CHAPTER 9

FINDINGS AND RECOMMENDATIONS

This chapter highlights the major findings and suggestions derived from the study. The chapter is divided into two sections. The first section (Section 9.1) outlines the major findings from the three objectives of the study and discussions. The second section (Section 9.2) puts forward few recommendations concerning the study.

9.1 Major Findings and Discussions

The study had three objectives. The first objective analysed the financial data of the banks before and after the merger, the second objective explored the perception and experience of bank employees after the merger and the last objective analysed the perception and experience of customers after the merger. The following is a brief summary of the most important findings in light of the objectives that were set in the study-

9.1.1 Financial Performance of Banks before and after the Merger

The pre-merger and post-merger financial performance of anchor banks using paired t test was analysed. Data of four years, i.e., 2 years before merger (Financial year 2018-19 and 2019-20) and 2 years after merger (Financial year 2020-21 and 2021-22) were examined using CAMEL Model.

i. **Capital Adequacy:** Capital adequacy has been measured by incorporating four financial ratios. All the studied anchor banks maintained the minimum recommended figure for CAR throughout the studied period. Moreover, an increase in CAR was seen after the merger. However, significant positive change post-merger was found in two cases only, i.e., Canara Bank and Indian bank. In half of the studied merger cases, the mean debt-equity ratio decreased after the merger but not significantly. Advances as a proportion to assets decreased in three out of four cases, implying cutting down on lending after merger or target banks' low lending activity which is now reflected post-merger. However, only in case of Indian Bank the post-merger change was significant. In half of the cases, equity to assets ratio increased post-merger.

However, the findings revealed that there exists no significant difference before and after merger for the said ratio for all the anchor banks.

ii. **Asset Quality:** The second parameter of CAMEL Model, i.e., asset quality has been measured using four financial ratios. The Net NPA to Net Advances Ratio and Net NPA to Total Assets Ratio of the anchor banks differed between the pre and post-merger periods. The above mentioned ratios were much higher before the merger, reflecting the increasing number of bad loans that were made before the two banks merged. Furthermore, it revealed the financial strain that the anchor banks were under before the merger. Thus, we can deduce that the anchor bank's Net Non-Performing Assets may have been reduced through mergers. However, the post-merger change was significant only in case of Canara Bank. Gross NPA to Gross Advances Ratio also decreased post-merger, except Indian Bank, however, the change was not significant in all the four cases. In majority of the cases, Total Investment to Total Assets Ratio also increased post-merger. However, there does not exist significant difference post-merger as per t test.

iii. **Management Efficiency:** This parameter has been measured in the study using five financial ratios. The total advance to deposits ratio decreased post-merger implying the banks' low reliance on deposits to fund its loans. However, the change was not significant in all the four merger cases. As the amalgamating banks' operations have been absorbed into the anchor banks', the anchor banks have put forth their best efforts to turn these operations into profitable ones, as seen by rising Profits per Employee and Business per Employee ratios post-merger. Significant positive change post-merger was found in business per employee in Canara Bank. While the anchor banks' expenditures increased after the merger due to the inclusion of the target banks' expenditure, the anchor banks had successfully managed and improved its Total Expenditure to Total Income Ratio as the ratio decreased post-merger. However, no significant difference was found in Total Expenditure to Total Income Ratio as per t test results in all the cases individually. The income to asset ratio which is indicative of a bank's income generating capability deceased slightly in all the four cases. However, the change was not significant.

iv. **Earnings:** Earnings ability has been measured using four financial ratios. Banks were able to maintain a favourable interest rate spread between deposits and advances as indicated by the increase in the Net Interest Margin (NIM) after merger. However, the difference after the merger was not significant in all the cases. Net Interest Margin appears to have had a favourable effect on Return on Equity because, after the merger, anchor banks were able to efficiently mobilise deposits at a lower rate and advance them to customers to produce better returns as against the cost of deposits. Thereby, allowing the anchor banks to generate more revenues post-merger to boost shareholder equity. Union Bank and Union Bank showed significant positive change post-merger in return on equity. However, Interest Income to Total Income and Interest Income to Total Assets decreased post-merger, suggesting that banks, in the period following the merger, may have prioritised growing fee-based income over the conventional interest income generated from managing funds. Although its performance has deteriorated since the merger, suggesting the bank is placing more emphasis on non-lending activities to generate income, this ratio is indicative of income consistency and represent the bank's income from its other banking activities. However, significant difference was found in Canara Bank only in interest income to total income. Also, no significant difference exists with respect to Interest Income to Total Assets as per t test results in all the four cases.

