

# Customer Or Member Satisfaction Of Primary Agricultural Credit Societies In Kerala

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**Abstract:** Primary Agricultural Credit Societies (PACs) are now an important component of Indian financial system and are much more important in India than anywhere else in the world. It has gained its significance of the role assigned to them, the expectations they are supposed to fulfill, their number, and the number of offices they operate. The main aim of the primary agricultural credit societies is rural financing continues to be vital even today. Customer satisfaction is a major area in the service sector. Today's customers are not satisfied with care and courtesy alone, they will expect concern and commitment. Co-operative banks do not pursue the goal of profit maximization. The main aim of the co-operative societies is service. Mutual help and self-help is the main principle of co-operatives. The purpose of the study is to examine the customer or member satisfaction of the primary agricultural co-operative societies. Samples of 140 respondents are randomly selected from the customers/ members of primary agricultural credit societies. The data have been collected through a questionnaire designed for five point Likert scale. The analysis showed that loan term is the most influencing factor that affects the customer satisfaction of PACS in Kerala.

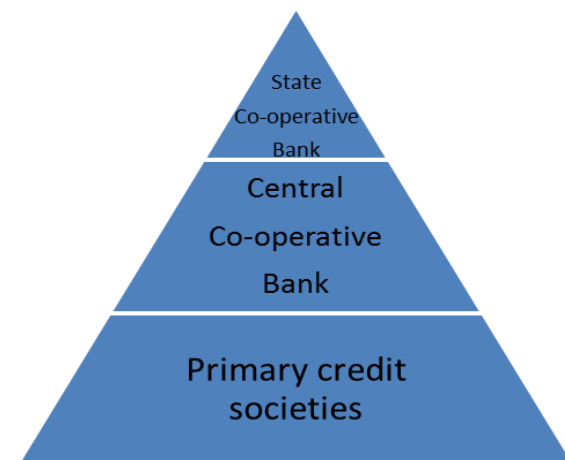
**Index terms :** Customer Satisfaction, PACs, interest rate and Service

## 1 INTRODUCTION

Co-operative societies are often created by persons belonging to the same locality or professional community or sharing a common interest and offer their members with a broad range of banking and financial services like loans, deposits, marketing, banking account etc. Primary Agricultural Credit Societies (PACs) are the financial organizations which belong to its members, who are at the same time the owners as well as the customer of bank. The co-operative banks have played an important role at a local level interfering in a complementing and improving way in the banking system, by establishing a bank which is distinguished by its customers based philosophy that supports and in turn is supported by the local productive forces reinforces local development. They become active at a local level and they are mostly the banks of small and medium size business and individuals. Co-operative banks are differing from commercial banks as they are co-operatives in which the members supply capital and consumer financial services. That is the members are the owners and customers unlike commercial banks, the benefit of ownership in a co-operative bank neither lead to dividend nor capital gains on shares. Instead, the benefits of ownership materialize in the form of lower interest on loans, higher interest rates on deposits and better service quality for customers. Primary Agricultural Credit Societies are deeply rooted inside local areas and communities. They are involved in local development and contribute to the sustainable growth of their communities, as their members and management board usually belong to the communities in which they exercise their actions by increasing banking access in areas or markets like SMEs, farmers in rural areas and middle or low income households etc. Where other commercial banks are less near and they reduce banking exclusion, more over they promote the economic ability of millions of people.

A number of co-operative credit institution are operating in India They are classified into two categories

- I. Agriculture credit institution
- II. Non agriculture credit institution



The agriculture institution is further classified into:

- a. Short term agriculture credit societies
- b. Long term agriculture credit societies

It has a three tier structure at top state co-operative bank, at middle central co-operative bank, at bottom primary credit societies.

## REVIEW OF LITERATURE

(Amuruth Raj, 2013) examined the customer satisfaction State Bank of India. The researcher identified so many factors such as online transaction, location of the branch, formalities for opening and continuing account, ATM facilities, interest rate that affect the satisfaction of banking customers. (Balwinder Singh, 2015) studied the customer satisfaction in urban cooperative banks. The study concluded that there are six major factors related to various perceptions of customers about the service and performance of UCBs. The respondents perceive that Tangible customer service factors are the most important factor to get them satisfied. Basic banking services are considered to be an important feature of a good service giving bank branch. Customer grievance and redressal system

