CHAPTER 1
INTRODUCTION AND DESIGN OF THE STUDY

1.1 Introduction

The financial services are highly important in any service sector as these services are the backbone of economic development of a country. The banks coming under service sector play an important role in the financial system of a country. In developing countries like India, the role of banks in the economic development is vital as financial services rendered by them are integral part of all the businesses and social activities and banking is a catalyst in the life of modern trade and commerce.

Nowadays, with technological advancement, the transformation of services in the banking system has led to the evolution of a highly competitive and complex market where the continuous refinement of services is required. The increased role of banking in India’s economic development on the one hand and the changes in the business climate on the other put an increased pressure on them. The changes in the business climate are pressurizing the banks to reorganize themselves in order to cope with the present conditions. The reorganization of banks with present conditions is possible only if there is change in the functional orientation of banks.
With the current change in the functional orientation of banks, they are trying to provide all the services at the customer’s doorstep. The customer has become the focal point either to develop or maintain stability in the business. Every engagement with the customer is an opportunity to either develop or destroy a customer’s faith in the Bank. The expectations of the customers have also increased many folds. Intense competition among the banks has redefined the concept of the entire banking system. The banks are looking for new ways not only to attract but also to retain the customers and gain competitive advantage over their competitors.

After the globalization, with the emergence of global banking, banks are compelled to provide all banking product and services under one roof and their endeavour is to be customer centric. Also, with the emergence of economic reforms in India, private banks have come up in a big way with prime emphasis on technical and customer focused issues. So, to compete with financial market after emergence of private banks, the customer orientation of the banking sector has significantly increased in recent times. The banks in India have started introducing a variety of new products and new services with emphasis on quality of services to address the issue of customer needs and requirements through a customer centric approach. Though Indian banking sector continues to witness domination of the public sector banks, the banking sector has witnessed the entry of many new private sector banks, resulting in momentous changes during the last decade.
Private sector banks are oriented toward niche banking, unlike the public sector banks, which meet the mass banking requirements. The strategies adopted by the private sector banks are more in tune with those of the foreign banks, where emphasis is given to establishing superior benchmarks of efficiency, focusing on niche customers, providing impressive customer service and bringing about operating efficiencies by using high-end technology. Despite a stiff competition between public and private sector banks, the banks under co-operative sector have been playing their tunes well within their frame work to address customer need and most of their functions are customer centric on par with banks under other sectors. Further, co-operative banks play an important role in economic development of people at micro levels in various regions of the country. Because of this fact, most of their services are customer oriented.

Any service oriented organization will be successful only if they serve to the satisfaction of their customers. That is, customer satisfaction is an essential one for every organization whether it is profit earning or non-profit earning organization involved in serving the people. When does a customer get satisfied? The customer gets satisfied only when the services of the service providers are up to the expectation of the customers. So, the expectations are the base for satisfaction. That is, serving up to the expectation of customers is the customer orientation. Therefore, customer
orientation is the deciding factor for customer satisfaction. The customer orientation is defined as the degree to which an organization or its employees focus their efforts on understanding and satisfying customers. So, in any organization, particularly in service based organization, behaviour of employees towards customer orientation is an important one. That is, employees’ behaviour towards customer orientation plays an important role in determining the customer satisfaction and decision making. So, the research on this area will give many useful suggestions to the probable beneficiaries. To study the customer orientation and customer satisfaction, the researcher considered the members of Primary Agricultural Co-operative Banks (PACBs) in Pondicherry region as sample population.

1.2 Customer Orientation

Customer orientation is the predisposition of employees to meet customer needs. This predisposition consists of needs and enjoyment indicating employees' ability to fulfil customer needs and the degree employee enjoys interacting with customers. That is, customer orientation adapts the product or services to a customer’s needs and wants, if possible including a customer’s personal situation. Its main objectives are to assist, inform, and to be flexible. Customer orientation is the most important prerequisite in providing competitive world class service and it helps to identify as to whether a bank is customer centric or customer driven. A bank
is not considered to be customer oriented if it satisfies one of the following aspects.

**A cost driven bank**

A credit card company realized that the cost of servicing an account has gone up. This was due to the higher cost of labour and the cost of new technology. It decided to pass on this cost to all its credit card customers by doubling the annual membership fee. Large regular customers were incensed by this increase in charges, believing that bank had earned more than enough profits from their huge card transaction to cover its cost of operations. As a policy, bank charges were levied across the board and did not discriminate between frequent and infrequent card users. As a result, many of the big members dropped the card and switched over to the competitors. The bank did recover the cost of servicing, but in so doing, it lost more in terms of profits and loyal customers.