v. **Liquidity:** Liquidity has been measured using three financial ratios. The cash deposit ratio decreased slightly post-merger in half of the merger cases. However, the difference was not significant. Liquid Assets to Total Assets Ratio increased after merger in majority of the cases. However, Canara Bank showed significant positive change post-merger. Liquid Assets to Total Deposits Ratio was higher in half of the four cases after the merger. Significant positive change was found only in Canara Bank post-merger.

The merger Case 1, i.e., PNB, showed no significant change post-merger in all the four financial ratios of capital adequacy parameter. Similar results were found in terms of other four parameters of CAMEL model, i.e., asset quality, management efficiency, earnings and liquidity, as the ratios used to measure these parameters indicated no significant change post-merger.

With regard to the Case 2, the anchor Canara Bank, in three out of four ratios of Capital adequacy parameter, the change post-merger was not significant. Only in CAR, significant positive change was found post-merger. In terms of asset quality, net NPA to net advances ratio and net NPA to total assets ratio showed significant negative change post-merger. These two ratios decreased post-merger compared to their pre-merger values. However, no significant change has been found post-merger in management efficiency parameter. In three out of four ratios used to measure earnings parameter showed no significant change post-merger. Only in interest income to total income, significant negative change has been found. In terms of liquidity parameter, majority of ratios revealed positive change post-merger. Liquid assets to total assets ratio and liquid assets to total deposits ratio improved post-merger.

The merger Case 3, i.e., Union Bank, showed no significant change post-merger in all the four financial ratios of capital adequacy parameter. Similar results were found in the ratios measuring asset quality and liquidity parameters. In four out of five ratios of management efficiency, no significant change was found. However, significant positive change post-merger has been seen in business per employee. In terms of earnings, majority of the ratios indicated no significant change post-merger. Only in return on equity, the ratio revealed significant positive change.

In the Case 4, the Anchor Indian Bank, half of the ratios of Capital adequacy parameter showed no significant change post-merger. However, CAR showed significant positive change, whereas, advances to assets ratio showed significant negative change post-merger. No significant change post-merger was found in all the four financial ratios of asset quality parameter. Similar results were found in the ratios measuring management efficiency and liquidity parameters. In term of earnings, majority of the ratios revealed no significant change post-merger. However, significant positive change post-merger has been seen in return on equity.

As per many research reports and articles, mixed results have been found in relation to mergers in banking sector. In many cases, banks were performing better before the merger. Shanmugam and Nair (2003) studied the M&A in the banking sector of Malaysia. According to them, after the merger process kicked off, the banks saw a significant increase in return on equity and total loans & advances. In this study, the return on equity grew but there was significant reduction in lending operations. Linder and Crane (1992) opined that in the first two years after a merger, it is extremely difficult to cut operational expenditures in relation to assets. In line with this, the present study also saw increase in the level of expenditures two years post-merger. The present study saw overall improvement in the financial performance of banks after merger. Similar to this study, research conducted by Cornett et al. (2006) in US revealed that the performance of merged banks improved dramatically following the merger. On the contrary, a study by Abbas et al. (2014) in Pakistan revealed that profitability, efficiency, liquidity, and leverage ratio of banks all fell after merger. Similarly, Lai et al. (2015) revealed that there was no positive improvement in the performance of banks post-merger with respect to overall financial performance in Malaysia. A study by Kemal (2011) also found that the bank was in a better position before merger in terms of liquidity and profitability. In the case of HDFC acquiring Times Bank Ltd., there was significant decline in net profit margin after merger (Kalaichelvan, 2011). The results by Sahni and Gambhir (2018) concluded that ratios relating to capital adequacy, earning quality and asset quality were favourable for merger however, ratios relating to management quality and liquidity were not favouring mergers. The merger case of Bharat Overseas Bank with Indian Overseas Bank studied by Kumar (2013) revealed a considerable improvement in Business per Employee, Advances and Interest Income post-merger. But with regard to Profit per Employee and NPA ratio the figures showed no positive impact. On the contrary, in the present study, though there was increase in business per employee and profit per employee, the pre-post difference was not significant. Also, the present study saw improvement in NPA and decline in advances as well as interest income post-merger.

