



## PRE AND POST-MERGER ASSESSMENT OF INDIAN PUBLIC SECTOR BANKS: CUSTOMER-BANKER EVIDENCE IN BANGALORE CITY.

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### **Abstract**

*Structural changes of the Indian banking industry have experienced major changes in mergers of Public Sector Banks (PSBs), in a bid to enhance financial stability, efficiency of operations and international competition. Although such mergers will result into stronger banks, their actual effects can only be evaluated by analyzing the views of the stakeholders most especially to customers and bankers. The current research study evaluates the pre- and post merger performance of the chosen Public Sector Banks in the twin perspective of the customers and bankers in Bangalore City. Based on primary data that will be gathered using structured questionnaires and complemented with secondary sources, the study also assesses the pre- and post-merger awareness, perception, service quality, operational efficiency, and job-related factors. The statistical methods in which the mean score analysis is done by using percentage analysis, paired comparisons and chi-square tests are used. The results show that the moderate improvement in service delivery, technology adoption, and financial safety perception among customers and the bankers experience increased work load, role ambiguity, and adjustment difficulties and enhanced career prospects and institutional strength due to bank merging. The research finds that though mergers have brought about synergies in operations, concerted actions are needed to deal with human and customer-centered problems to ensure long-term after merger success.*

**Keywords:** *Bank Merger, Public Sector Banks, Customer Perception, Banker Perspective, Pre and post merger analysis, Bangalore City.*

### **Introduction**

Banking sector holds a strategic location on the economic development of any country where it plays a role of a financial intermediary mobilizing savings, allocation of credit and facilitating industrial, commercial and social activities. The banking system in India has been dominated by Public Sector Banks (PSBs) that have a significant percentage of deposit, advances and branch network. Nevertheless, in the past ten years, PSBs have experienced major problems with increasing Non-Performing Assets (NPAs), drop in profitability and capital sufficiency, governance problems and also increasing competition by other private and foreign banks. To address the structural shortcomings, the Government of India set out a phase of reforms in the banking sector, and mergers and consolidation of PSBs became one of the main strategic interventions. The main purpose of merging banks is to form big, robust and internationally competitive banks that can enjoy economy of scale, enhance risk management, advance technological assets and guarantee financial sustainability. In India, major mergers, such as the merger of banks like State Bank of India with the associate banks, as well as a group of nationalized banks in 2019-2020, were a major change in the Indian bank environment.

Although mergers should increase the financial performance and operational efficiency, success cannot be measured only on the basis of the balance sheet indicator. Merger between banks has far reaching consequences on the stakeholders, especially the customers and employees who are the immediate beneficiaries of the effects of the merger in terms of service delivery, operations, organizational culture and work environment. The customers might be faced with the changes in access to the branches, service fees, online banking, and the quality of services. On the same note, bankers are likely to encounter large workloads, role realignment, difficulty in integrating cultures and pressure to perform in

the post-merger stages. Bangalore City is one of the most important financial, commercial and technological centres of India and therefore offers the suitable and dynamic environment to consider the implications of Public Sector Bank mergers. The city also has a wide range of bank consumers and a significant number of bankers in the public sector, which allowed performing a thorough evaluation of the stakeholder perception during the pre- and post-merger phases.

### **Review of Literature**

According to literature on bank mergers and acquisitions, it has been observed that mergers and acquisitions enhance financial efficiency, stability and competitiveness of banks. The empirical data on the stakeholders level outcomes however bear varied results especially when it comes to developing economies like India. In an attempt to look into how bank mergers affect the efficiency of a bank, Suresh Kumar (2013) used the merger of Indian Overseas Bank with Bharat Overseas Bank to analyze the consequences of the bank merging. The analysis revealed that productivity indicators of business per employee, profit per employee and returns on assets were significantly improved in the post-merger era, implying that consolidation increases the efficiency of operations.

Meenakshi Sharma, Gaur, and Bansal (2015) made a case study of the customer satisfaction after the merger of the bank of Rajasthan with ICICI Bank. Their results indicated that the customers had experienced a better quality of service delivery, especially on technology-based services like internet banking and ATM services. Nonetheless, the research had also indicated customer dissatisfaction with the transition phase because of the change in procedures. Prabhakar and Vasanth Ebenezer (2020) studied the perception of customers towards recent mergers of Public Sector Banks in India. The research found that the merger of banks improved the customer trust and confidence since the poor banks were taken over by the better banks. The authors highlighted that the level of awareness of mergers was prominent in terms of age and education of customers.

