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A PRE AND POST MERGER ANALYSIS OF THE ATTITUDE OF BANK EMPLOYEES TOWARDS MERGER

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ABSTRACT

With the increasing competition in the globalized economy, mergers are expected to occur at a much larger scale than any time in the past and have played a major role in achieving the competitive edge in the dynamic market environment. Mergers can prove to be a huge risk to the human resources of both companies. If not done with care, a proper understanding of each other by either the entities or the lack of willingness among anyone to co-operate, the whole effort may go waste and the whole result will be disastrous. This situation mostly occurs when most mergers fail to consider or address the concern of the employees within the firm, especially of the firm which is being acquired. Mergers and acquisitions is nothing new in India, as can be witnessed through the merging of the three Presidency banks of India - the Bank of Bengal, the Bank of Bombay and the Bank of Madras in 1921, to form the Imperial Bank of India and later, after Independence, came to be renamed as the State Bank of India. Later, we could see the only merger between nationalized banks, when the New Bank of India was merged by the Government with Punjab National Bank, in 1993. More initiatives were seen in this regard in the private sector. But, it was the largest merger by HDFC in 2008 (with the Centurion Bank of Punjab) that triggered off some studies in this area. This study deals with the attitude of employees in HDFC Bank during the pre-merger and post-merger period.

Keywords: *Bank, Merger, Employees, HDFC Bank, Pre-merger, Post-merger.*

Introduction

The Indian banking industry has a long history to narrate. Beginning from the Presidency Banks of the 1800s, the banking industry has witnessed comprehensive changes. Among those, mergers and acquisitions are very important, especially in the current scenario, where the Government of India is keen on bringing about a mega banking realignment whereby the total number of public sector banks will come down to 12. The main objective is to make them "global-sized banks". A merger should be among equals. Synergies, expansion of scale, economies of scale, operational efficiencies, diversification, market expansion, are a few benefits to mention, that accrue from merger. Merger is much sought after in today's world as a better means of growth. While concentrating on improving profit and synergies that may arise out of the merger, management should not forget that their employees are an integral part of their organization.

Objective

- To analyze the attitude of the HDFC Bank employees during the pre-merger and post-merger period.

Hypothesis of the Study

- There is no significant difference between the socio-demographic factors of employees and the attitude of employees in the HDFC Bank during the pre-merger and post-merger period.

Review of Literature

It has been stated that there had been more than 1500 mergers in the US during a three year period of 1993-1996. The literature reviewed by Pilloff suggested that the value gains claimed post-merger had not been confirmed. He intended to address alternative explanations and reconcile the data with continued merger activity. His study found that there was no significant gain in value or improvement in performance that resulted from the merger activity. The acquired firm shareholders gained at the

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expense of the acquiring firm. Another disturbing finding was that the market was unable to forecast accurately the definitive success of individual mergers. But in spite of these uncertainties and negative outcomes, mergers in the US continued (Steven J, 1996)[1].

A case study of banking employees of Pakistan revealed that those employees who had worked in both pre and post-merger environment strongly felt that their motivation level was unsatisfactory. They also felt that there was a strong threat to their job security. However, in case of employees who had only post M&A experience, the results were better. They had a positive opinion with regard to job motivation and job security. Information was gathered using questionnaires with a 5 point scale under two dimensions (Muhammad Naveed, 2011)[2].

Mergers promoted synergies. A study based on 45 banks, consisting of public-sector banks, private sector banks and foreign banks operating in India observed that the share of the top 5 players had eroded and had been consumed by the next 15 players. As the base of total deposits had been rising, the value in deposits in the next 15 banks had been remarkable. While fragmented Indian banking structure may be beneficial to the customers, it also created the problem of no player having the critical mass to play the game at the global banking industry level. In the quest for the other benefits of mergers, it has been found that access to new markets is another reason, as was evident from the mergers between Centurion Bank and New Bank of Punjab. The other main benefits as pointed out by most of the banks were reduction in cost of funds, diversification of loan portfolio and expansion of range services available to the public. Lowest priority was given to benefits such as improvement in employee incentives, and extension of career opportunities, hence emphasising the importance on the need to study the human resources management during mergers (Prajapati, 2010)[3].

