 LAKH	135	19.3	19.3	38.6
	2.5 TO 3 LAKH	135	19.3	19.3	57.9
	3 TO 4 LAKH	215	30.7	30.7	88.6
	4 LAKH & ABOVE	80	11.4	11.4	100.0
	Total	700	100.0	100.0	

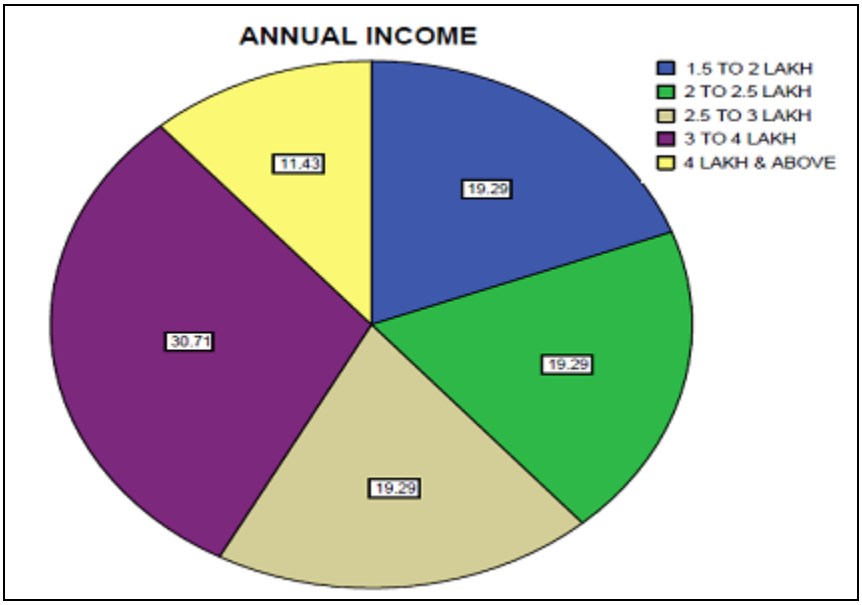

Fig 7: Pie Chart for Annual Income

Table 7: Descriptive Statistics for Amount of Purchase

N	Valid	700
	Missing	0
Mean		2.73
Median		2.00
Std. Deviation		1.228

Table 8: Descriptive Frequency for Amount of Purchase

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	<50000	54	7.7	7.7	7.7
	<100000	404	57.7	57.7	65.4
	<50000000	161	23.0	23.0	88.4
	5	81	11.6	11.6	100.0
	Total	700	100.0	100.0	

