# CHAPTER 8

## CUSTOMERS' PERCEPTION AND EXPERIENCE ON BANK MERGER

Customers' attitudes towards the services offered by the company are a significant factor that influences the firm's overall performance. Bank mergers may result in customer attrition or churn as a result of customers' anxiety over changes to service levels, costs, and credit availability (Mclelland et al., 2014; Broaddus, 1998). "Customers are less inclined to commit to a certain bank nowadays; instead, if a consumer is dissatisfied with the bank's services, they are likely to seek a more satisfying alternative" (Gerrard and Cunningham, 2004).

Since today's market has developed to be customer-centric and customer happiness is of the utmost significance, particularly in the case of a service industry like the banking sector, it is crucial to understand how people feel about banking mergers. The chapter on Review of Literature shows that with regard to stakeholders' perception, majority of studies are limited to human resources. In India, negligible studies could be found addressing the views and experience of customers. Hence, the third objective of the study, i.e., customers' perception and experience on bank merger with reference to the four merger cases of 2020 was formulated to address this gap. This chapter identifies the advantages and drawbacks that customers have noticed as a result of mergers, the impact of the merger on service quality, their overall perspective, information sharing and bank switching behaviour.

The customers are categorised based on the type of bank they belong to, i.e., anchor bank and amalgamating bank. The division of bank customers is shown in Figure 8.1. 53.1 percent of customers belonged to amalgamating bank, while the anchor bank had the remaining customers.
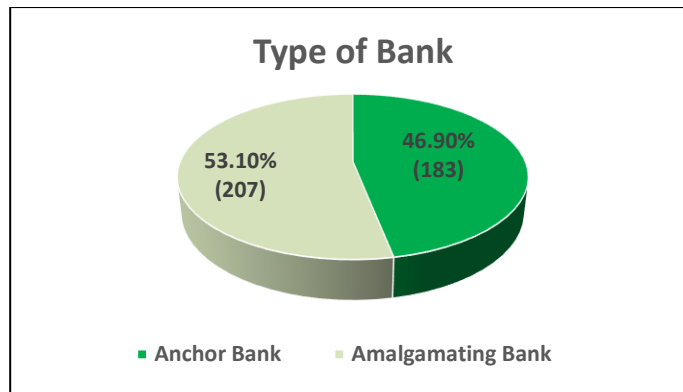
**Figure 8.1 Type of Bank of customers**

This chapter is sub-divided into eight parts. The first part (Section 8.1) presents the demographic profile of the respondents. The second section (Section 8.2) analyses the customers' communication and awareness on merger. The third part (Section 8.3) states the general view of customers on merger. The fourth part (Section 8.4) analyses the benefits perceived by customers pertaining to merger. The fifth section (Section 8.5) analyses the problems perceived on merger. The sixth section (Section 8.6) presents the service quality perception after merger. The seventh part (Section 8.7) analyses the bank switching intention of customers due to merger. The last part (Section 8.8) provides a summary of the chapter.

**8.1 Demographic Profile of the Respondents:**

The number of total customers constituting the sample was 490. Section 8.1.1 to 8.1.6 presents the profile of the respondents based on certain classifications.

**8.1.1 Gender**

The classification of customers as per gender revealed that male respondents (68.20%) were larger in number as compared to then female respondents (37.80%). The same is shown in Figure 8.2.
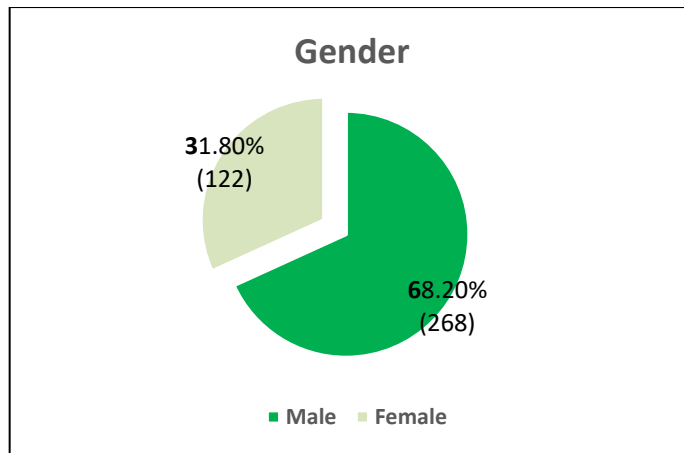
**Figure 8.2 Gender of customers**