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followed by Soft skills of employees is the main tangibility factor which the customers of UCBs expect from their service provider. Provision of convenient banking and customer empowerment among the customers of the bank is relatively less considered perception. Technology based competitive customer services is given least importance by the customers, but this should carefully be looked into by the UCBs so as to give optimum value for money to them. (Sreeja, 2016) evaluated the service quality of co-operative banks in Thrissur District. The study concluded that customers from rural areas were come to the co-operative banks with lot of expectations. The expectation and actual perception of the customers were different and mismatch is exists between two points. The study also revealed that the co-operative banks must take care for improving service quality. Otherwise the level of satisfaction will reduce it will affect the future growth of co-operative societies. (Muthumeenakshi, 2016) analyzed the Customer Satisfaction and Perception towards the Services of Co-operative Banks with special reference to Ranipet service co-operative bank. The study concluded that the customers of bank were highly satisfied with their services and attitude of the employees but they express their dissatisfaction towards the less technological advancements in Ranipet co-operative bank. (Yashoda, 2017) studied the role and performance of PACS in respect of agricultural and rural development. The study revealed that PACS are the institution that provides short term and medium term loan to the members of the societies. The researcher also identified the co-operative system have the following limitations such as lack of adequate and trained staff, lack of necessary fund, poor industrial relations, lack of professional management etc.. (Lakshmi, 2017) examined the comparative study on service quality in rural banking in north Kerala. There are two banks are selected from north Kerala such as Kannur District Co-operative Bank (KDCB) and Kerala Grameen Bank (KGB). The study revealed that customers have higher level of satisfaction with Fixed Deposit Accounts, both in the case of KGB and KDCB. The study concluded that there is significant difference in the service quality in respect of all the five parameters of customer satisfaction under study as well in the overall level of customer satisfaction. It is categorically proved that the overall customer service at KGB is significantly superior to that of KDCB, so also is the case with the six different parameters deciding the customer services. (G. Rosyala Sharmi, 2017) examined that customer satisfaction in banking services of Imphal urban co-operative bank. The result found that the bank shows a neutral performance. The study showed the customers are less satisfied with the service of co-operative bank. So the customers are switching from co-operatives without notice or excuse. The study concluded that in order to maintain the customers, the co-operatives needs to ensure that the right product and service supported by the right promotion and making it available at the right time for customers. The bank should also improve the professional relationship with customers. (Anis Ali & Babitha, 2017) observed that the majority of the Indian banking customers are satisfied with service of banks. The researcher identified that the lack of individual consideration, office hours and behavior of bank employees are the major dissatisfaction factors of customers. (Sujith, 2018) examined perceptions of customers towards service quality of Canara and ICICI bank. Primary data have been collected from 60 respondents. The study revealed

that a significant difference exists in service quality on perception of customers of Canara bank and ICICI bank. The researcher concluded that the success and failure of any business depend on the satisfaction level of the customers. Realizing the importance of customer service in banks, recommendations are made by various committees to improve the service quality of banks. This study showed both banks are performing at a higher average level. All the customers are satisfied with the quality of service of ICICI bank (92.47) is more than the service quality of Canara bank (81.77). (Merry Elizabeth John, 2018) evaluated the service quality dimensions and customer satisfaction of Pathanamthitta district co-operative bank. The study concluded that the people under low-income category are the main service takers of the co-operative banks. Even though they are comfortable with the service rates, they are dissatisfied with the bank in updating them with the information of new services. From the opinion of one of the staffs it is clear that the legal constraints put forward by the Government have restricted the growth of the co-operative banks. (Abhijith & Remya, 2018) studied the customer satisfaction in Indian banking sector. The study identifies whether the net profit and closing stock of the bank act as factor in improving the customer satisfaction. The study reveals that there is no effect net profit and closing stock of top nine banks. There are many other factors like credibility, customer service, easiness operation are mainly influenced the satisfaction of banking customers.

## STATEMENT OF THE PROBLEM

In any organization customers are the most important. Every business depends on the customers. In this aspect customer satisfaction is essential for the development of every organization. The success of every organization depends on the level of customer satisfaction. Co-operative societies are an autonomous body of people united voluntarily to meet their common economic, social and cultural needs and wants by jointly working for betterment and growth of each member or customers of the societies. The main motto of Co-operative societies is "one for all and all for one". The numbers of co-operative societies are increasing in rural as well as urban areas. They are expanding the activities also. Co-operative societies are competing with the public and private sector bank. In the competitive environment, customer satisfaction is very important. In this context the researcher frame two research questions.

1. What is the level of customer satisfaction in Primary Agricultural Co-operatives?
2. What are the factors that lead to customer satisfaction in Primary Agricultural Co-operatives?

## OBJECTIVES OF THE STUDY

- To examine the customer or member satisfaction towards the services of Primary Agricultural credit societies.
- To explore the factors affecting the customer satisfaction of Primary Agricultural credit societies in Kerala with special reference to Thrissur district.
- To analyse the factors and its impacts on customer satisfaction.