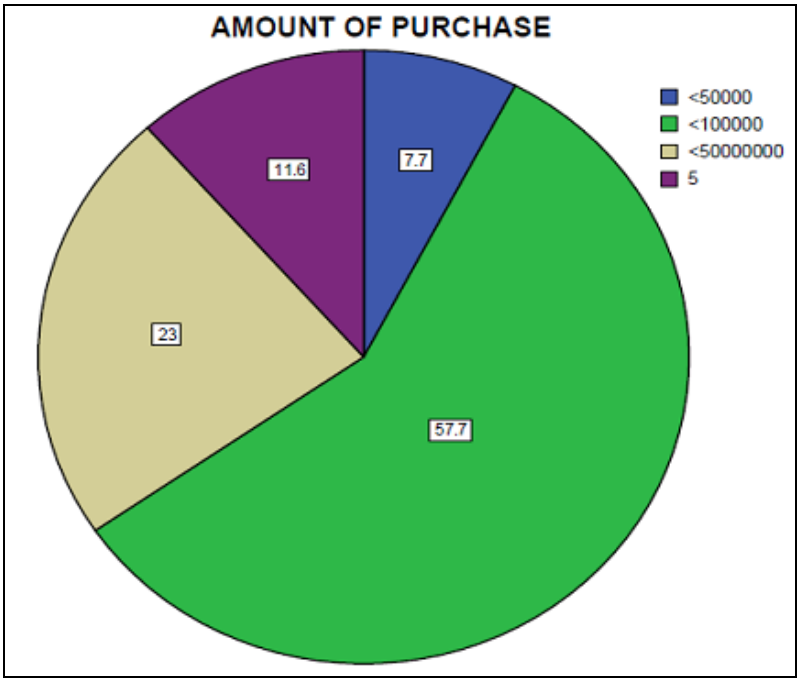

Fig 8: Pie Chart for Amount of Purchase

4.3 Pilot Study

In phase I we conducted a pilot study in Mumbai and Delhi with a sample size of 100. We got insight related to minor modifications related to questionnaire and modified the same before starting the phase II of the study. In phase II of study which was a full fledge study of sample of 1000 was collected both using personal interview and administered interview.

4.4 Scale Reliability

Cronbach's α (alpha) is a statistic. It is commonly used as a measure of the internal consistency or reliability of a psychometric test score for a sample of examinees. It was first named alpha by Lee Cronbach in 1951, as he had intended to continue with further coefficients. The measure can be viewed as an extension of the Kuder-Richardson Formula 20 (KR-20), which is an equivalent measure for dichotomous items. Alpha is not robust against missing data. Several other Greek letters have been used by later researchers to designate other measures used in a similar context.

Table 9: Case Processing Summary

		N	%
Cases	Valid	700	100.0
	Excluded (a)	0	.0
	Total	700	100.0

a Listwise deletion based on all variables in the procedure.

Table 10: Reliability Statistics

Cronbach's Alpha	N of Items
.881	21

Alpha can take on any value less than or equal to 1, including negative values, although only positive values make sense. Higher values of alpha are more desirable. Some professionals, as a rule of thumb, require a reliability of 0.70 or higher (obtained on a substantial sample) before they will use an instrument. Obviously, this rule should be applied with caution when α has been computed from items that systematically violate its assumptions. Furthermore, the appropriate degree of reliability depends upon the use of the instrument.

This study adds to the existing literature by bringing an awareness of the importance of the impact of three basic factors namely Financial Factors, Brand name and most importantly Information Technology and Information Technology Enabled Services on customer satisfaction and service quality in the financial service industry in India. It confirms previous studies that indicate that highly satisfied customers are, indeed, more loyal customers and help in increased sales of mutual fund company, by either in the form of additional purchase or by referring to a friend. And, it also suggests that services provided by agents / brokerage firm may not have much influence over customer satisfaction or loyalty levels.

It is observed statistically that there exist a significant relation between Customer Satisfaction and sales of Mutual Fund company. The Goodness of Fit is 0.9 which indicates that model fit was acceptable. The $\chi 2$-test has a value of 469.04 for sample of 700. The p - value of 0.019 indicates that there exist relationship between Customer Satisfaction and sales of Mutual Fund company as the significance level of 0.05 is used. Customer Satisfaction shows a positive correlation with sales of Mutual Fund company. Also based on statistical results the first null hypothesis is rejected. Thus it is inferred that Customer Satisfaction does have an impact on sales of Mutual Fund company.

It is observed statistically that there exist a significant relation between Information Technology Enabled Services and customer satisfaction. The Goodness of Fit is 0.89 which indicates that model fit was acceptable. The $\chi 2$-test has a value of 189 for sample of 700. The p - value of 0.039 indicates that there exist relationship between Information Technology Enabled Services and customer satisfaction as the significance level of 0.05 is used. IT Services shows a positive correlation with customer satisfaction. Also based on statistical results the second null hypothesis is rejected. Thus it is inferred that Information Technology Enabled Services does have an impact on customer satisfaction

4.5 Concluson

It is observed statistically that there exist a significant relation between Service Quality and Sales of Mutual Funds. The Goodness of Fit is 0.88 which indicates that model fit was acceptable. The $\chi 2$-test has a value of 266 for sample of 700. The p-value of 0.028 indicates that there exist relationship between Service Quality and Sales as the significance level of 0.05 is used. Service Quality shows a positive correlation with Sales. Also based on statistical results the third null hypothesis is rejected. Thus it is inferred that Service Quality does have an impact on Sales of Mutual Funds.