A case study on the ICICI Bank Ltd. has examined its growth through mergers, acquisitions and amalgamation. The study discussed on the amalgamation of ICICI bank with SCICI in 1996, which resulted in a negative goodwill. The amalgamation with ITC Classic Finance Ltd., the beleaguered non-banking financial arm of ITC Ltd., was one of the first-of-its-kind mergers in India's financial sector. The merger gave ICICI the biggest benefit of a fantastic retail base. As the reason for its amalgamation with Anagram Finance, ICICI state that it had over the years consolidated its premier position as a wholesale provider of finance. The amalgamation with the Bank of Madura was in response to its quest for merger with private banks. Another reason was that its technological upgradation was crawling at a pathetic pace. On the other hand, BoM had an attractive business per employee figure of Rs. 202 lakh, a better technological edge, and a vast base in southern India. Next, there was merger of ICICI, ICICI Personal Financial Services and ICICI Capital Services with and into ICICI Bank in 2002. As a step towards expanding the bank network countrywide the ICICI Bank acquired Shimla and Darjeeling Branches from Standard Chartered Grindlays Bank Ltd. The amalgamation with Sangli Bank was expected to benefit the shareholders of both the entities and to supplement the urban distribution network of ICICI. It also provided new opportunities to the Sangli Bank employees and gave its customers access to the multi-channel network and wide range of products and services of ICICI Bank. The final amalgamation discussed is that with the Bank of Rajasthan, whose intention was banking business as set out in its Memorandum of Association. While for ICICI Bank, the merger was a customer-centric strategy that placed branches as the focal point of relationship management, sales and service in geographical micro markets. The news of merger was not however, welcomed by the employees of BoR, who called for a strike demanding the termination of the ICICI-BoR merger proposal. Hence, it is to be noted that issues of employees' perception towards mergers needs special attention if mergers are to develop synergies. The study concludes on the note that a firm must work out a strategy in three phases- Pre-merger phase, Acquisition phase and Post-merger phase (Dr.K.A.Goyal, 2012)[4].

Methodology

The study deals with the attitude of employees in HDFC Bank during the pre-merger and post-merger period. The study is purely based on both the primary data and secondary data. Descriptive statistics and Independent t-test are used to analyse the attitude of employees in the HDFC Bank during the pre-merger and post-merger period.

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[1] Steven J, P. &. (1996). *The Valu Effects of Bank Mergers and Acquisitions.* The University of Pennsylvania. Pennsylvania: The Wharton School.

[2] Muhammad Naveed, M. N. (2011). Impact of Mergers & Acquisitions on Job Security and Motivation (A Case Study of Banking Employees of Pakistan). *3rd International Conference on Information and Financial Engineering.12*, pp. 353-357. IACSIT Press.

[3] Prajapati, M. S. (2010, August). Mergers and Acquisitions in the Indian Banking System- An Overview. *II(19)* .

[4] Dr.K.A.Goyal, V. J. (2012). Merger and Acquisition in Banking Industry: A Case Study of ICICI Bank Ltd. *International Journal of Research in Management, 2* (2), 30-39.

The merger of Centurion Bank of Punjab with the HDFC Bank was considered and the employees of erstwhile Centurion Bank of Punjab (now with the HDFC Bank) were selected for the purpose of the study. For the purpose of selecting the samples from the population, the researcher adopted the Krejcie and Morgan (1970) table at a confidence level of 95 % and 5% margin of standard error. According to this table, the adequate size of the sample from a population size of 400 is 196. A structured questionnaire was circulated to 196 employees of Centurion Bank of Punjab which is merged with HDFC Bank for the purpose of data collection. Out of 196 questionnaires, 162 questionnaires were completed and the same was considered for the analysis of data. The sampling technique adopted for the study is random sampling method. The secondary sources of data obtained from annual audit report of the HDFC Bank, websites, journals, newspapers, articles are used for the theoretical development.

The collected data was coded using SPSS package and various appropriate statistical tools such as ANOVA, Descriptive statistics and Independent t-test are used to analyze the attitude of employees in the HDFC Bank during the pre-merger and post-merger period.

Results and Discussion

- **Socio-Demographic Profile of the Respondents**

The socio-demographic profile of the respondents brings out the details of the respondents in terms of variables such as their age, gender, educational level, designation in the bank, and the number of years of experience in the present bank.

Table 1: Profile of the Respondents

Profile of the Employees		Number	Percentage
Age	30-40	57	35.2
	40-50	65	40.1
	50-60 years	40	24.7
Gender	Male	151	93.2
	Female	11	6.8
Qualification	Graduate	63	38.9
	Post Graduate	63	38.9
	Professional Degrees	36	33.3
Designation	Middle Level	81	50
	Top Level	81	50
Experience	0-10	36	22.2
	10-20	91	56.2
	20-30	31	19.1
	Above 30 years	4	2.5
Total		**162**	

Source: Survey Data

The table above depicts the profile of the respondents comprising of their age, gender, qualification, designation and experience. A majority of 40.1 per cent of the employees belong to the age category of 40-50 years. 93.2% of them are males. Considering the educational qualification, 38.9% each are both Graduates and Post Graduates while 22.2% have Professional Degrees. 50% each belong to the Top and Middle level management. With regard to the years of experience in the merged bank, 56.2% have 10-20 years of experience, 22.2% have upto 10 years of experience, 19.1% have 20-30 years and 2.5% have above 30 years of experience.

