Perceived Effect of Merger on Employee Satisfaction on Nepalese Commercial Banks

Pitri Raj Adhikari[14]

Abstract

The objective of this paper is to examine the perceived effect of merger on employee satisfaction of Nepalese commercial banks. Descriptive and casual comparative research design are used to estimate the relationship of employee satisfaction (dependent variable) with independent variables (pay remuneration, belonging, chain of command, training and development, employee performance, job security). Data are collected from 350 respondents of Kathmandu valley through structured questionnaires and descriptive and inferential statistics are used to analyse the data. The beta coefficients of pay remuneration, belonging, chain of command, training and development, employee performance and job security are positive and significant. According to respondents, increased size of the banks is the most important fact and improve employees' satisfaction is the least important fact to merge of Nepalese banks. Similarly, most of the respondents' states "change management of banks" is the major challenge of merged banks and "increased profitability of bank" is the least important challenge. It is observed that employees of banks ranked highest for belonging as the most important factor affecting their satisfaction of merged banks and it is also found that conceptualization of effect of merger and acquisition in Nepal is in the progressive stage and few institutions have been merged and are taking initiations on the broad aspects of employee satisfaction during merger as practices in developed countries.

Keywords: employee satisfaction, pay remuneration, belonging, chain of command, training and development, employee performance, job security

Introduction

Employee satisfaction, a most important component to retain qualified employees in organization, has been one of the researchable issues for practitioners and researchers

[14] Adhikari is Lecturer of Shankar Dev Campus, Faculty of Management, TU.
Email: mailtoadhikarisir@gmail.com

for last many decades. Prior research has linked employee satisfaction with different predictors. Among them, effect of merger and acquisition that is essential to beat the competition in modern business age is one of the important predictors. Merger has become more popular through past decades, however, because of several factors, they are not always successful. Among them a reason might be that employees leave the organization and are not satisfied with the organization; therefore, human resources issue is important in merger and acquisition activity throughout the world (Schuler & Jackson, 2001; Sanda & Adjei-Benin, 2011). According to Tak Ng *et al.* (2019) employees that have left after being acquired are more likely to report experiencing of non-merged banks and that this influences their decision to leave. Further, in the merger context male employees, front line employees and officer level employees have different leaving decisions path from their female, back-office, and non-officer level counterparts respectively. No such differences are found in the non-merger context.

The human capital theory, reveals that the mergers and acquisitions lead to improvement in the firm performance and plant productivity and also appear to enhance the careers of workers because they provide a mechanism for improving the sorting and matching or workers and managers to firms and industries that best suits their skills (Adembesa, 2014). However, Veen (2013) argued that due to merger and acquisition employees' skills are not matched with their work because a reason may be that supervisors are occupied dealing with the merger and acquisition, leaving to neglect their employees. Similarly, Roudy (2010) stated that organizations waiting to improve the organizational commitment of their employees should pay greater attention of understanding and developing a narrative of the merger and acquisition. Employees' satisfaction could be enhanced by instituting effective two-way communication system and using participatory approaches in job redesign processes (Sanda & Adjei-Benin, 2011).

According to Joshi and Goyal (2012) merger and acquisition is an inevitable part of banks, as it is a law of nature that small entity is supposedly merged into larger entity and many factors such as uncertainty, insecurity, fears concerning job loss, job changes, compensation, changes in power, status, prestige, workload, working hours, technological problem at work, inadequate salary, communication cause stress among employees.

Kiviuti (2013) found pay and remuneration, sense of ownership, performance of the employee and chain of command are the major indicators that affect employee satisfaction on merger and acquisition. Similarly, Kareem (2014) revealed merger and acquisition have negative impact on employee development in banking industry in contrast, the bank employees were satisfied as a result of merger and acquisition process and increase in job satisfaction level of employees increases the financial performance of commercial banks (Aliyu, 2013; Bhandari, 2014; Adhikari, 2014; Suluja *et al*. 2012; Khatri 2013). Likewise, Gautam, (2016) suggested bank and financial institutions should think involving their employees in the merger and acquisition process and positively address human resources issues during merger and acquisition process.