### 8.1.2. Age

The classification of customers as per age group is shown in Figure 8.3. Majority of customers belonged to the age group above 35 years (53.38%). 44.62 % of the customers fell in the age group of upto 35 years.
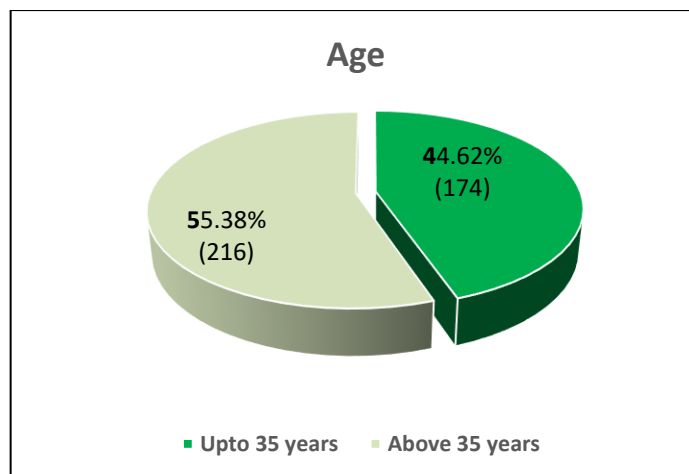


**Figure 8.3 Age group of customers**

### 8.1.3 Marital Status

The classification of customers as per marital status is shown in Figure 8.4. Majority of customers were married (61.79%). Only, 38.21 % of the respondents were unmarried.
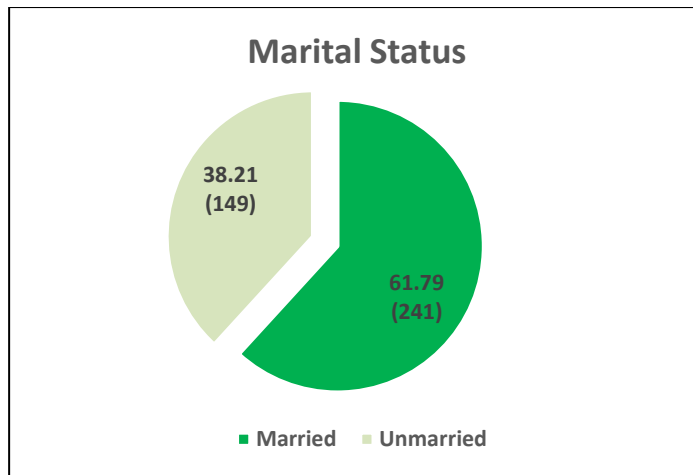
**Figure 8.4 Marital Status of customers**

## 8.1.4 Educational Status

The respondents are clubbed according to their educational qualification as shown in Figure 8.5. Most of customers completed class $12^{th}$ (43.07%), followed by customers below class $12^{th}$ (28.97%). Some of customers had done graduation (21.28%) and few had postgraduate/professional degree (6.68%).
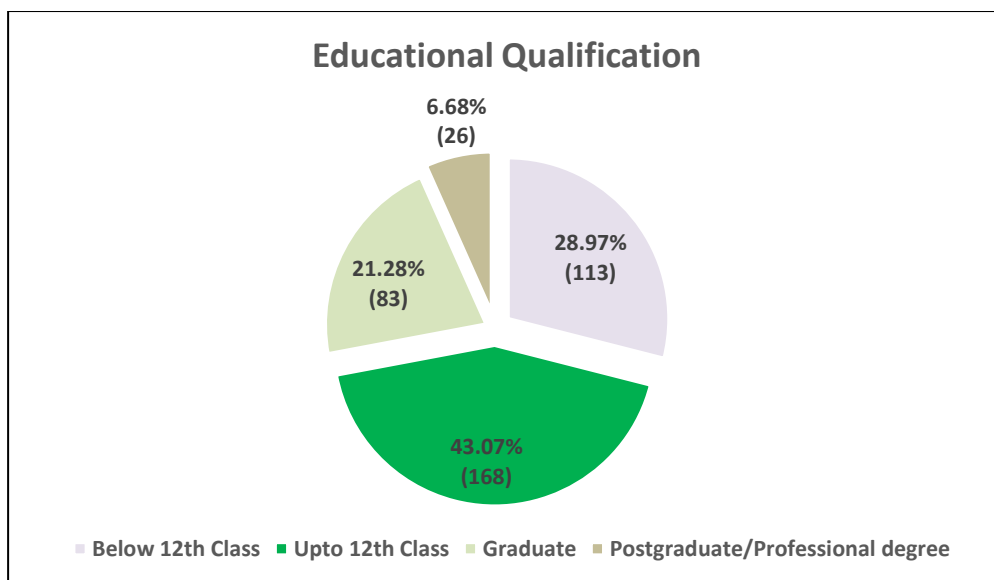