- **Attitude of Employees in the HDFC Bank during the Pre-Merger and Post-Merger Period**

Table 2: Attitude of Employees in HDFC Bank during the Pre-Merger Period

Pre-Merger Attitude	Mean Score
I was nervous about my future when I heard about the merger	3.49
The communication from top management about the merger plans was assuring	2.89
I feel sufficiently informed about the process of the merger	2.65
I understand the objectives behind the merger	3.01
I believe that the merger is the right way for the bank to become a market leader in India	3.22

Source: Computed from primary data

The above table deals with the attitude of employees in the HDFC Bank during the pre-merger period. The mean score for ‘I was nervous about my future when I heard about the merger’ is 3.49 and it indicates that the employees are highly nervous about the merger process. The mean score for ‘The communication from top management about the merger plans was assuring’ is 2.89 and it indicates that there was a problem of poor communication regarding the merger process. The mean score for ‘I feel sufficiently informed about the process of the merger' is 2.65 and it indicates that the employees have no clear information regarding the process of merger. The mean score for 'I understand the objectives behind the merger' is 3.01 and it indicates that the employees somewhat know the motive behind the merger but it was not clearly defined. The mean score for 'I believe that the merger is the right way for the bank to become a market leader in India' is 3.22 and it indicates that the merger is the right way for the bank to become a market leader in India. Hence, it is concluded that the employees are highly nervous about the merger process and they felt that there is no proper communication regarding the merger in the bank.

Table 3: Attitude of Employees in the HDFC Bank during the Post-Merger Period

Post-merger Attitude	Mean Score
I feel adequately involved in changes to my work environment	3.46
My supervisor provide me with the necessary orientation concerning the merging process	3.02
I miss my colleagues from the previous bank	3.67
I feel out of place in the new bank	3.58
I experience frustration and stress from my attempts to adapt to the culture in the merged bank	3.89
There are things in my new network environment that I find surprising	3.22
I feel nervous and uncomfortable when meeting individuals from the merged bank	3.14
I have a clear understanding of my role within the new bank	2.33
I feel welcome and respected by new colleagues	2.96
My suggestions are always received by my supervisors	2.77
I look towards my professional future at the bank in a positive way	3.63
I am happy and satisfied at my new work place	3.17

Source: Computed from primary data

The table above deals with the employees' attitude towards the HDFC Bank during the post-merger period. The mean score for 'I feel adequately involved in changes to my work environment' is 3.46 and it indicates that the employees are experiencing change in the work environment. The mean score for 'My supervisor provide me with the necessary orientation concerning the merging process' is 3.02 and it indicates that the supervisor gives only a few information regarding the merging process. The mean score for 'I miss my colleagues from the previous bank' is 3.67 and mean score for 'I feel out of place in the new bank' is 3.58 and these indicate that the employees miss their old working environment and their co-workers. The mean score for 'I experience frustration and stress from my attempts to adapt to the culture in the merged bank' is 3.89 and mean score for 'There are things in my new network environment that I find surprising' is 3.22 and this indicates that due to merger, employees feel stress and tension in the new working environment so as to adapt to the new culture in the newly merged bank. The mean score for 'I feel nervous and uncomfortable when meeting individuals from the merged bank' is 3.14, the mean score for 'I have a clear understanding of my role within the new bank' is 2.33, the mean score for 'I feel welcome and respected by new colleagues' is 2.96 and the mean score for 'My suggestions are always received by my supervisors' is 2.77. All these indicate that the employees are not comfortable in the merged bank as they have an issue with role clarity, role ambiguity, and role conflict. The mean score for 'I look towards my professional future at the bank in a positive way' is 3.63 and the mean score for 'I am happy and satisfied at my new workplace' is 3.17 and these indicate that even though the employees are not fully satisfied with the merger process, they feel that this merger will help them to gain a professional future in the coming days.

H_o: There is no significant difference in the level of attitude of the HDFC Bank employees during the pre-merger and Post-merger period against

H_1: There is significant difference in the level of attitude of the HDFC Bank employees during the pre-merger and Post-merger period

Table 4: Difference in the Level of Attitude of the HDFC Bank Employees during the Pre-Merger and Post-Merger Period

Variable	t	Sig.
Level of attitude of the HDFC Bank employees during the pre-merger and post-merger period	**4.284**	.000*

Source: Computed from Primary Data *5% level of significance

The above Table reveals the result of the t-test applied to test the significant difference in the level of the attitude of the HDFC Bank employees during the pre-merger and Post-merger period. The calculated P value for the attitude of employees (t value = 4.284) shows that there is a significant difference in the level of the attitude of the HDFC Bank employees during the pre-merger and post-merger period since its P value (.000) is less than 0.05. Hence, the null hypothesis is rejected and H_1 is accepted.