It is observed statistically that there exist a significant relation between Information Technology Enabled Services and Service Quality. The Goodness of Fit is 0.89 which indicates that model fit was acceptable. The $\chi 2$-test has a value of 304.12 for sample of 700. The p - value of 0.029 indicates that there exist relationship between IT Services and Service Quality as the significance level of 0.05 is used.

Service Quality shows a positive correlation with Sales. Also based on statistical results the fourth null hypothesis is rejected. Thus it is inferred that Information Technology Enabled Services does have an impact on Service Quality.

It is observed statistically that there exist a significant relation between Brandname and Sales of Mutual Funds. The Goodness of Fit is 0.88 which indicates that model fit was acceptable. The $\chi 2$-test has a value of 279.18 for sample of 700.

The p - value of 0.44 indicates that there is no relationship between Brandname and Sales of Mutual Funds as the significance level of 0.05 is used. Brandname shows no correlation with Sales of Mutual Funds. Also based on statistical results the fifth null hypothesis is accepted. Thus it is inferred that Brandname does not have an impact on Sales of Mutual Funds.

It is observed statistically that there exist a significant relation between Asset Under Management and Sales of Mutual Funds. The Goodness of Fit is 0.88 which indicates that model fit was acceptable. The $\chi 2$-test has a value of 468.64 for sample of 700. The p - value of 0.047 indicates that there exist relationship between Asset Under Management and Sales of Mutual Funds as the significance level of 0.05 is used. Asset Under Management shows a positive correlation with Sales of Mutual Funds. Also based on statistical results the sixth null hypothesis is rejected. Thus it is inferred that Asset Under Management does have an impact on Sales of Mutual Funds It is observed statistically that there exist a significant relation between Net Asset Value and Sales of Mutual Funds. The Goodness of Fit is 0.88 which indicates that model fit was acceptable. The $\chi 2$-test has a value of 295.206 for sample of 700. The p-value of 0.31 indicates that there no relationship between NAV and sales of mutual fund company as the significance level of 0.05 is used. Net Asset Value shows a no significant correlation with sales. Also based on statistical results the seventh null hypothesis is accepted. Thus it is

inferred that Net Asset Value does not have an impact on sales of Mutual Funds company.

It is observed statistically that there exist a significant relation between Past Return and Sales of Mutual Funds. The Goodness of Fit is 0.88 which indicates that model fit was acceptable. The $\chi 2$-test has a value of 368.54 for sample of 700. The p-value of 0.027 indicates that there exist relationship between Past Return and Sales of Mutual Funds as the significance level of 0.05 is used. Past Return shows a positive correlation with Sales of Mutual Funds. Also based on statistical results the eighth null hypothesis is rejected. Thus it is inferred that Past Return does have an impact on Sales of Mutual Funds.

Table 11: Summary of Hypothesis Testing

	$\chi 2$	Df	p-value	Null hypothesis
CUSTOMER SATISFACTION HAS IMPACT ON SALES OF MUTUAL FUNDS.	469.04	3	0.019	NA
INFORMATION TECHNOLOGY HAS AN IMPACT ON CUSTOMER SATISFACTION.	182	3	0.039	NA
SERVICE QUALITY HAS AN IMPACT ON SALES OF MUTUAL FUNDS.	266	2	0.028	NA
INFORMATION TECHNOLOGY ENABLED SERVICES HAS AN IMPACT ON SERVICE QUALITY.	304.12	3	0.029	NA
BRANDNAME HAS AN IMPACT ON SALES OF MUTUAL FUNDS.	279.18	2	0.44	A
ASSET UNDER MANAGEMENT HAS AN IMPACT ON SALES OF MUTUAL FUNDS.	478.64	3	0.047	NA
NET ASSET VALUE HAS AN IMPACT ON SALES OF MUTUAL FUNDS.	395.206	2	0.31	A
PAST RECORD HAS AN IMPACT ON SALES OF MUTUAL FUNDS.	368.54	3	0.027	NA