9.1.2 Employees’ Perception and Experience on Merger

The second objective of the study explored the employees’ perception and experience on bank merger with reference to the four merger cases of 2020. Major findings related to employees are discussed below –

9.1.2.1 Employees’ views and experience across the type of bank

Anchor bank and amalgamating bank Employees’ views and experience on merger were checked across five dimensions.

i. **Communication and awareness**: Six items were used to measure this dimension. It was observed that the communication and awareness was significantly higher in case of anchor bank employees. Anchor bank employees had more clarity about objectives, information was properly communicated to them with timely and clear directions throughout the merger process. Awareness about banks identity and interaction scores were higher as compared to amalgamating bank employees.

ii. **General view on merger:** Six items were used to measure this dimension. The anchor bank employees viewed the structural change significantly positively in comparison to amalgamating ones. Anchor bank employees viewed merger to be beneficial for economic growth, financial condition, with higher global presence, benefitting both organization and employees, bringing positive change in service quality. Hence, they favoured merger more as compared to their merging counterparts.

iii. **Benefits pertaining to merger:** Thirteen items were used to measure this dimension. It was observed that the perception on benefits regarding merger was significantly higher in anchor bank employees. The anchor bank employees perceived merger to be beneficial for the items namely - improved working condition, learnt new things, training & development, reduced work load, reduced working hours, improved work culture, improved belongingness with co-workers, better policies, increased power/autonomy, better chance in career growth and employee development.

iv. **Stress pertaining to merger:** Employees were stressed due to merger. One of the major stressors for employees was increase in work load, followed by transfer to other place of work, increase in working hours and work family conflict respectively. Nineteen items were used to measure the stress after merger. Out of these, stress due to cultural mismatch had highest mean values for both anchor and amalgamating bank employees. Hence, indicating that both the group of employees were highly stressed due to the differences in culture of merging banks. Amalgamating bank employees were more stressed due to merger as compared to their counterparts with respect to feeling of loss of identity, feeling of helplessness, transfer to other place of work, change in status, loss of commitment, work interference with family life, more privilege to anchor bank employees, feeling of being left out and difficulty in adapting work culture.

v. **Job Satisfaction after Merger:** Twelve items were used to measure satisfaction. Amalgamating bank employees were significantly dissatisfied as compared to the employees of anchor bank. Anchor bank employees showed higher level of satisfaction as compared to amalgamating bank employees with respect to salary, workload, degree of autonomy at work, working condition, being happy working in the bank and bank always being the first choice in comparison to their merging counterparts.

Significant difference was found across the type of bank employees with respect to job leaving intention and merger smoothness. It was observed that the job leaving intention due to merger was high among amalgamating bank employees. On the contrary, view on smoothness relating to merger process was more positive among anchor bank employees.

Employees were also asked to fill some open ended questions. For the question *'**What measures should the bank introduce to reduce stress among employees post-merger?**'*, the amalgamating bank employees suggested few measures – increasing employment in banks, filling communication gap between anchor bank and amalgamated bank, training, improvement in HR policies and simplification of guidelines during merger for staff welfare, etc. Some of the measures as suggested by anchor bank employees were - avoid branch closures, working on quick software upgradation, better transfer policy, perks and change of duties, deployment of sufficient bank staffs, mixing of staff to combat cultural differences and clarity in work & responsibility. For the question, *'**Any other stress factor due to merger?**'* employees were stressed due to no proper working order. No proper training was given to the employees. Lack of communication was also one of the stressor for employees. They feared for losing their jobs as well as increased probability of privatization of banks post-merger. (Refer Annexure I for more details).