Abhirami et al. (2020) studied how the merger between the State Bank of India and its affiliate banks affected the service quality. In the study, although the customers valued the enhancement of digital banking and the branch networking, problems like delays in serving the customers and higher workload among the employees had a negative impact on the overall satisfaction. Aneeb K. Jose, AmeyaRane and Manoj P. K. (2021) have examined customer perception and awareness about Indian Bank merging with Allahabad Bank. The results showed that the customers were more than aware of the merger and that they viewed it as a good reform. The study, however, indicated that there should be improved communication strategies to minimize the uncertainty of the customers.

The last area of research has been on the employee attitudes towards bank mergers. Gupta and Mishra (2019) established that mergers resulted in amplified job tension and job positioning among the workers at the bank although job security and career opportunities were enhanced. On the same note, Bansal and Singh (2021) found that cultural integration and management of workload were critical issues that influenced the morale of employees in post-merger banks. In a more general manner, cross-border research including that of Berger et al. (1999) and DeYoung et al. (2009) has made it clear that mergers could help to improve efficiency of costs and technological capabilities but have adverse effects on service quality in cases where human and customer-focused elements are overlooked.

The literature review shows that although financial and operational performance is usually enhanced with the merger of the banks, the effects that they cause on the customers and the employees is multidimensional. The majority of Indian researches have been conducted on either customer perception or employee results alone. The empirical studies based on the views of both customers and bankers in a

comparative pre- and post-merger scenario, especially at the city level, are not sufficient. This is why the current research aims at filling this research gap by interpreting the pre and post merger effects of the chosen Public Sector Bank mergers through customer and banker perspective in Bangalore City.

### **Statement of the Problem**

Although macroeconomic and policy factors are the main factors that lead to bank mergers, stakeholder acceptance and satisfaction are the factors that determine the success of the mergers. Customers can have the alterations in the quality of service provision, fees, accessibility, and technological interfaces, but bankers can undergo the workload, stress, cultural integration problems, and pressure to perform better. The previous literature has also paid more attention to financial performance indicators, which leaves the gap in the perception of customers and bankers combined on the city-level. Therefore, the question that can be answered in this research is to examine whether the merger of the chosen Public Sector Banks has raised or lowered the customer satisfaction and banker perceptions on the pre-merger and post-merger period with particular reference to Bangalore City.

### **Objectives of the Study**

1. To examine the level of awareness of the customers and bankers about the mergers of Public Sector Bank.
2. To compare the customer perceptions of the banking services pre-mergers and post mergers.
3. To test the perceptions of bankers on the pre- and post-merger period on the work environment, efficiency, and job satisfaction.
4. To find significant customer and banker problems in the post-bank merging phase.
5. To provide appropriate recommendations regarding the enhancement of the quality of post-merger services and the effectiveness of employees.

### **Hypotheses of the Study**

1. H1: No significant difference exists in customer satisfaction levels at the pre-merger and post-merger stages of banks.
2. H2: Bankers are not significantly satisfied with their job before and after bank merger.
3. H3: The perception of the service quality is not dependent on demographic variables.
4. H4: The perception of the bankers regarding the post-merger work conditions is not determined by experience and designation.

### **Research Methodology**

The research design of the current study will be descriptive and analytical in the sense that it intends to analyze the pre- and post-merger effects of the chosen Public Sector Banks based on the perceptions of the customers and the bankers in Bangalore City. This design is suitable because it is used to describe the characteristics of respondents as well as statistically analyze the differences and relationship among variables. It is an empirical and quantitative study. The analysis is based on primary data which were gathered using the structured questionnaires of both the customers and the bankers. The secondary data was gathered based on published research articles, Reserve Bank of India reports, bank annual reports, books, and other pertinent websites to follow the conceptual and empirical framework of the study.

The research is limited to Bangalore City since it is a big financial and commercial center where concentration of the branches of the Public Sector Bank is also high and where the customer base is also diverse. The respondents of 200 people that make the sample include 120 bank customers and 80 bankers serving in selected merged Public Sector Banks. The convenience sampling method was used because of the availability of respondents and time limitations. The research instruments were two

structured questionnaires. The customer questionnaire centred around awareness of merger of banks, the quality of the services as well as perception of the banking services prior to the merger and after the merger. The banker survey was based on work environment, work load, work satisfaction, clarity of role, technological support and career development during the pre and post-merger. A five-point Likert scale was used to measure the responses.