**Figure 8.5 Educational Qualification of customers**

## 8.1.5 Occupation

The classification of customers as per their occupation is shown in Figure 8.6. It was observed that the number of customers employed in private organization (38.97%) was

highest, followed by self-employed (18.98 %). Some of the customers were students (17.43%), government employee (13.85 %) and remaining were unemployed (10.77 %).
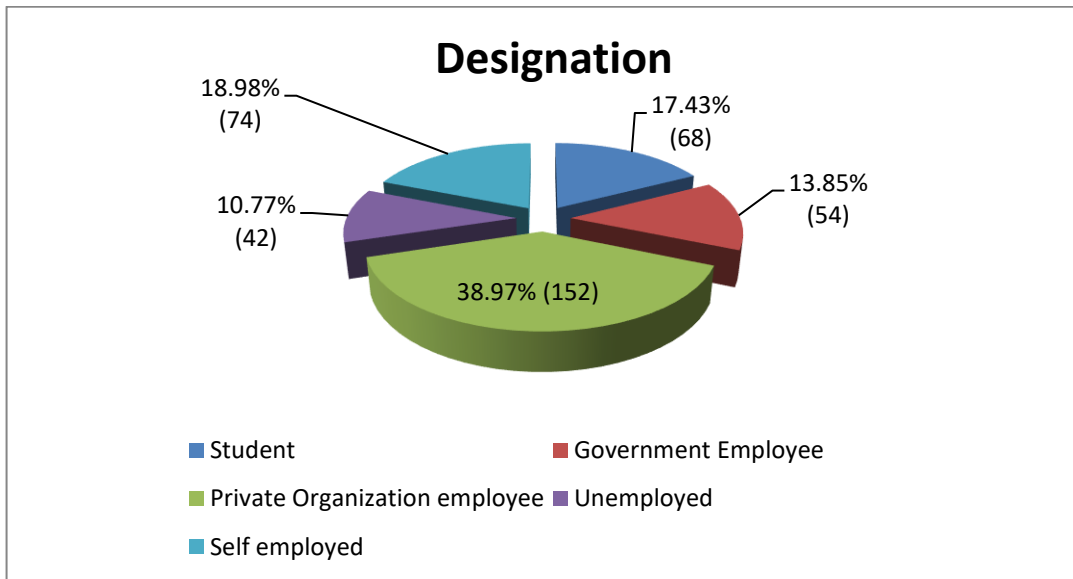


**Figure 8.6 Occupation of customers**

### 8.1.6 Years of association

The classification of customers as per their years of association with the bank is shown in Figure 8.7. A large number of respondents were associated with the bank for 6-10 years (42.56%), followed by respondents having upto 5 years of association (34.36%). 23.08 % of the respondents were associated with bank for more than 10 years.
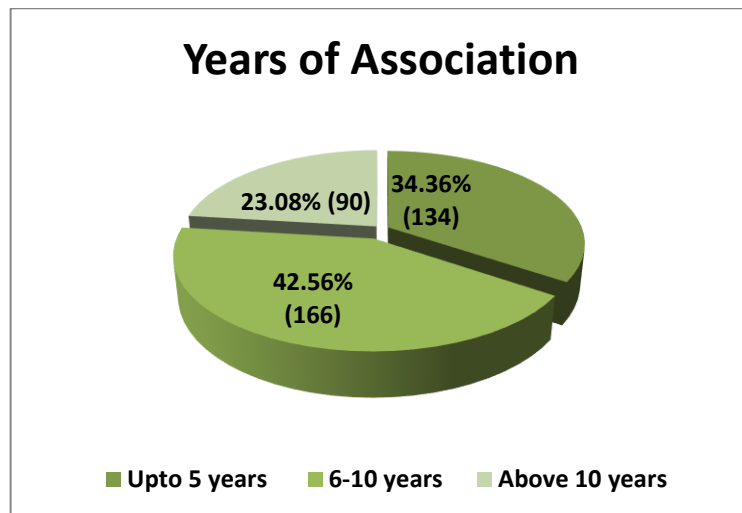


**Figure 8.7 Years of association with the Bank**

Subsequent section presents whether or not there are any differences in the views and experience on merger across anchor bank and amalgamating bank customers using Independent sample t test. The normality assumption to conduction the test has been fulfilled (refer Section 3.4).