9.1.2.2 Amalgamating bank employees' views and experience across the demographic variables

The views and experience of amalgamating bank employees across the demographic variables namely – gender, marital status, age, designation, educational qualification and length of experience were explored.

i. **Gender:** Significant difference was found among male and female employees with respect to communication & awareness and job satisfaction after merger. It was observed that the communication and awareness was higher in case of male employees. Male employees were clearer about the objectives, felt timely information was communicated throughout the merger process and were more aware about banks identity as compared to female employees. With regard to satisfaction, males were found to be more satisfied than female employees. Their perception with respect to autonomy at work, relation with co-workers, participation in decision making, conflict handling policy, job interference with family life, being happy working in bank and bank always being first choice were higher than females.

ii. **Marital Status:** There was a statistically significant difference in post-merger job satisfaction between married and unmarried employees. Married employees were more satisfied than unmarried employees in terms of salary, promotion & incentives, participation in decision making and conflict handling policy.

iii. **Designation:** Significant difference was identified across designation in terms of general view on merger and stress. It was observed that the officer level employees were more positive in their view on merger compared to clerical level employees with respect to merger being beneficial for economic growth, creating global presence, beneficial for employees & organization, bringing positive change in service quality and on favouring merger. The benefits relating to merger was also perceived higher by officer level employees in terms of learning new things, training & development, fringe benefits & perks, better policies, increase in power/autonomy and employee development. However, the officer level employees were more stressed due to merger compared to clerical level employees. The major stress factors were transfer to other place of work, transfer to other department, increase in working hours, job interference with family life, and staff changes.

iv. **Age:** Significant difference was found across age group with respect to general view on merger, benefits and stress pertaining to merger. It was observed that the employees belonging to the age group upto 35 years were more positive in their view on merger and perceived merger more beneficial as compared to employees above 35 years of age. With respect to general view, they perceived the merger being beneficial for economic growth, creating global presence, beneficial for employees & organization, bringing positive change in service quality and on favouring merger. The age group upto 35 years perceived merger to be more beneficial with respect to training & development, fringe benefits & perks, better policies, increase in power/autonomy and employee development. However, employees above 35 years of age were more stressed than employees' upto 35 years of age. The main stressors were feeling of identity loss, cultural mismatch, change in status, loss of power, loss of commitment, conflicts among employees, feeling left out and interrupted career growth.

v. **Educational Qualification:** We didn't find enough evidence to reject the null hypotheses as per t test. Hence, it was inferred that the five studied dimensions do not differ significantly across educational qualification of amalgamating bank employees.

vi. **Length of experience:** Significant difference was found across length of experience in general view on merger, benefits and stress. The employees having experience of 6-8 years had more positive view regarding the merger and perceived it more beneficial compared to others. They viewed merger more positively with respect to economic growth, financial condition, global presence, organization & employees, service quality and on favouring merger. 6-8 years' experience holders viewed mergers to be more beneficial to employees in terms of working condition, learning new things, training and development, improved work culture, increased power/autonomy, career growth and employee development. The overall stress of employees having experience of 9-14 years was highest compared to others. Their major stressors for them were interruption in career growth and staff changes. However, employees with upto 5 years' experience were more stressed due to work load and above 14 years' experience holders were more stressed due to cultural mismatch, transfer to other place, change in status, loss of power, loss of commitment and felt left out.

9.1.2.3 Anchor bank employees' views and experience across the demographic variables

The views and experience of anchor bank employees across the demographic variables namely – gender, marital status, age, designation, educational qualification and length of experience were explored.

i. **Gender:** Significant difference was found among male and female employees with respect to stress due to merger. Females were more stressed as compared to their male counterparts because of loss of power, job responsibility, increase in working hours, reduced fringe benefits, job interference with family life, left out feeling and difficulty in adapting to new work culture.

ii. **Designation:** Significant difference was identified across designation in terms of communication and awareness on merger, general view and benefits pertaining to merger. Officers were more aware & communicated and were more positive in their view on merger than clerical level employees. With respect to communication & awareness, they were clearer about objective, communicated with proper information and had clarity of direction during merger process. With regard to benefits, they perceived merger being beneficial for economic growth, improve financial condition, create global presence, beneficial for employees & organization and bring positive change in service quality. The benefits relating to merger was perceived higher by officer level employees with respect to fringe benefits & perks, working hours, work load, better policies and employee development.