**Another cost driven bank**

Assume the average queuing time of a bank customer in the lobby is 10 minutes with 3 tellers deployed. If the tellers are reduced to two, the average queuing time jumps to 30 minutes. Pressured to cut cost by top management, the bank may opt for a hefty one third reduction in labour costs in spite of a 200% increase in customer inconveniences. The rationale:
the resulting customer inconvenience, irritation or its effects will not appear in this quarter’s profit and loss statement.

**The capacity driven bank**

The capacity driven bank will behave very similarly to the one described above. Let us say that during peak hours, with three tellers, customers had to wait for an hour to get their business done. To reduce queuing time to a more tolerable 10-15 minutes, two more tellers have to be added. Customers are angry as the bank manager explains that their maximum capacity or number of booths is for three tellers only. Moreover, head office has fixed the budget per branch and no new hiring is allowed.

**The collateral driven bank**

A borrower has requested the bank for a short term loan of at least Rs.3,00,000. It will be used for working capital to increase capacity, market share and enhance profitability. The bank was convinced by the proponent’s feasibility study and marketing plan but decide to release only Rs. 2,00,000 because his collateral security could only secure this amount. The loan proceeds, while not small, were not enough to enable the proposer to benefit from volume discounts and other economies of scale advantages that were expected to be generated by the original Rs.3,00,000 amount. Ironically, after receiving Rs.2,00,000 and implementing its expansion program, the
proposer experienced losses and cash flow problems. The bank blames him for mismanagement and threatened to call the loans.

**The technology driven bank**

A bank has installed new ATM’s to decongest its lobby of customers, but more importantly to showcase this acquisition as the latest and fastest technology in the industry. To its disappointment, most of its customers shun the machines and continue to deal with live tellers and maintain their personal relationships with these human front liners. The bank fought back by levying service charges for all teller transactions to increase ATM patronage. It has to justify its multi-million investment in technology and show to its competitors that it is working remarkably. The customers fought back by closing their accounts and moved to the next door bank.

**Another technology driven bank**

A client with his passbook came to withdraw from his savings account from a teller. At that point in time, the computer went off line and was disconnected from head office central computers. It took some time to manually process the withdrawal. The client got his cash, but not his passbook. The teller said that the passbook cannot be updated unless the computer went on line again. The customer was asked to come back the next day for his updated passbook.
The sales driven bank

A bank has been receiving complaints from its customers about slow service, delayed statements, discourteous tellers, and misposting of transaction. The usual response was no response, or “we have advised the erring employee and we assure you it will not happen again.” Of course the mistakes and delays happen again and the bank hopes the customers will get tired of complaining and learn to live with them. Meanwhile, the bank marketing program calls for the launch of new bank products and services to match the competition’s offerings. Tellers are trained and enjoined by management to cross sell these new products to current clients who come to do regular transactions. The customers greet this initiative with mixed feelings and some with disdain. Most silently ask themselves: “How can this bank have the temerity to offer new products when it could not even efficiently service its present ones?”

The company policy driven bank

A customer has been in the queue for 15 minutes. He was about to make two transactions – one check deposit to his savings account and one check encashment worth Rs. 10,300. When it was his turn, the teller promptly accepted his deposit. But when she realized the amount to be encashed, she requested the customer to get first the approval and signature of the branch manager who was seated inside the office. The teller explained that as matter of policy, tellers cannot encash checks above Rs.10,000.
without approval from their superiors, and customers themselves must personally get this approval. The client in this case had to line up again for another 10 minutes in front of the branch manager.

In contrast to the banks described above which are internally oriented, the customer driven bank is externally oriented or market oriented. It does not set policies and standards based on its capacity, costs, or competence, but on the actual needs expectations, and convenience of its clients – depositors and borrowers alike. After it recognizes and accepts its clients’ needs, it invests in, improves, or designs products and processes that will fill these needs as closely as possible. Then it hires, trains, motivates, and equip the right people who will run these processes and sell these products.