**8.2 Communication and Awareness on Merger**

Communication and information concerning M&A are regarded to aid in the resolution of customer complaints and the retention of customers (Deloitte Centre for Banking Solutions, 2010). In the present study, 3 items were used to measure communication and awareness dimension. These statements gauge the degree of customer awareness and communication of information regarding the merger process. Independent sample t test was employed to see if there exists significant difference with regard to the said dimension across the customers of anchor banks and amalgamating banks. Then, individual items were checked to see for differences. The hypotheses framed was –

$H_0$ = Communication and awareness among customers does not differ across type of bank

$H_1$ = Communication and awareness among customers differ across type of bank

**Table 8.1(a) Communication and Awareness dimension across type of banks among customers**

| Communication and Awareness | | N | Mean | p value |
|---|---|---|---|---|
| Anchor or Amalgamating | Anchor Bank | 183 | 2.89 | **.000** |
| | Amalgamating Bank | 207 | **4.48** | |

From Table 8.1(a), as the significance value is less than 0.05, we reject the null hypothesis, i.e., there exists significant difference across the anchor and amalgamating bank customers with respect to mean communication and awareness on merger. It was observed that the communication and awareness was higher in case of amalgamating bank customers. From the mean values, we infer that anchor bank customers had very low level of awareness about merger.

**Table 8.1(b) Communication and Awareness items across type of banks among customers**

| Items | Anchor or Amalgamating | Mean | P value |
|---|---|---|---|
| Clear awareness about bank merger | Anchor Bank | 3.00 | **.000** |
| | Amalgamating Bank | **5.79** | |
| Clarity about the objective behind merger | Anchor Bank | 2.74 | **.000** |
| | Amalgamating Bank | **3.48** | |
| Awareness about Bank's Identity | Anchor Bank | 2.92 | **.000** |
| | Amalgamating Bank | **4.17** | |

With regard to individual items, significant differences exist for all the items as shown in Table 8.1(b). Amalgamating bank customers had more clarity about bank merger, its objectives and changes in banks' identity. We observed from the mean values that very low level of awareness was found even among the amalgamating bank customers about the objective behind the merger.

The major source of communication regarding merger was bank itself, followed by newspaper, social media, word of mouth, television and radio respectively (Table 8.2).

**Table 8.2 Source of awareness about merger among customers**

| Stressor | Frequency | |
|---|---|---|
| | Amalgamating | Anchor |
| Bank | 105 | 84 |
| Television | 15 | 23 |
| Newspaper | 43 | 61 |
| Social media | 39 | 41 |
| Word of mouth | 28 | 35 |
| Radio | 15 | 11 |

## 8.3 General View on Merger

General view of customers on merger was studied using 4 items. Independent sample t test was employed to see if there exists significant difference with regard to the said dimension across the customers of anchor banks and amalgamating banks. Individual items were also checked to see for differences. The hypotheses framed was –

$H_0$ = General view on merger among customers does not differ across the type of bank

$H_1$ = General view on merger among customers differ across the type of bank

**Table 8.3(a) General view on merger across type of banks among customers**

| General view on merger | | N | Mean | p value |
|---|---|---|---|---|
| Anchor or Amalgamating | Anchor Bank | 183 | **5.10** | **.000** |
| | Amalgamating Bank | 207 | 4.74 | |

The t test result rejects the null hypothesis. Hence, general view on merger differs significantly across the type of bank customers (refer Table 8.3(a)). The customers of anchor bank perceived to have more positive view as compared to amalgamating bank customers.