The data collected underwent the analysis with the help of Statistical package of social sciences (SPSS). Statistical tools used are the percentage used in demographic profiling, the mean and standard deviation used in assessment of central tendency and variability, weighted average method used in ranking of the perception and satisfaction factors, paired sample t-test used in comparison of pre- and post-merger conditions, chi-square used to test association of the demographic variables and awareness level and Cronbachs Alpha used in testing reliability of research tools. The research was done in a span of six months including the collection, analysis and interpretation of data. The research will have validity, reliability, and consistency of the research findings due to the methodological framework used.

### Data Analysis and Interpretation

The results obtained through the sample of 200 respondents (including 120 customers and 80 bankers of chosen Public Sector Banks of Bangalore City) were discussed with the help of proper descriptive and inferential statistical instruments. The analysis is aimed at the comparison of pre- and post-merger perceptions and satisfaction of the customers and bankers and the test of the hypotheses formulated at the level of 5 percent significance.

### Demographic Profile of Respondents

**Table 1: Demographic Profile of Respondents**

| Characteristics            |                            | Frequency | Percentage |
|----------------------------|----------------------------|-----------|------------|
| Gender                     | Male                       | 126       | 63.0%      |
|                            | Female                     | 74        | 37.0%      |
| Age (Customers)            | Below 30 years             | 38        | 31.7%      |
|                            | 31–40 years                | 44        | 36.7%      |
|                            | Above 40 years             | 38        | 31.6%      |
| Education                  | Up to Higher Secondary     | 32        | 16.0       |
|                            | Undergraduate              | 76        | 38.0       |
|                            | Postgraduate               | 64        | 32.0       |
|                            | Professional Qualification | 28        | 14.0       |
| Monthly Income (Customers) | Below ₹30,000              | 34        | 28.3       |
|                            | ₹30,000–₹60,000            | 46        | 38.4       |
|                            | Above ₹60,000              | 40        | 33.3       |
|                            | Below 10 years             | 32        | 40.0       |
| Experience (Bankers)       | Below 10 years             | 32        | 40.0%      |
|                            | 10–20 years                | 28        | 35.0%      |
|                            | Above 20 years             | 20        | 25.0%      |
| Designation (Bankers)      | Clerical Staff             | 24        | 30.0       |
|                            | Officer (Scale I & II)     | 34        | 42.5       |
|                            | Manager & Above            | 22        | 27.5       |

Table 1 shows the demographic profile of the respondents sampled to undertake the study including the customers and bankers of the selected Public Sector Banks in Bangalore City. This distribution based on gender indicates that the proportion of male respondents is 63.0 percent of the total sample and is 37.0 percent on the female respondents. This is because this distribution is indicative of the increased engagement of males in banking contact and employment as well as the large proportions of female respondents which make the study gender diverse. In terms of age, there is a relatively balanced distribution of the customer respondents of various age groups. The highest percentage of customers are between the age of 31-40 years (36.7 percent), then below 30 years, then above 40 years with each taking nearly one-third of the sample. This shows that the respondents are mostly economically active and service using age groups and their perceptions can be used to assess the pre-merger and post-merger banking services.

The respondents as indicated in the educational profile indicate that most of them are better educated. The greatest percentage is undergraduate degree holders (38.0 percent) then there are postgraduate respondents (32.0 percent). The proportion of respondents who are professionally qualified is 14.0 percent whereas those whose highest level of education is the higher secondary is a smaller percentage. This educational piece implies the vast majority of the respondents will be knowledgeable on the banking product, digital service and policy changes, which will increase the accuracy of their answers. When monthly income of customer respondents is analyzed, it was found that 38.4 percent of the customers were in the range of Rs. 30,000-Rs. 60,000 income range with 33.3 percent earning higher than Rs. 60,000 each month. The customers with incomes less than Rs. 30,000 take 28.3 percent of the sample. This distribution implies that the middle- and higher-income groups are represented, the groups that are highly engaged in banking services and are more likely to feel the impact of the alterations in service fees, online banking, and efficiency of the services provided by the banks after they merge.