The aim of the customer-centric bank is not just to sell products and services, but to create delighted, loyal customers who will always come back and favourably endorse the bank to their friends and acquaintances. In the end, the customer driven bank will have more repeat customers and repeat business than its competitors. It puts its customers ahead of everybody else and everything else – in its mission statement, in these policies, in its systems, and in its decisions. Its sales and profits will rapidly increase as its reputation for customer care and concern spreads.
1.3 Customer Satisfaction and Customer Orientation

The fundamental aim of every business enterprise, just as of a commercial bank, is to satisfy customer needs to achieve profits and grow further. The main tool to the adequacy to this aim, i.e., to sustainment and continuity of the business activity, is customer orientation. Any business enterprise, whether involved in financial services or non-financial services, is able to fulfil their customer needs and make them satisfied only if the services provided by the business enterprise are customer oriented.

For customer orientation, it is not enough that the bank considers itself, but it is also essential that the customer himself or herself feels satisfied about the provided service. So one of the (not the only) measuring and analysing tools of customer orientation is the examining of customer satisfaction. Satisfaction, however, does not automatically mean loyalty, and dissatisfaction does also not necessarily mean neglecting the institution.

Customer satisfaction represents a modern approach for quality in enterprises and organisations and serves the development of a truly customer-focused management and culture. Measuring customer satisfaction offers an immediate, meaningful and objective feedback about clients’ preferences and expectations. Modern management science’s philosophy considers customer satisfaction as a baseline standard of performance and a possible standard of excellence for any business organisation (Gerson,
Moreover, customer satisfaction measurement provides a sense of achievement and accomplishment for all employees involved in any stage of the customer service process. In this way, satisfaction measurement motivates people to perform and achieve higher levels of productivity. To reinforce customer orientation on a day-to-day basis, a growing number of finance service organizations (banks) choose customer satisfaction as their main performance indicator (Deschamps and Nayak, 1995).

Satisfaction is a multi-dimensional construct which has been conceptualized as a prerequisite for building relationships and is generally described as the full meeting of one’s expectations (Oliver, 1980) and is the feeling or attitude of a customer towards a product or service after it has been used. Today, banks have moved away from a transactional-based marketing approach to a relationship-based approach in rendering their services that has at its core the recognition of the lifetime value of the customer. It has been attributed with three dimensions namely, satisfactory interactions with personnel satisfaction with the core service and satisfaction


with the organization (Crosby and Stevens, 1987)\(^4\). Customer satisfaction in the retail banking industry has been studied by (Jamal Ahmed, 2002)\(^5\) along with customer profitability management being integrated and optimized for the customer (Lenskold James, 2004)\(^6\).

Changes in service and technology, Socio-economic outlook of people, liberalization, Privatization and Globalization of Economy and Trade, Policies and Programs of the Government have necessitated the banking functions to have a new look in their operations based on customer orientation. As a result, banks are facing a new situation, where they are expected to fulfil the twin objectives of helping the economy to grow by meeting the needs and expectations of the customers, and ensure a high degree of operational efficiency in line with the international standards.

Modern Banking has to undergo qualitative transformation in offering its services by their policies and programs in consonance with the needs and demands of customers for its perpetual existence. Being, the third sector of the economy, the co-operative banks, aiming at improving the socio-


economic conditions of weaker sections of the community, must render their services with the needs and orientations of customers. If they fail to consider the demands and expectations of customers, the dissatisfied customers will always create adverse information about the organization affecting the development of business. All customers expect the bank and bankers to be polite, courteous, helpful and understanding.

Because of its potential influence on consumers’ behavioural intentions and customer retention, customer satisfaction has been the subject of much attention among the academicians. A direct positive relationship between perceived value of customer orientation and customer satisfaction has been indicated by a variety of product and services studies (Hellier et al., 2003)\(^7\). Fornell et al. (1996)\(^8\) upheld the view that customer satisfaction is a consequence of perceived value and highlight the importance of the relationship between the two.

Therefore, it becomes necessary to raise queries on certain issues such as; How do the co-operative banking institutions perform their functions? How do they understand their customers and their needs? What do they do to satisfy the conceivable needs and expectations of the


customers? Do the customers face any problem in availing the existing services? Are they satisfied with the services of employees? Do the co-operative banks evolve policies and programs towards customer satisfaction? What do customers suggest to maximize customer satisfaction in co-operatives? The other similar issues prompted the researcher to take-up an in-depth investigation.