## RESEARCH METHODOLOGY

This study is descriptive in nature based on primary data. Primary data were collected through a well-designed and structured questionnaire from the respondents covering Thrissur district. There are 1647 PACS in Kerala, 159 in Thrissur district. There are five taluks in Thrissur district, from the five taluks 14 PACS have been selected randomly. These PACS represent all the PACS of Kerala. The sample size is limited to 140 customers or members of Primary Agricultural Credit Societies (PACS), for this the researcher used convenience sampling technique. Secondary data were collected from websites, journals, Annual reports of co-operative banks, magazines etc.

## RESULTS AND DISCUSSION

The study mainly aims to assess the customer satisfaction towards Primary Agricultural credit societies (PACS) in Kerala. There are seven variables are used to measure the member satisfaction of the PACS in Kerala. The researcher used the Cronbach Alpha to test the internal consistency in measuring the scale. If the Cronbach Alpha is more than 0.70, hence the scale is reliable. The Table 1 gives the Reliability Statistics of variables.

**Table 1 Reliability Statistics of the variables.**

Sl.No.	Variables	Cronbach's Alpha Value
1	Interest rate	.880
2	Location	.811
3	Varieties of service	.779
4	Behaviour of employees	.933
5	Loan terms	.889
6	Overall satisfaction	.842

(Source: Primary data)

It is identified from the table 1, that the Cronbach Alpha for the all the variables is higher than 0.70, which shows an internal consistency among the items in the scale. So all the variables are reliable and fit for the further study.

### Sample Profile of the customers or members

The profile of sample explaining the demographic and occupational features of customers of PACS in Kerala is presented in the Table given below.

**Table -2 Profile of the selected customers**

	Categories	Frequency	Percent	Cumulative percent
Gender	Male	84	60	60
	Female	56	40	100
Age	26-35	56	40	40
	36-45	42	30	70
	46-55	28	20	90
	55 & Above	14	10	100
Education	SSLC	14	10	10
	Plus2	42	30	40
	Graduation	42	30	70
	PG	42	30	100

Profession	Agriculturalist	84	60	60
	Private Sector	42	30	90
	Public sector	14	10	100
Income	10001-25000	56	40	40
	25001-50000	56	40	80
	Above 50001	28	20	100

(Source: Primary Data)

Table 2 exhibits the profile of the sample respondents selected for the study. As per the table gender wise classification shows that out of 140 selected respondents, male constitute 60 percentages and female 40 percentages. The majority of the respondents belong to 36-45 age group. Educational qualification reveals that only 10 percentages of the respondents belong to SSLC and the rest of them equal proportion (i.e., 30% each) from the study. The majority of the respondents/ customers of the PACS are agriculturist. The monthly income status of the respondents reveals that only 20 percentages of the respondents having an income above 50001.

**Table -3 Descriptive statistics for overall satisfaction of PACS in Kerala**

Variable	Mean	Std. Deviation
Overall satisfaction	3.84	0.602

Table 3 reveals that the descriptive statistics for overall satisfaction of PACS In Kerala. It's clear from the above table the majority of the customers or members of the PACS are satisfied with a mean score of 3.20.

### Result of Hypotheses Testing:

**H<sub>01</sub>: There is no significance between Gender and customer satisfaction**

Independent Samples Test		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
satisfied with co-operative banks as a whole	Equal variances assumed	18.526	.000	6.263	138	.000	.750	.120	.513	.987
	Equal variances not assumed			7.012	132.41	.000	.750	.107	.538	.962

The table reveals that there is a significant difference is observed between gender and overall satisfaction of the customers or members of PACS at the 5% level of significance and the P value is less than 0.05. Hence the null hypothesis is rejected. Male customers are more satisfied with female customers because the mean score of male customers is more than the female customers.

**H<sub>02</sub>: There is no significance between Age and Customer Satisfaction**

ANOVA					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	65.567	3	21.856	149.867	.000
Within Groups	19.833	136	.146		
Total	85.400	139			

The result of one way ANOVA states that the overall satisfaction with the age of the customers of PACS in Kerala gives the F value of 149.867 which found to be 5% level (P < 0.05). Hence the hypothesis is rejected. This implies that there is a difference in the mean score obtained from the overall satisfaction on PACS and Age. The mean score obtained by age group 46-55 is found to be high and the age group 26-35 to be low, which signifies high level satisfaction among customers in 46-55 age group and low level satisfaction among in the age group 26-35.

**H<sub>03</sub>: There is no significance between Education and Customer Satisfaction**

ANOVA					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	57.400	3	19.133	92.933	.000
Within Groups	28.000	136	.206		
Total	85.400	139			

The result shows that there is a difference in the mean score obtained from the overall satisfaction on PACS and education of customers of PACS in Kerala gives the F value of 92.933 which found to be 5% level (P < 0.05). Hence the null

hypothesis is rejected.