**Table 8.3(b) General view on merger items across type of banks among customers**

| Items | Anchor or Amalgamating | Mean | P value |
|---|---|---|---|
| Support merger between banks | Anchor Bank | **5.45** | .000 |
| | Amalgamating Bank | 5.09 | |
| Beneficial for economic growth of nation | Anchor Bank | **5.15** | .000 |
| | Amalgamating Bank | 4.98 | |
| Improve financial performance of banks | Anchor Bank | **4.71** | .000 |
| | Amalgamating Bank | 4.68 | |
| Favour current merger | Anchor Bank | **5.11** | .000 |
| | Amalgamating Bank | 4.22 | |

Significant differences were found in all four items. The anchor bank customers support merger more, they viewed merger to be beneficial for economic growth of nation, improve financial performance of banks and hence, favoured merger more as compared to amalgamating bank customers (refer Table 8.3(b)).

## 8.4 Benefits Pertaining to Merger

The dimension consists of 7 items. These statements measure the extent to which customers had received benefits after merger. Independent sample t test was employed to check for differences across the customers of anchor banks and amalgamating banks. Individual items were also checked to see for differences. The hypotheses framed was –

$H_0$ = Perceived benefits of merger does not differ across type of bank among customers

$H_1$ = Perceived benefits of merger differ across type of bank among customers

**Table 8.4(a) Benefits pertaining to merger dimension across type of banks among customers**

| Benefits pertaining to merger | | N | Mean | p value |
|---|---|---|---|---|
| Anchor or Amalgamating | Anchor Bank | 183 | **4.46** | **.002** |
| | Amalgamating Bank | 207 | 4.18 | |

The t test rejects the null hypothesis indicating that there exists significant difference with regard to the said benefits. Customers of anchor bank had a greater mean value, although the difference was still quite low (refer Table 8.4(a)).

**Table 8.4(b) Benefits pertaining to merger items across type of banks among customers**

| Items | Anchor or Amalgamating | Mean | P value |
|---|---|---|---|
| Improved banking services | Anchor Bank | **5.04** | **.001** |
| | Amalgamating Bank | 4.62 | |
| Increased number of bank products and services | Anchor Bank | 4.68 | .326 |
| | Amalgamating Bank | 4.81 | |
| Better accessibility to banking services | Anchor Bank | 4.34 | .799 |
| | Amalgamating Bank | 4.31 | |
| Fast disposal of services by bank offline | Anchor Bank | 3.72 | .074 |
| | Amalgamating Bank | 3.45 | |
| Fast disposal of services by bank online | Anchor Bank | **4.21** | **.000** |
| | Amalgamating Bank | 3.26 | |
| Positive change in attitude of staff | Anchor Bank | 3.86 | .460 |
| | Amalgamating Bank | 3.76 | |
| Improved ATM Services | Anchor Bank | 5.38 | .057 |
| | Amalgamating Bank | 5.08 | |

The t test results implicates that two out of seven items showed significant differences across the type of bank, the customers belonged to. The mean values were low in anchor bank customers for the items namely -improved banking services and fast disposal of services by bank online, No difference was perceived in case of better accessibility to banking services, fast disposal of services by bank offline, positive change in attitude of staff, improved ATM services (Table 8.4(b)).

## 8.5 Problems Pertaining to Merger

The problems pertaining to merger consists of 7 items. These statements measure the level of problems perceived by customers after merger. Independent sample t test was employed to see if there exists significant difference with regard to the said dimension across the customers of anchor banks and amalgamating banks. Individual items were also checked to see for differences. The hypotheses framed was –

$H_0$ = Customer problems pertaining to merger among customers does not differ across type of bank

$H_1$ = Customer problems pertaining to merger among customers differ across type of bank

**Table 8.5(a) Stress pertaining to merger dimension across type of banks among customers**

| Problems pertaining to merger | | N | Mean | p value |
|---|---|---|---|---|
| Anchor or Amalgamating | Anchor Bank | 183 | 3.57 | **.000** |
| | Amalgamating Bank | 207 | **3.99** | |

From Table 8.5(a), the t test result implicates that null hypothesis is rejected. There exists significant difference with regard to problems associated with merger. As per mean values, amalgamating bank customers were perceived to have faced more problems due to merger as compared to their counterparts.