1.4 Origin of Co-operatives

Germany was the first country to start the co-operative credit movement in the world. The genesis of urban credit movement may be traced to the economic distress of the masses, particularly the artisans of Germany in the middle of 19th century. The first urban credit society was started by Schultze Delitzch in 1850. In 1855, being inspired by the activities of Schultze in Germany, Professor Luizi Luzzatti started urban co-operative Banks in Italy. Inspired by the co-op urban credit institutions in Germany and Italy, some social workers of the former princely State of Baroda, now a district in Gujarat State, formed a Mutual Aid Society called Annyonya Sahayakari Mandal on 5th February 1889 under the guidance and leadership of late Sri Vittal Laxman Kanethkar.

Co-operative movement was officially launched in India on 25th March 1904. The first urban co-operative credit society was registered in October 1904 at Kanjeeipuram now in Tamil Nadu State. In October and
December 1905, Betegiri Co-operative Credit Society in Dharwar District and the Bangalore city co-operative credit society, both in Karnataka State were registered. The introduction of the Co-operative Credit Societies Act 1904, for providing credit to farmers marked the beginning of the institutionalization of co-operative Banking in India. This Act was amended in 1912 to facilitate the establishment of central co-operative banks at the district level, thereby giving it a three tier federal character.

1.5 Profile of Pondicherry

Pondicherry a small charming Union Territory on the East Coast of India, is the window of French culture with an area of 492 sq.km with a population of 12,44,464 and also a land of learning and wisdom there are various versions of how the name Pondicherry was derived. The original name of Pondicherry was “Vedhapuram” or “Vedhapuri”, and also it is versed “Agatheeswaram”, “Pudouke”, “Puduchery” and so on. From this point of view it is obvious that Pondicherry was traditionally a seat of learning and vedic culture. A series of events ultimately led to the freedom of Pondicherry from the French rule on 1st November 1954 after 138 years, when Pondicherry was merged with the Indian Union. The Union Territory of Pondicherry consists of four isolated regions namely, Pondicherry, Karaikal, Mahe, and Yanam. These regions experience mild, cool, and pleasant climate both in summer and winter with a total land area of 46,822
hectares and out of which 58.6% is brought under cultivation. During the French regime, the population of Pondicherry was only 60000. In 1911 the population was estimated as 2,57,179 and in 2011 the population rose to 12,44,464.

1.6 Co-operative Movements in Pondicherry

Banking on modern lines started only in 1875 when the Banque de l’Indo Chine (Indo-China Bank) was established in Pondicherry. The extension of the Banking-Companies Act 1949 and the Foreign Exchange Regulation Act 1947 to Pondicherry in 1954 and the withdrawal of the Indo-China Bank in March 1953 paved the way for the establishment of Indian Banks.

The co-operative movement have taken very deep roots in Union Territory of Puducherry since 1953. The co-operative sector to-day has emerged as one of the vital instruments of Socio-Economic regeneration. It upholds the principle of “all for each and each for all”.

1.7 The Pondicherry State Co-Operative Bank Ltd

The Pondicherry State Co-operative Bank Ltd started functioning from 30th October 1958 with its jurisdiction extending over the entire territory. This is the apex co-operative bank and the central financing agency
in the co-operative sector channelizing funds received from Reserve Bank of India to the primary credit societies at low rate of interest.

1.8 **Primary Agricultural Credit Societies**

Agriculture is one of the main sectors of economic activity in the Union Territory. For helping agriculturist by providing credits, these Primary Agricultural Credit Societies were started. These societies operate at the village level and maintain direct contact with farmers. They are now called as Primary Agricultural Co-operative banks. They mostly provide short term credit to farmers over the years.

1.9 **Statement of the Problem**

One of the criticisms levelled against the banking industry after the nationalization of banks in 1969 relates to the perceived deterioration in the customer orientation of the industry. If one were to go by the experiences of customers in their daily interactions with banks or by the impressionistic accounts given by the media, there appears to be little choice except to agree that the customer orientation in the banking industry falls far short of expectations. But there is no empirical evidence for accepting or rejecting the hypothesis that customer orientation has actually declined in this industry.
Also, no industry in the services sector can afford to ignore its customers. This is highly true in the banking sector considering that the industry is becoming highly competitive. Such competitiveness is very high for banks in the co-operative sector as these banks face high competition from nationalized, private and multinational banks. Therefore, customer orientation is vital for co-operative banks to infuse a great deal of dynamism in providing service to the expectation of their customers. But, it is not certain as to whether co-operative banks, particularly agricultural co-operative banks, function with appropriate customer orientation strategies or not. Hence, this study seeks to examine the same empirically.