iii. **Marital Status, Age and Educational Qualification:** We didn't find enough evidence to reject the null hypotheses as per t test. Hence, it was inferred that the five studied dimensions do not differ significantly across marital status, age and educational qualification of amalgamating bank employees.

iv. **Length of experience:** Significant difference was found across length of experience in communication and awareness on merger, benefits and stress pertaining to merger. Employees with experience of 6-8 years were overall more aware and communicated as compared to others especially with respect to proper information communication. Employees with upto 5 years' experience were more clear about the objective behind merger, whereas 9-14 years' experience holders were more aware about the changes in banks' identity. It was also observed that the employees upto 5 years' experience viewed merger to be more beneficial in terms of work-load and employee development. 9-14 years' experience holders viewed mergers to be more beneficial in terms of learning new things, work culture, belongingness with co-workers and power/autonomy. Employees with experience above 14 years were more stressed due to the above mentioned items, except loss of power and loss of commitment, compared to others. Upto 5 years' experience holders were more stressed due to loss of power. Whereas, employees having experience of 6-8 years were more stressed due to loss of commitment.

This study highlighted the significance of communication during the merger process. Similarly, prior research had emphasised the need of communication during the M&A process (Appelbaum et al., 2000a; Papadakis, 2005). Zhu et al. (2004) states that while designing a communication strategy, companies must consider both the nature of the information to be shared and their ultimate goals in terms of a merger. According to Bhaskar et al. (2012), it is important to properly explain the employees about the reasons behind the merger. In this study, anchor bank employees had more clarity about objectives, information was properly communicated to them with timely and clear directions throughout the merger process compared to amalgamating bank employees. Kavishwar (2014) and Petkar (2014) found that when asked their opinion, employees believed that mergers are good for the economy. Anchor bank employees viewed the structural change positively in comparison to amalgamating ones in this study.

In this study, it was found that the officer level employees were more stressed due to merger compared to clerical level employees. On the other hand, a research on banking sector stress by Rajeshwari (1992) found that due to the organisational structure of banks, clerks experience higher levels of stress than officers. However, both married and single workers reported similar levels of stress. This conclusion is consistent with the present research. Females were more stressed as compared to their male counterparts in this study. The said outcome was in line with what Martin and Roodt (2008) had discovered in their research. Overall, employees of amalgamating banks were more stressed compared to employees belonging to anchor banks. Similar results were reported by Panchal and Cartwright (2001), who compared the stress and insecurity experienced by workers at a target and an anchor organisation. Target bank employees reported higher levels of stress than their peers in other banks. One of the major stressor for employees in this study was cultural differences. In line with the present study, an analysis of Finnish domestic and foreign M&A between 2001 and 2004 by Sarala (2009) confirms that disparities in organisational culture enhance post-acquisition conflicts. Cultural differences have been shown to contribute to workplace tensions and stress in numerous studies (Bijlsma-Frankema, 2001; Gautam 2016). Mergers have strong impact on the level of satisfaction of employees (Daileyl and Kirk, 1992; McFarlin and Sweeney, 1992). According to the findings of a study conducted by Sanda and Adjei-Benin (2011), 67.5% of employees were dissatisfied with their jobs as a result of post-merger changes to the organisational structure. These findings are also in line with those obtained by other researchers in the past (Clarke and Salleh, 2011; George and Zakkariya, 2015). It has also been shown through research undertaken by Schweiger and DeNisi (1991) that merger activity has a detrimental effect on worker satisfaction. The present study showed amalgamating bank employees were less satisfied as compared to the employees of anchor bank.