On the side of the bankers, experience-wise distribution shows that 40.0 percent of the respondents possess less than 10 years experience whereas 35.0 percent respondents are within the 10-20 years bracket. Bankers that have over 20 years experience make up 25.0 percent of the sample. This even spread over the range of experience enables one to make a significant comparative assessment of perceptions of workload, job satisfaction, and organization change in the post-merger era. Analysis by designation has shown that officers in Scale I and II make the highest (42.5 percent), then the clerical staff (30.0 percent), and finally the managers and above (27.5 percent). The sample of respondents that comprise of various levels of the organization guarantees the comprehensive picture of the impact of the bank mergers on the working conditions, the duties, and the perception of all the levels of the company.

### Customer Satisfaction: Pre- and Post-Merger Comparison (H1)

**Table 2: Customer Satisfaction – Pre- and Post-Merger Analysis**

| Service Dimension    | Pre-Merger Mean | Post-Merger Mean | Mean Difference | t-value | Result      |
|----------------------|-----------------|------------------|-----------------|---------|-------------|
| Service Speed        | 3.12            | 3.48             | 0.36            | 3.21    | Significant |
| Staff Responsiveness | 3.26            | 3.51             | 0.25            | 2.87    | Significant |
| ATM Services         | 3.34            | 3.62             | 0.28            | 3.04    | Significant |
| Mobile Banking       | 3.45            | 3.78             | 0.33            | 3.56    | Significant |
| Service Charges      | 3.41            | 3.08             | -0.33           | -2.94   | Significant |

To test H1, a paired sample t-test was used to compare the level of customer satisfaction levels in pre and post mergers of the banks in the main areas of service delivery speed, staff responsiveness, ATM services, mobile banking and service charges. As demonstrated in the analysis, the post-merger means scores are greater in most of the service dimensions and especially mobile banking, ATM services and staff responsiveness. The t-values are statistically significant at the level of 5 percent indicating that the customer satisfaction has improved as a result of the merger. But the satisfaction with service charges is in the downward trend during the post-merger period. As such, H1 is rejected and it is concluded that significant difference exists in the level of customer satisfaction prior to and following bank mergers.

### Customer Perception of Service Quality and Demographic Variables (H3)

Chi-square analysis was applied to examine the relationship between customer perception of service quality and demographic variables.

**Table 3: Chi-Square Results – Customer Perception and Demographics**

| Variable  | Chi-Square Value | df | Significance | Result          |
|-----------|------------------|----|--------------|-----------------|
| Gender    | 1.86             | 1  | 0.172        | Not Significant |
| Age       | 9.42             | 2  | 0.009        | Significant     |
| Education | 11.38            | 3  | 0.010        | Significant     |
| Income    | 4.91             | 3  | 0.178        | Not Significant |

To prove H3, the chi-square test was performed to test the relationship between customer perception of quality of service and demographic characteristics, e.g. age, gender, education, and income. The findings suggest that the age and education both are significantly related to customer perception but gender and income do not demonstrate a significant relationship. It means that young and more educated customers will be more sensitive and receptive to changes in the quality of services following mergers. Therefore, the null hypothesis H3 is accepted in part.

### Bankers’ Job Satisfaction: Pre- and Post-Merger Comparison (H2)

To test H2, a paired sample t-test was conducted on bankers’ job satisfaction dimensions.

**Table 4: Bankers’ Job Satisfaction – Pre- and Post-Merger Analysis**

| Work Dimension     | Pre-Merger Mean | Post-Merger Mean | Mean Difference | t-value | Result      |
|--------------------|-----------------|------------------|-----------------|---------|-------------|
| Workload           | 3.02            | 3.68             | 0.66            | 4.12    | Significant |
| Role Clarity       | 3.44            | 3.29             | -0.15           | -2.08   | Significant |
| Job Security       | 3.56            | 3.82             | 0.26            | 3.01    | Significant |
| Technology Support | 3.21            | 3.71             | 0.50            | 3.94    | Significant |
| Career Growth      | 3.18            | 3.54             | 0.36            | 3.27    | Significant |

A paired sample t-test was used to test H2; that is, comparison of job satisfaction of bankers at the pre-merger/post-merger stage. It has been analyzed that there is a higher post-merger mean score on job security, technological support, and career growth opportunities. Meanwhile, workload and role ambiguity have been on the rise during the post-merger period. The outcomes of the t-test indicate that the difference in job satisfaction levels in the pre-merger period and after the merger were statistically significant. Hence, the null H2 is rejected which proves that bank mergers have had a considerable impact on job satisfaction of bankers.