1.10 Objectives of the Study

The study has the following objectives:

1) To assess the services provided by Primary Agricultural Co-Operative Banks in Pondicherry region.

2) To examine the extent of customer orientation of PACBs based on the perception of the customers.

3) To identify the relationship of expectation and satisfaction of the customers with performance of the banks.

4) To analyze the problems in adopting customer orientation in banking services by Primary Agricultural Co-operative bank
5) To offer suggestions based on the findings of the study for enhancing customer orientation and for maximizing the customer satisfaction measures of co-operative banks.

1.11 Hypothesis

In furtherance of the study, the following research hypotheses have been framed for testing in the present study.

1. There is no significant relationship between customers’ socio-economic characteristics and membership with PACB in Pondicherry region.

2. There is no significant difference between actual and expected customer orientation of PACBs in Pondicherry region.

3. There is no significant relationship between behaviour of employees and their socio-economic characteristics in PACBs.

4. There is no significant relationship between behaviour of the employees and the customer orientation in PACBs.

5. There is no effect of customer orientation on satisfaction of customers in PACBs.

1.12 Scope of the Study

There is a need for research in customer orientation of Primary Agricultural Co-Operative Banks. While various studies have been extensively made about banking services / technology and customer
relationship and management in banking industry particularly after 1969 i.e., after nationalization of commercial banks, most of them are about the internal functioning of the banks with reference to the finance, marketing and customer relations with them. Studies on customer oriented services in banks have been made from banker’s point of view. Those studies were general in character and do not contain anything substantial about the working of co-operative banks, specifically customer orientation of Primary Agricultural co-operative banks. No serious study has been conducted about the customer’s expectations and satisfaction of Primary Agricultural Co-operative banks. Hence there is a need for the present study.

1.13 Research Methodology

Source of Data

Present study is an empirical study based on survey method. Primary data was elicited from customers, by administering a structured interview schedule (SIS). The schedule comprises of a wide range of information’s starting from demographic indicators such as age, social indicators such as educational status, occupation, family income, asset position, sources of borrowings, exposure to mass media, contact with change agents etc., The other indicators were measured by the frequency of their participation in the affairs of the Primary Agricultural co-operative banks, reasons for having relationship with Primary Agricultural co-operative banks’ awareness on
deposits loans and ancillary services of Primary Agricultural Co-Operative Banks.

The secondary data were collected with the help of a data sheet/document schedule to elicit details pertaining to the origin, growth and development, functions, policies and strategies of sample banks during a period of 10 years (2001 to 2010), from the annual and audited reports of Primary Agricultural Co-Operative Banks.

Selection of the Study Area

The Union Territory of Pondicherry includes four regions Pondicherry, Karaikal, Mahe and Yanam. The present study pertains to Pondicherry region which is situated in western bank of Bay of Bengal.

Selection of Sample Banks and Respondents

The Pondicherry region has been divided into five co-operative sectors, namely Puducherry, Bahour, Embalam, Thirubuvanai and Villianur for the purpose of co-operative administration and effective auditing. At present, there are 27 PACBs in all the five co-operative sectors of Pondicherry region. All these banks are affiliated to the Pondicherry State Co-operative Bank (PSCB). It was decided to select a sample of two banks from each co-operative sector randomly and thus ten banks were selected for the study. Originally, it was decided to have a sample of 35 members from
each selected bank adopting random sampling method but could not be employed due to the practical difficulties. In fact, there were about 35,000 members in all the 10 selected banks. Instead of using random sampling techniques, convenient sampling technique was adapted and selected 350 customers from all the 10 selected banks at the rate of 35 from each bank.