9.1.3 Customers' Perception and Experience on Merger

The third objective of the study explored the customers' perception and experience on bank merger with reference to the four merger cases of 2020. Their perception and experience were checked across the type of bank the customers belonged to, i.e., anchor bank and amalgamating bank. Major findings related to customers are discussed below –

i. **Communication and Awareness on Merger:** One of the major sources of awareness about merger was bank itself, followed by social media, word of mouth and television respectively. Three items were used to measure communication and awareness. It was observed that the communication and awareness was significantly higher in case of amalgamating bank customers. Amalgamating bank customers had more clarity about bank merger, its objectives and changes in banks' identity. From the mean values, it was inferred that anchor bank customers had very low level of awareness about merger.

ii. **General View on Merger:** The dimension was studied using 4 items. Significant difference was found across the type of bank that the customers belonged to. The customers of anchor bank perceived to have viewed merger more positively as compared to amalgamating bank customers. The anchor bank customers viewed merger to be beneficial for economic growth of nation, leading to improved financial performance of banks and hence, favoured merger more as compared to amalgamating bank customers.

iii. **Benefits Pertaining to Merger:** Seven items were used to measure benefits. Customers of anchor bank had a significantly greater mean value compared to amalgamating ones. The customers of anchor bank perceived merger to be more beneficial with respect to improved banking services and fast disposal of online services by bank as compared to amalgamating bank customers.

iv. **Problems Pertaining to Merger:** The problems pertaining to merger consisted of 7 items. Amalgamating bank customers were perceived to have faced more problems due to merger as compared to their counterparts. Amalgamating bank customers faced problems with respect to cumbersome paperwork, transfer of old employees, delayed disposal of offline bank services, usage of online banking and felt safety of transactions to be at risk.

v. **Service Quality Satisfaction after Merger:** The dimension was studied using 24 items. It was revealed that overall the amalgamating bank customers were less satisfied compared to anchor bank customers. Anchor bank customers showed higher level of satisfaction as compared to amalgamating bank customers with respect to bank providing services as promised, bank's interest in solving customers' problems, staff performing service right the first time, bank providing 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. However, the satisfaction was higher among amalgamating bank customers in terms of staffs' readiness to help in comparison to their merging counterparts.

Customer switching might be a significant issue for organisations that are merging (Lees et al., 2007). However, it was found that the bank switching intention due to merger did not differ among customers across the type of bank. It was inferred from the mean values that the switching intention due to merger was quite low for both the anchor and amalgamating bank customers. In line with this a study by Farah (2017) revealed that majority of the customers said that they would not switch banks even if their regular branch closed, as long as another convenient and accessible branch of the amalgamated organisation remained open. The present study revealed the communication and awareness was higher in case of amalgamating bank customers and anchor bank customers had relatively very low level of awareness about merger. On the contrary, Farah (2017) found that customers from both the merging banks were less aware about the merger decision. The current study revealed that amalgamating bank customers perceived to have had faced more problems due to merger compared to anchor banks. In line with this, Urban and Pratt (2000) in their study concluded that major bank acquisitions create a sense of uncertainty among acquired bank customers.

9.2 Recommendations

Some suggestions based on the findings of the present study has been put forward:

- **Capital Adequacy:**

  It was seen that CAR had slightly increased post-merger. Debt-equity ratio has reduced after merger. Although both Debt and Equity have increased, it was observed that the percentage increase in equity was slightly higher than debt. It was observed that advances as a percentage of assets declined post-merger. The percentage growth in Total Assets was higher than the growth in advances. Equity to Total Assets Ratio increased marginally. Equity had grown proportionally more than Total Assets (refer Annexure B).

  The growth in equity means growth in Tier 1 capital as equity are considered the core capital of a firm. This increases a banks' loss absorption capacity. It helps in keeping deposits of the customers safe and increases confidence among them. In adverse economic situation, if banks have good amount of capital, it would prevent bank run. Overall the parameters associated with Capital Adequacy are good and it is suggested that the bank continue along the same lines.

- **Asset Quality:**

  Net NPA to Net Advances Ratio and Gross NPA to Gross Advances Ratio has improved post-merger. It was observed that the percentage increase in net NPA and gross NPA was low compared to percentage increase in net advances and gross advances. Net NPA as a percentage of total assets also declined post-merger. The percentage growth in Total Assets was higher than the growth in NPAs. It was seen that that the investments as a percentage of assets increased post-merger. Although both investments and assets have increased, it was observed that the percentage increase in investments was marginally higher than assets (refer Annexure B).