**Table 8.5(b) Problems pertaining to merger items across type of banks among customers**

| Items | Anchor or Amalgamating | Mean | P value |
|---|---|---|---|
| Cumbersome paperwork | Anchor Bank | 3.27 | **0.000** |
| | Amalgamating Bank | **4.11** | |
| Reduced service quality | Anchor Bank | 2.87 | 0.247 |

| | Amalgamating Bank | **3.02** | |
|---|---|---|---|
| Transfer of old employees | Anchor Bank | 4.08 | **0.023** |
| | Amalgamating Bank | **4.45** | |
| Delayed disposal of bank services offline | Anchor Bank | 3.19 | **0.006** |
| | Amalgamating Bank | **3.48** | |
| Delayed disposal of bank services online | Anchor Bank | 4.06 | 0.716 |
| | Amalgamating Bank | 4.13 | |
| Problems using online banking | Anchor Bank | 3.90 | **0.000** |
| | Amalgamating Bank | **4.62** | |
| Safety of transactions at risk | Anchor Bank | 3.32 | **0.000** |
| | Amalgamating Bank | **4.10** | |

Observing the individual items of stress, amalgamating bank customers perceived to have faced more problems with respect to cumbersome paperwork, transfer of old employees, delayed disposal of bank services offline, usage of online banking and felt safety of transactions at risk. The t test showed significant difference with regard to above mentioned items. No difference could be seen in two items, i.e., reduced service quality and delayed disposal of bank services online (Table 8.5(b)).

## 8.6 Service Quality Satisfaction after Merger

Service quality following bank M&A is seen as a significant element influencing bank customers' perceptions. The dimension consists of 24 items. These statements measure the extent to which customers had received benefits after merger. Independent sample t test was employed to see if there exists significant difference with regard to the said dimension across the customers of anchor banks and amalgamating banks. Individual items were also checked to see for differences. The hypotheses framed was –

$H_0$ = Post-merger service quality satisfaction after merger among customers doesn't differ across type of bank

$H_1$ = Post-merger service quality satisfaction after merger among customers differ across type of bank

**Table 8.6(a) Job satisfaction after merger dimension across type of banks among customers**

| Service quality satisfaction after merger | | N | Mean | p value |
|---|---|---|---|---|
| Anchor or Amalgamating | Anchor Bank | 183 | **4.82** | **.000** |
| | Amalgamating Bank | 207 | 3.62 | |

The above Table 8.6(a) implies the rejection of null hypothesis. Service quality satisfaction significantly differed among customers across type of banks. Amalgamating bank customers were less satisfied as revealed by the mean values.

**Table 8.6(b) Service quality satisfaction after merger items across type of banks among customers**

| Items | Anchor or Amalgamating | Mean | P value |
|---|---|---|---|
| Physical facility of Bank | Anchor Bank | 4.84 | 0.084 |
| | Amalgamating Bank | 4.65 | |
| Modern looking equipment | Anchor Bank | 5.19 | 0.409 |
| | Amalgamating Bank | 5.08 | |
| Appearance of bank staff | Anchor Bank | 4.94 | 0.341 |
| | Amalgamating Bank | 5.04 | |
| Visual appeal of the materials associated with the service | Anchor Bank | 4.94 | 0.109 |
| | Amalgamating Bank | 4.77 | |
| Provides bank services as promised | Anchor Bank | **5.06** | **0.000** |
| | Amalgamating Bank | 4.44 | |
| Bank's interest in solving customers' problems | Anchor Bank | **4.63** | **0.043** |
| | Amalgamating Bank | 4.46 | |
| Staff performs service right the first time | Anchor Bank | **4.93** | **0.001** |
| | Amalgamating Bank | 4.61 | |
| Bank provides services at the time as promised | Anchor Bank | **5.12** | **0.036** |
| | Amalgamating Bank | 4.93 | |
| Bank's insistence on error free records | Anchor Bank | **5.10** | **0.000** |
| | Amalgamating Bank | 4.64 | |
| Right information by Staff about services | Anchor Bank | 4.68 | 0.283 |
| | Amalgamating Bank | 4.77 | |
| Timely and prompt banking services | Anchor Bank | **5.33** | **0.000** |
| | Amalgamating Bank | 4.67 | |
| Cooperation of Bank staff with customers | Anchor Bank | 5.23 | 0.345 |
| | Amalgamating Bank | 5.13 | |
| Prompt response by bank staff | Anchor Bank | 4.15 | 0.082 |
| | Amalgamating Bank | 4.41 | |
| Staff readiness to help customers | Anchor Bank | 4.45 | **0.002** |
| | Amalgamating Bank | **4.84** | |
| Staffs' friendliness and courtesy | Anchor Bank | 4.51 | 0.171 |
| | Amalgamating Bank | 4.73 | |
| Safety of transactions with the bank | Anchor Bank | **5.23** | **0.002** |
| | Amalgamating Bank | 4.85 | |
| Experience and knowledge of employees | Anchor Bank | 4.72 | 0.093 |
| | Amalgamating Bank | 4.49 | |
| Individual attention by bank | Anchor Bank | **4.52** | **0.003** |
| | Amalgamating Bank | 4.05 | |