**Statistical Techniques**

The data collected for the present study are of qualitative and quantitative in nature. Various statistical tools and techniques descriptive statistics (Mean, standard deviation), Chi-square test, t-test, one way ANOVA (F test), Factor analysis, Multiple regression analysis, Discriminant analysis and Canonical correlation analysis have been applied. The gap analysis is adopted to understand the significance of the difference in perceived and expected customer oriented services provided by PACBs under study. The statistical techniques are given in detail below:

**Frequency Distribution**

The frequency distribution is a mathematical function used to identify the number of instances in which a variable takes each of its possible values. In statistics, a frequency distribution is a tabulation of the values that one or more variables take in a sample. Each entry in the table contains the frequency or count of the occurrences of values within a particular group
or interval along with percentage to total and in this way the table summarizes the distribution of values in the sample.

\[ \text{Mean} \ (\bar{X}) \]
\[ \bar{X} = \frac{\sum X_i}{n} \]

Where, \( X_i \) is perception score of ‘i\(^{th}\) respondents ‘n’ is total number of respondents in the sample.

\[ \text{Standard Deviation} \ (\sigma) \]
\[ \sigma = \sqrt{\frac{\sum X_i^2}{n} - (\bar{X})^2} \]

Where, \( X_i \) is perception score of ‘i\(^{th}\) respondents ‘n’ is total number of respondents in the sample and \( \bar{X} \) is mean score for all the respondents.

**Gap Analysis**

The Gap analysis is applied to identify the gap between perception and expectation of customer oriented services provided by PACBs under study. The statistical significance of the gap is evaluated by paired t-test.

**Cross Tabulation Analysis**

The cross tabulation analysis is used to calculate the joint frequency distribution of cases based on two or more categorical variables. Displaying a distribution of cases by their values on two or more variables is known as
contingency table analysis and is one of the more commonly used analytic methods in the social sciences. The statistical significance of the joint frequency distribution can be evaluated by chi square statistic. The significant chi-square value indicates that the two variables in the cross tabulation analysis are statistically associated with each other. In the cross tabulation analysis, the percentages are calculated to compare the relative frequency of each level of opinion across the categorical variables.

**Chi-Square Test**

The formula for chi-square is:

\[ \chi^2 = \sum \frac{(O - E)^2}{E} \]

Where,

\[ \chi^2 = \text{Chi-square value} \]
\[ O = \text{Observed frequency} \]
\[ E = \text{Expected frequency} \]

**Paired t-test**

The paired t-test is adopted to test the significance of the difference between perceived and expected level of various customer oriented services provided by PACBs under study. The formula for calculating t-value under this test is:

\[ t = \frac{\bar{d}}{\sqrt{s^2 / n}} \]
Where \( d \bar{b} \) is the mean difference between two samples, \( s^2 \) is the sample variance, \( n \) is the sample size and \( t \) is a paired sample t-test with \( n-1 \) degrees of freedom.

**‘t’ Test for Independent sample**

This test is used to determine the significant difference in mean perception scores between two respondent groups by socio-economic characteristics. The formula for calculating the ‘t’ value is:

\[
t = \frac{(\bar{X}_1 - \bar{X}_2)}{\sqrt{\frac{\sigma_1^2}{n_1} + \frac{\sigma_2^2}{n_2}}}
\]

Where,

- \( \bar{X}_1 \) = Mean of the group 1
- \( \bar{X}_2 \) = Mean of the group 2
- \( \sigma_1^2 \) = Variance of the group 1
- \( \sigma_2^2 \) = Variance of the group 2
- \( n_1 \) = Size of the Group 1
- \( n_2 \) = Size of the Group 2

**One Way ANOVA (F test)**

The One Way Analysis of Variance is used to ascertain statistical significance of the difference in mean ratios among more than two respondent groups by socio-economic characteristics. The formula for calculating ratio of variance or simply ‘F’ is
\[ F = \frac{S_B^2}{S_w^2} \]

Where,

\[ F \] = Ratio of variance (F Value)

\[ S_B^2 \] = Between group variance

\[ S_w^2 \] = Within group variance

**Factor Analysis**

The factor analysis is a multivariate technique used to find out the primary aspects (underlying dimensions) underlying customer satisfaction with bank services. The Principal components method of Factor analysis with Varimax rotation is used here to identify the underlying dimensionality.