- **Difference in the Level of Attitude towards Merger among the Different Age Group of Employees – ANOVA**

H_0: There is no significant difference in the level of attitude towards merger among the different age group of employees against

H_1: There is significant difference in the level of attitude towards merger among the different age group of employees

Table 4: Attitude towards Merger among the Different Age Group of Employees

	Label	Sum of Square	Df	Mean Square	F	Sig.
Attitude towards Merger	Between Groups	9.119	4	2.279	2.77	.000*
	Within Groups	128.922	157	0.821		
	Total	138.041	161			

Source: Computed from Primary Data; *5% level of significance

Table 4 reveals the result of ANOVA applied to test the significant difference in the level of attitude towards merger among the different age group of employees. The calculated P value for the attitude towards merger (F value = 2.77) shows that there is a significant difference among the different age group of HDFC employees since its P value (.000) is less than 0.05. Hence, H_0 is rejected and H_1 is accepted. It is found that the level of attitude towards merger is different among the different age group of employees.

- **Difference in the Level of Attitude towards Merger among the Different Designation of Employees – ANOVA**

H_0: There is no significant difference in the level of attitude towards merger among the different designation of employees against

H_1: There is significant difference in the level of attitude towards merger among the different designation of employees

Table 5: Attitude towards Merger among the Different Designation of Employees

	Label	Sum of Square	Df	Mean Square	F	Sig.
Attitude towards Merger	Between Groups	19.547	4	4.886	5.15	.000*
	Within Groups	148.923	157	0.948		
	Total	168.47	161			

Source: Computed from Primary Data; *5% level of significance

Table 5 reveals the result of ANOVA applied to test the significant difference in the level of attitude towards merger among the different designation of employees. The calculated P value for the attitude towards merger (F value = 5.15) shows that there is a significant difference among the different designation of the HDFC Bank employees since its P value (.000) is less than 0.05. Hence, the null hypothesis is rejected and H_1 is accepted. It is found that the level of attitude towards merger is different among the different designation of employees.

- **Difference in the Level of Attitude towards Merger among the Different Years of Experience of the Employees – ANOVA**

H_0: There is no significant difference in the level of attitude towards merger among the different years of experience of employees against

H_1: There is significant difference in the level of attitude towards merger among the different years of experience of employees

Table 6: Attitude towards Merger among the Different Years of Experience of Employees

	Label	Sum of Square	Df	Mean Square	F	Sig.
Attitude towards merger	Between Groups	13.397	4	3.34	3.88	.000*
	Within Groups	135.575	157	0.86		
	Total	148.972	161			

Source: Computed from Primary Data *5% level of significance

Table 6 reveals the result of ANOVA applied to test the significant difference in the level of attitude towards merger among the different years of experience of employees. The calculated P value for the attitude towards merger (F value = 3.88) shows that there is a significant difference among the different years of experience of HDFC employees since its P value (.000) is less than 0.05. Hence, H_0 is rejected and H_1 is accepted. It is found that the level of attitude towards merger is different among the different years of experience of employees.

Conclusion

Mergers and acquisitions have proven to be a significant and increasingly popular means for achieving corporate diversity and growth. But the existing failure rate of mergers suggests that neither academicians nor practitioners have a thorough understanding of the variables involved in planning and implementing a successful merger. It is suggested that a successful merger involves not only thorough financial and strategic analysis and planning, but also planning regarding congruence between the two companies' preferences about the implementation strategy for the merger. As is clear from the response of the employees of the HDFC Bank, the most important issue they face post-merger is the change in their location, followed by change in the work atmosphere. The HDFC bank- CBoP merger could take lessons from the mergers carried out by the Centurion Bank with the Bank of Punjab and with the Lord Krishna Bank, especially the HR related policies and morale of the employees which could been managed better.

In the merger of two entities of this size, cultural integration issues are bound to happen. If the bank expect the employees to continue, they need to take extra care to carry along the newly added employees and also take effort, if needed, to help them integrate with the existing team. If the bank management ignore the concerns of their employees, then ultimately their attitude towards the management will also turn bitter and this negativity will reflect on their interpersonal relationships and as well in their behavior to the customers. In the long run, this will affect the very existence of the organization.

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