  This indicates that banks has maintained a high cover of investments to shield against the danger of NPAs. Hence, regardless of low growth in advances made post-merger, the asset quality improved post-merger as reflected by low percentage increase in NPAs. Overall, the Asset Quality indicators are favourable and it is recommended that the banks maintain their status-quo.

- **Management Efficiency:**

  Business per employee and profit per employee increased post-merger. Total expenditure to total income decreased post-merger. Income had grown proportionally more than expenditure. However, a fall in the advance to deposit ratio was seen. It was observed that the growth rate in total deposits was higher as compared to growth rate in advances. Again, a fall in income to asset ratio was observed. The bank's income generating capacity out of the assets declined slightly post-merger (refer Annexure B).

  A fall in the advances to deposits ratio indicates that the anchor bank's management is unable to turn deposits into high-earning advances. This also indicates that lending activity was reduced following the merger or that target banks' low lending activity is now reflected after the merger. Hence, it is suggested that banks need to increase its efficiency to make good use of its asset base and generate more income. Banks need to increase their lending operations so as to enhance their earnings since advances constitutes an important source of banks' income.

- **Earnings:**

Return on equity increased post-merger. There was a slight increase in net interest margin post-merger. However, the interest income to total income and interest income to total assets decreased post-merger. The percentage increase in interest income as compared to total assets was much lower post-merger. Again, the growth rate on interest income was low compared to total income, whereas the other income (apart from interest income) has increased drastically (refer Annexure B).

It has been inferred that the banks, in the period following the merger, have prioritised growing fee-based income over the conventional interest income generated from managing funds. Though, banks are profitable and are effectively using their equity base to generate return for its investors, the low growth rate in advances compared to its assets, deposits and investments, indicates lower lending activity by banks post-merger. Hence, low interest income was generated post-merger. Interest on advances constitute primary source of income of any bank. Yet again, banks need to improve on their lending operations.

- **Liquidity:**

Not much change was seen with regard to cash deposit ratio. However, the percentage growth in deposits was higher than the growth in cash. Liquid assets as a proportion to total assets increased post-merger. Although both total assets and liquid assets have increased, it was observed that the percentage increase in liquid assets was marginally higher than total assets. It was observed that liquid assets to deposits improved post-merger. Liquid assets had grown proportionally more than deposits (refer Annexure B).

Overall, the indicators related to Liquidity are healthy, and it is recommended that banks keep operating in the same manner while making a slight increase in the size of their cash buffer.

The following are the suggestions on how to handle the psychological discomforts of the employees and customers. These steps should have been taken before the merger so that the psychological discomfort could have been reduced. Nevertheless, it is not too late to review a few of these suggestions so that the comfort level of employees and customers increase. Future mergers can keep these in mind when moving ahead.

- It was observed that communication and awareness was lower among amalgamating bank employees (mean 4.22) as compared to anchor bank employees (mean 5.11). Also, they perceived to have had low positive view on merger (mean 3.24) as opposed to anchor bank employees (mean 4.30). Employees of amalgamating bank considered merger to be less beneficial (mean 2.54) than those of anchor banks (mean 3.22). They were not much in favour of such consolidations. The mean scores on every item under these three dimensions were lower among amalgamating bank employees. Hence, it is suggested that employees of amalgamating bank be taken into confidence and made to understand the objectives behind mergers via proper channel of communication with up-to-date information and clear directions to prevent any confusion, misunderstanding, ambiguity and unnecessary rumours.
- Effective stress management requires two things. Firstly, workers must detect stressors and understand their repercussions. Some of the major stressors for employees found in this study were cultural mismatch, perceived increase in work load, transfer to other place of work, increase in working hours, work family conflict, feeling of loss of identity, etc. The stress was more prevalent in amalgamating bank employees (mean 3.59) as compared to anchor bank employees (mean 3.11). Amalgamating bank employees felt that more privilege was given to anchor bank employees.
- The second requirement of stress management is firms must adopt stress avoidance and reduction measures. Banks can consider conducting ice-breaking sessions, orientation programs, team building workshops, counselling, socio-cultural activities to reduce the cultural differences and

conflicts among employees to help them come out of the feeling of identity loss and address the cultural differences. Such activities will help them get acquainted with one another and work together to build a new social and cultural climate that incorporates the strengths of both merging banks. Appropriate training and development workshops may be conducted to help reduce stress. It is crucial for managers and HR personnel to keep an eye out for indicators of unhealthy rivalry during mergers M&A.