**Banker Perception of Work Conditions and Experience/Designation (H4):** Chi-square analysis was used to test the association between banker perception and experience/designation.

**Table 5: Chi-Square Results – Banker Perception and Experience/Designation**

| Variable    | Chi-Square Value | df | Significance | Result      |
|-------------|------------------|----|--------------|-------------|
| Experience  | 10.26            | 2  | 0.006        | Significant |
| Designation | 8.94             | 2  | 0.011        | Significant |

To test H4, chi-square test was applied to compare the relationship between the perception of bankers on working condition after merger and their experience and designation. The findings indicate that the senior and relatively more experienced bankers view post-merger changes differently, as compared to junior employees. Amplified roles and supervisory demands were more eminent in higher designations. Therefore, the null hypothesis H4 is rejected. The general discussion indicates that the process of bank mergers has provided quantifiable results of efficiency in service and adoption of technology as seen by the customers but, on the other hand, it has made the bankers work harder. Though mergers have increased institutional capacity and job security the human resource issues of work management and role definition are of significance. The results help to reveal the need to balance operational efficiency and the well-being of employees and a customer-oriented service provision in the post-merging stage.

### Findings of the Study

As seen in the analysis, the merging of the chosen Public Sector Banks has greatly affected both the customers and the bankers. The level of customer satisfaction has also increased during the post-merger period as indicated by the increased mean score and increased index of customer satisfaction especially on digital banking facilities, availability of ATM and efficiency of the service. Nevertheless, clients were not happy when the merger resulted in higher service fees. It was established that age and educational qualification had a significant effect on customer perception of service quality, whereas gender and income did not have a significant correlation. On the part of the bankers, the merger has been both beneficial in terms of job security and technological support as well as leading to workload and role ambiguity. According to experience and designation, the perception of the post-merger working conditions was significantly different as the junior and middle-level employees felt higher work pressure than senior staff members. On the whole, bank mergers have made the operations and service delivery more efficient, but the results indicate that the management of human resources and customer-oriented policies would be needed to achieve sustainable post-merger performance.

### Suggestions

According to the results of the research, a number of steps are offered to increase the success of bank mergers and both customer and banker satisfaction. Public Sector Banks are advised to review and rationalise service charges that are implemented following mergers and share fee structures with their customers to prevent dissatisfaction. To maintain service efficiency improvement witnessed in the post-merger-period, the digital banking platforms and ATM infrastructure must continue to be upgraded. Banks are also expected to carry out regular customer awareness programs and acquaint them with new systems, products, and procedures introduced due to the mergers. In the eyes of the bankers the management must cope with the increasing workload through proper staffing and balancing of workloads. Capacity-building and training programs are supposed to be enhanced in order to assist the employees in their adjustments to new technologies and working processes. To minimize the role ambiguity and work-related stress, clear role definitions and effective communication channels are required. Also, psychological pressure caused by the restructuring of the organization can be regulated with the help of employee counseling and welfare programs. Lastly, the balance approach taken by

policy makers and the management of the bank should be one which incorporates not only the operational efficiency but also the well being of the employees as well as the customer-focused service delivery to the customers so as to make Public Sector Bank mergers successful in the long term.

### Conclusion

The paper concludes that the amalgamation of the chosen Public Sector Banks has sent ripple effects on the customers and bankers within the Bangalore City. The results show that bank mergers have led to the positive impact in terms of service efficiency, digital banking uptake, and general customer satisfaction during the post-merger. Meanwhile, the issues of higher service fees and the complexity of operations have also influenced some aspects of customer experience. On the side of the bankers, mergers have boosted job security, technological support but have also created an overwork and role ambiguity especially among the junior and middle-level workers. The paper emphasizes that financial performance is not sufficient to evaluate the performance of bank mergers; perceptions of stakeholders and human resource issues are important aspects that can be used to evaluate long term sustainability. Bank consolidation requires good communication skills, customer-focused policies, and support systems to employees to ensure that optimal gains are attained. The study in general gives useful information to policy makers, bank management and researchers in realizing the multidimensional effects of Public Sector Bank mergers and in strategizing on how to achieve better post merger performance.

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