| | | | |
|---|---|---|---|
| Convenient bank working hours | Anchor Bank | **4.74** | **0.020** |
| | Amalgamating Bank | 4.40 | |
| Staff keeps customers' best interest at heart | Anchor Bank | 4.51 | 0.878 |
| | Amalgamating Bank | 4.49 | |
| Personal attention given by staff | Anchor Bank | **4.37** | **0.002** |
| | Amalgamating Bank | 3.87 | |
| Efforts by the staff to understand customers' needs | Anchor Bank | **4.67** | **0.000** |
| | Amalgamating Bank | 4.03 | |
| Convenient location of Bank ATMs | Anchor Bank | 5.10 | 0.651 |
| | Amalgamating Bank | 5.03 | |
| Convenient location of Bank branches | Anchor Bank | 4.69 | 0.105 |
| | Amalgamating Bank | 4.43 | |

Observing the individual items of service quality satisfaction, anchor bank customers showed higher level of satisfaction as compared to amalgamating bank customers with respect to bank provides services as promised, bank's interest in solving customers' problems, staff performing service right the first time, bank provides services at the time as promised, bank's insistence on error free records, timely and prompt banking services, safety of transactions with the bank, individual attention by bank, convenient bank working hours, personal attention given by staff and efforts by the staff to understand customers' needs. The mean values for staffs' readiness to help customers were higher in amalgamating bank customers in comparison to their merging counterparts. For these items, significant differences exist as per t test among anchor bank and amalgamating bank customers. No difference was seen in the remaining items (Table 8.6(b)).

## 8.7 Bank Switching Intention

Customer switching might be a significant issue for organisations that are merging (Lees et al., 2007). Because of the substantial expenses associated with the mergers, financial institutions are increasingly suffering (Manrai and Manrai, 2007), making switching behaviour especially crucial in the case of the retail banking industry. In this study the statement 'I want to switch the bank because of merger' measures the extent of customers' intention to switch due to merger. Independent sample t test was employed to see if there exists significant difference with regard to the above mentioned statements. The hypotheses framed was –

$H_0$ = Post-merger bank switching intention of customers does not differ across the type of bank

$H_1$ = Post-merger bank switching intention of customers differ across the type of bank

**Table 8.7 Bank switching intention due to merger across type of banks among customers**

| Items | Anchor or Amalgamating | Mean | P value |
|---|---|---|---|
| Bank switching intention due to merger | Anchor Bank | 2.01 | .336 |
| | Amalgamating Bank | 2.14 | |

From Table 8.7, as the significance value is more than 0.05, we do not have significant evidence to reject the null hypothesis. Hence, bank switching intention does not differ among customers across the type of bank. It can be inferred from the mean values that the switching intention due to merger was quite low for both the anchor and amalgamating bank customers.

**8.8 Chapter Summary**

This chapter presents the analysis of third objective of the study, i.e., views and experience of customers on the bank mergers of 2020. The views and experiences regarding merger were analysed across the type of bank, i.e., anchor and amalgamating bank with respect to communication & awareness on merger, general view on merger, benefits pertaining to merger, problems pertaining to merger, service quality satisfaction and bank switching intention due to merger. The findings revealed that there exists significant difference across both the group of customers as per independent sample t test in terms of all the above mentioned dimensions, except bank switching intention due to merger. The summary of the findings has been presented in Table 8.8. The detailed findings of the analysis have been discussed in chapter 9 of this study.

**Table 8.8 Summary table – Differences across the type of bank among customers**

| Studied dimensions | Result |
|---|---|
| Communication and awareness on merger | Difference exists |
| General view on merger | Difference exists |
| Benefits pertaining to merger | Difference exists |
| Problems pertaining to merger | Difference exists |
| Service quality satisfaction | Difference exists |
| Bank switching intention due to merger | Difference doesn't exists |