- It was observed that anchor banks employees were more satisfied with their job (mean 4.17) compared to amalgamating bank employees (mean 3.83). Also, the job leaving intention was also higher among amalgamating bank employees (mean 2.64) compared to the employees of anchor banks (mean 2.20). Hence, it is suggested that the bank should make an effort to enhance the working life of its employees. They require a more adaptable schedule and some time off to help them unwind during the workday. Branch-level employees should be given the opportunity to voice their concerns to management in face-to-face or virtual forums.
- The present research penned down the various aspect of psychological turmoil an employee experiences which differ as per age, gender, designation, marital status, educational qualification and length of experience. These are some of the psychological discomforts being faced by the **amalgamating bank employees**:

Female employees felt that Communication and Awareness about the merger was low. Officers have viewed it more positively than non-officers. They see more benefits associated with the merger. However officers appear to be more stressed about it. Young age group (< 35 years) are upbeat about the merger and they too see benefits associated with the merger. The older age group (>35 years) appear to be more stressed. Employees with more than 8 years of service are unhappy with the merger and they do not perceive benefits associated with merger. This group is more stressed than those with fewer year of experience. Post-merger, males appear to experience higher job satisfaction.

Anchor banks need to target HR interventions for the amalgamating bank, specifically for females, senior age group and employees who have more than 8 years of service. These groups are facing psychological discomfort and need to be counselled or coached so that they continue being contributing members of the bank.

- The employees of the **anchor bank** had different issues.

  Clerical staff felt communication and awareness about the merger was low. Employees with more than 8 years' experience also felt the same. Officers have viewed it more positively than non-officers. Clerical staff did not perceive any benefits associated with the merger. Other than the employees with experience of 9 – 14 years, the rest of the employees did not see any benefit. Female employees experienced more stress than male counterparts. Those with experience of more than 14 years experienced more stress. Job satisfaction was on the higher side across all the demographic variables.

  Although some psychological discomfort was experienced by the anchor bank employees, there was no apparent job dissatisfaction. Benefits of the merger have to be made aware to the clerical staff and most of the employees. The stress levels of female employees need to be addressed.

- It was observed that the customers of amalgamating banks had lower positive view on merger (mean 4.74) as compared to anchor banks (mean 5.10). They perceived it to be less beneficial (mean 4.18) as compared to customers of anchor banks (mean 4.46). Today's market has evolved to be customer-centric and satisfaction of customer is of utmost importance, especially in case of service industry like banking sector. Hence, management should make them aware about their motives towards merger and its benefits in long term to retain the customers for a long period of time. They should be made aware of the new policies and banking services introduced post-merger in the most layman terms.
- It was taken into account during the consolidation of banks that the merging banks share a common software platform. However, the customers still faced delays in disbursement of online banking services and problems in internet

banking. It is suggested that the banking authority pay needful attention towards removing the technical glitches during merger process for the seamless transactions online, so that quality of service is not compromised during such structural changes.

- It was observed that there was delay of banking services to the customers in the physical mode also. Shutting down of branches that were in close proximity led to increase in the burden of employees belonging to the branch in operation, causing problems to both customers as well as employees. Hence, it is suggested to let the branch operate even if it is in close proximity to other branch or recruit more employees where customer load is higher to avoid disruptions in banking services.

(Note: It was observed from the employees' data that there was a percentage decline in the number of employees (comprising of officers and clerks) in the financial year 2020-21 and 2021-22, a year after the merger, by almost 2%. Similarly, the comparative employee data of 2 years before and after merger revealed a negative growth rate of 1.2 %) [Refer Annexure J].