**Discriminant Analysis**

The discriminant analysis is a multivariate technique used to identify the difference in groups relative to linear composite of variables in the independent set. That is, this technique is used to find out power of one or more variables in the independent in discriminating the groups in the dependent. In the present study, this statistical technique is used to identify which of PACB employees’ behavior best predict the customer orientation in terms of time taken for opening accounts, depositing money into account, crediting account, making entries into pass book, withdrawing money from account and time taken for issuing loan after sanctioning.
The discriminant analysis first provide the results of the Chi-square test of successive roots (functions) to show which discriminant canonical function gives better discrimination (better power of differentiating the groups). The number of successive roots tested by the analysis is the number of groups in the dependent variable minus one. In our case, there are four respondent groups (relative to four time periods) and therefore, the number of discriminant function produced and tested by the discriminant analysis is three. The standardized canonical coefficients and structure correlation matrix produced by the analysis are used to bring out the significant variables in the independent set with predicting power.

The standardized canonical coefficients are like standardized beta coefficients in the multiple regression analysis, which are comparable across variables and help identify the degree of predicting power. On the other hand, the structure matrix, which is the correlation between discriminant function and each one of the variables in the independent set, help to identify an extent of relationship between the variable and discriminant function. That is, it helps to identify the relative importance of each predictor variable in discriminating the groups.

**Canonical Correlation**

The Canonical correlation is similar to multiple regression analysis, but the goal of the canonical correlation analysis is to quantify the strength
of the relationship between the two sets of variables (criterion or dependent and predictor or independent). This statistical technique is used here for determining the magnitude of the relationships that may exist between perceived customer satisfaction and PACB employees’ behaviour towards customers. The canonical correlation analysis is very much useful in explaining the nature of whatever relationships exist between the set of criterion variables and set of predictor variables, generally by measuring the relative contribution of each variable to the canonical functions (correlation between two sets) that are extracted.

The first step of canonical correlation analysis is to derive one or more canonical functions. Each function consists of a pair of variates, one representing the independent variables and the other representing the dependent variables. The maximum number of canonical variates (functions) that can be extracted from the sets of variables equals the number of variables in the smallest data set, independent or dependent. The strength of the relationship between the pairs of variates is reflected by the canonical correlation. When squared, the canonical correlation represents the amount of variance in one canonical variate accounted for by the other canonical variate. This is the amount of shared variance between the two canonical variates. Squared canonical correlations are also called canonical roots or eigenvalues.
The most common practice is to analyze functions whose canonical correlation coefficients are statistically significant beyond some level, typically 0.05 or above. If other independent functions are deemed insignificant, these relationships among the variables are not interpreted. The significant canonical functions with very low canonical correlation (much less than 0.30) are also not considered for making inference.

**Multiple Regression analysis**

The multiple regression analysis is used to identify the unique influence of each dimension underlying customer orientation as well as the influence of employees’ behaviour on customer satisfaction with overall functioning of PACBs.

### 1.14 Limitations of the Study

The present study is confined to PACBs in Pondicherry region alone and PACB in other regions of Pondicherry State, viz., Karaikal, Mahe and Yanam are not considered.

The secondary data from Registrar of co-operatives in Pondicherry to analyze the financial performance of PACBs could not be used since the study focussed mainly on customer’s satisfaction.
A separate interview schedule was not administered for measuring behaviour of employees as it was understood from interacting with the sample respondents.

1.15 Chapter Scheme

The present study comprises of seven chapters. The chapter title and contents in each chapter is given below:

The first chapter “Introduction and Design of the Study” gives a brief description about Customer orientation, Customer satisfaction along with Statement of Problem, Objectives, Hypothesis, Scope of the study, Methodology, Limitation of the study and Chapter scheme.

The second chapter, “Review of Literature”, discusses earlier research work, articles published in journal relevant to this study.

The third chapter, “Co-operative Banks and Their Role in India”, discusses about emergence of banks under co-operative sector and their role in economic development. This chapter also discuss about emergence of co-operative banks in Pondicherry region.

The fourth chapter, titled as “Customer Orientation in Primary Agriculture Co-operative Banks: An Evaluation”, analyzes customer orientation based on the perception of the customers’ about actual and expected services of PACBs.
The fifth chapter, titled as “Bank Employees’ Behaviour and Customer Orientation”, evaluates the behaviour of bank employees by socio-economic characteristics and identify the relationship between employees’ behaviour and customer orientation in PACBs.

The sixth chapter, “Effect of Customers Orientation on Customer Satisfaction”, focuses on identifying the relationship between customer orientation and customer satisfaction in PACBs.

The final and seventh chapter “Summary of Findings, Conclusions and Suggestion”, summarizes the findings emerged out of interpretation of the results, provides suggestions and gives conclusion based on findings.