**H<sub>04</sub>: There is no significance between the Profession and Customer Satisfaction**

ANOVA					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	20.067	2	10.033	21.039	.000
Within Groups	65.333	137	.477		
Total	85.400	139			

The null hypothesis is rejected because the P value is less than 0.05. The result reveals that there is a difference in the mean score obtained from the overall satisfaction on PACS and Profession of customers of PACS in Kerala. The mean score obtained by Agriculturalist is found to be high and public sector employees to be low, which signifies high level satisfaction among Agriculturalist and low level satisfaction among public sector employees.

**H<sub>05</sub>: There is no significance between Income and Customer Satisfaction**

ANOVA					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	8.400	2	4.200	7.473	.001
Within Groups	77.000	137	.562		
Total	85.400	139			

The result states that the overall satisfaction with the income of the customers of PACS in Kerala gives the F value of 7.473 which found to be 5% level (P < 0.05). Hence the hypothesis is rejected. This implies that there is a difference in the mean score obtained from the overall satisfaction on PACS and income. The mean score obtained by income group 10,001-25,000 is found to be high, which signifies high level satisfaction among customers in income group 10,001 - 25,000.

## Regression Analysis

In order to satisfy the impact of interest rate, location, varieties of services, behaviour of employees and loan term (independent variables) on customer satisfaction (independent variable), multiple regression analysis were administered.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.976 <sup>a</sup>	.953	.951	.174	2.146

- a. Predictors: (Constant), Loan Terms, Behaviour of Employees, Location/ Convenience, Interest Rate, Varieties of Services.
- b. Dependent Variable: Overall satisfaction

In order to test the impact of factors of satisfaction on overall customer satisfaction, the researcher used multiple regression. The overall satisfaction treated as the dependent variable; whereas Loan Terms, Behaviour of Employees, Location/ Convenience, Interest Rate, Varieties of Services are considered as the independent variable. Regarding the impact of factors of satisfaction on overall customer satisfaction explain 95.1% of the variation. The Durbin- Watson is overwhelmingly illustrating that there is no auto correlation in the variables. The test result 2.146 indicates negative auto correlation.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics		
	B	Std. Error	Beta			Tolerance	VIF	
	1	(Constant)	-1.073					.121
	Interest Rate	.407	.030	.313	13.464	.000	.655	1.528
	Location/ Convenience	.003	.031	.002	.094	.925	.667	1.499
	Varieties of Services	-.185	.024	-.187	-7.590	.000	.579	1.726
	Behaviour of Employees	.122	.021	.120	5.680	.000	.790	1.266
	Loan Terms	1.045	.030	.833	34.677	.000	.612	1.635

Dependent Variable: Overall satisfaction

The table explains multi-collinearity has been checked through Variance Inflation Factor which should be under 3 for esteem run. Here all VIF respects are palatable range in and it presumes that the variables are free from multi-collinearity. From this table the researcher identified that loan term is having most influencing Unstandardized Coefficients B estimation of 1.045 and moreover t respect is additionally high. So it is the most bolstered factor on the satisfaction of customers. After that the second most will be interest rate with the B estimation of .407, the other variable Behaviour of Employees in third position with the B estimation of .122, the variable location in fourth position with the B estimation of .003, after that Varieties of Services is the fifth factor which has additionally had an unimportant effect on satisfaction. The fitted regression model is

$$\text{Satisfaction} = -1.073 + (.047) X1 + (.003) X2 + (-.158) X3 + (.122) X4 + (1.045) X5$$

**Result of Hypotheses:**

H <sub>0a</sub> : There is no significant impact on the interest rate and satisfaction of customers or members.	Rejected
H <sub>0b</sub> : There is no significant impact on the Location and satisfaction of customers or members.	Rejected
H <sub>0c</sub> : There is no significant impact on Varieties of Services and satisfaction of customers or members.	Accepted
H <sub>0d</sub> : There is no significant impact on Behaviour of Employees and satisfaction of customers or members.	Rejected
H <sub>0e</sub> : There is no significant impact on Loan term and satisfaction of customers or members.	Rejected

**Conclusion**

The Co-operative banking sector is one of the formidable and widely spread in Kerala. The customer satisfaction for the Co-operative banking sector has got many dimensions and varies from person to person. Every organization, whether service or not they need to maintain a stable and strong relationship with their customers because satisfaction of the customer is crucial for long term success. Primary Agricultural Credit Society (PACS) is the customers or member oriented service industry, therefore the customer is the main focus. On the basis of analysis, the researcher identified that location, interest rate, varieties of services, behavior of the employee and long term are the influencing the satisfaction of members or customers.

From the analysis, it is clear that most of the customers are satisfied with the services of Co-operative bank. The study suggests that Co-operative societies should focus or introduce new innovative products and services like online banking, ATM facilities, etc. and always work out special market strategies to retain the customers or members to survive in the competitive market. The Primary Agricultural Credit Society should also provide quality service to increase the satisfaction level of their customers.

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