A - Null Hypothesis is accepted at significance level of 0.05

NA - Null Hypothesis is not accepted at significance level of 0.05

As a result of this study, managers have additional information to help them evaluate where increased spending of the marketing effort should occur (or not occur) to maximize profitability. It also suggests that more empirical study needs to be done to understand the true relationship between customer satisfaction, service quality and loyalty and what each segment of a customer base expects from its financial services firms and its partners. Although many of the pitfalls of installing a IT strategy have been identified, the route to effective IT and IT Enabled management needs more marketing research And, because IT and IT Enabled is such an important and expensive strategy to employ, this research needs to dig more deeply into what consumers really want and why consumers think the way they do. Clarity around consumer needs can only help managers to determine where they should spend their limited resources.

4.6 Limitation

Although this research project provided some interesting insights to understanding IT & IT Enabled Services, its impact on satisfaction levels and the impact that demographics and technology might have on customer satisfaction or loyalty, it is important to recognize the limitations associated with this study.

First, the data used in this study was obtained from a 26 financial service firm with an average of 30 customer from each company. It might be more beneficial to obtain large sample data from various firms in the industry to test whether this model can be generalized throughout the industry worldwide and to test whether it can be useful for measuring customer satisfaction, service quality and loyalty levels and show moderating effects in other industries.

This study concentrated on selected demographic characteristics of individual customers. A number of other personality traits (e.g., uncertainty orientation of a customer, purchase decision involvement) that were not considered here could have impacts on customer satisfaction, on loyalty and on the relationship between the two concepts. And, as women in our society become increasingly more responsible for their family's financial status, it is possible that females will become more objective in their evaluation of services than has traditionally been the case.

It is noted by Crosby, Johnson and Quinn (2002) that a key deficiency of these IT systems is their inability to address the "why" question of buyer behavior and that demographics predict behavior in reaction to marketing stimuli only because of their association with the internal states and motives of customers. Until it can incorporate insight into the minds of consumers into the information technology, it is unlikely that it will be able to capture and measure the true effectiveness of this strategy.

Possibly, the fact that this was a administered survey put a constraint on the accuracy of the information captured. The time constraints of interviews necessitate the use of relatively simple measurement scales (Urban and Pratt 2000).

Future studies might incorporate other survey methods that provide for more complex measurement scales.

Although it is clear that more highly satisfied customers are, generally, more loyal, there is no substantial support for the idea that customer relationship marketing boosts customer satisfaction levels significantly for IT customers in this financial service firm. There could be several reasons for this result. Often IT programs are either not properly installed, people are not properly trained, or firms are not appropriately measuring the needs of their customers. Some researchers think that the things being measured in call centers, for example, are thought important simply because they are automated and are simple to measure (rather than being important enough to measure) (Feinberg, *et al*. 2002). Often, this leads to installing protocols that are not addressing the needs of the customer but might be addressing the needs of the firm.

In the marketing arena, it is not uncommon for changes to be made to processes, products and services as a direct result of a company's need to boost revenue and profitability. However, these changes do not necessarily respond to consumer needs.

It is also possible that the database information from this firm is not of the highest quality or that customer tiers are not appropriately segmented, which might indicate that the wrong protocols are in place, customer were inaccurately coded, or that, in the final analysis, these protocols simply do not matter to these customer segments.

And, it is possible that this IT program does not receive the appropriate level of executive management support. If this is true, the IT tools may be inappropriately used by employees or not used at all, leaving IT a strategy in name only.

Managers can make some assumptions from this study regarding the impact of demographics as they relate to technology usage and customer satisfaction and loyalty levels. These results can help managers understand what protocols and channels of service are more highly appreciated by which segments of their customer base and tailor their services to better meet customer needs. And, it may be a fair warning to managers that the adoption of technology without considering customer needs and preferences is short-sighted and dangerous. More studies on customer preference by segment and demographic are needed to help guide managers to the proper strategy.

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