The Nepalese financial sector is presently facing huge problem and is in critical juncture. Therefore, Nepal Rastra Bank, central bank of Nepal, has directed the banking institutions to go in the process of merger and acquisitions to cope with this problem. Employee satisfaction is major issue on merger and acquisition. Therefore, the research on perceived effect of merger on employee satisfaction is of greater importance. Moreover, research has been done concerning this issue in western context; however, there are very few research has been done in the context of Nepal. Hence, this paper attempts to examine linkage between perceived effect of merger and employee satisfaction of Nepalese commercial banks. The remainder part of this study is organized as follows. The section two is concerned with hypotheses. Similarly, section threedeals research methodology; section four is concerned with results and discussions and finally section five concludes the paper.

Research Hypotheses

This paper has set the following alternatives hypotheses:

H_1: There is a positive and significant relationship between merger and pay remuneration.

H_2: There is a positive and significant relationship between merger and belonging.

H_3: There is a positive and significant relationship between merger and chain of command.

H_4: There is a positive and significant relationship between merger and training and development.

H_5: There is a positive and significant relationship between merger and employee's performance.

H_6: There is a positive and significant relationship between merger and job security.

Methods

This paper has used descriptive research design to deal with the fundamental issues associated with employees due to merger of banks and has also used casual comparative research design to examine the relationship between merge and employee satisfaction. Data are collected through structured questionnaire and the questionnaire is divided into three sections where first section is related to basic information of the respondents; second section is concerned with ranking questions and third section is related with five-point Likert type questions about the quality variables that affect employee's satisfaction which scale ranges from 1 (Strongly agree) to 5 (Strongly disagree). Multiple regression model is used in this paper that is presented as:

$$PE = \alpha + \beta_1 PR + \beta_2 B + \beta_3 JS + \beta_4 CC + \beta_5 EP + \beta_6 TD + \varepsilon$$

Where, PE= Perceived effect on employees satisfaction, PR= Pay remuneration, B = Belonging, JS = Job security, CC= Chain of command, EP= Employee performance, TD= Training and development, α*= Intercept,* ε*= error term,* $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ *and* β_6 *are the beta coefficients of the explanatory variables to be estimated.*

Data Analysis and Discussions

Responses Related to Ranking Questions

While asking respondents (employees of merged banks) about the reasons to merge the banks, it is found that the most important fact to merge (out of six reasons) is "increased size of the banks" with mean score of 2.94 followed by "forced by Nepal Rastra Bank" with mean score of 3.08. Similarly, the third important reason is "improve service and products of banks" having mean score 3.22 and "improve management" has been ranked fourth fact with mean sore of 3.59. Additionally, "increase profitability of the bank" is in fifth position with mean score of 3.92 and "improve employees' satisfaction" is in last position with mean score of 4.41.

Major Challenges of Merged Banks

Regarding the question about major challenges of merged banks most of the respondents' states "change management of banks" with mean score of 2.47is the most important reason (out of five reasons) followed by "employee retention and selection" with mean score of 2.89 and "competitive and strong bank" is in third rank with mean score of 3.45. Similarly, "increased growth rate" and "increased profitability of bank" are in fourth and fifth ranks with mean score of 3.71 and 4.27 respectively.

Major Problems of Merger in Nepal

For question about important problems for merger in Nepalese banks, "fear of job loss" is the most important fact with mean score of 2.19 followed by "work related stress" with mean score 2.92. The third important problem for merger is "work load increase" with mean value of 3.22. Similarly, "communication with co-workers" has been ranked fourth with mean score of 3.63 and "pay remuneration worsens" in fifth rank with mean score of 3.92.

Major factors that employees should look forward when banks merge

The issues regarding the factors that employee look forward when bank merge was asked to rank to the respondents. For this, "focus on training" is the most important reason with mean score of 2.53. Similarly, "increase in salary and remuneration" is the second important reason with mean score of 2.91 and respondents have ranked third for "improve working conditions" with mean score of 3.11. Likewise, mean score for "promotion opportunities" and "prepare employee for customer shift" are 3.45 and 3.73 respectively and are ranked as fourth and fifth factors.

Major Importance of Merger

Regarding the issue of importance of merged banks respondents have ranked first for "gain higher competitiveness" with mean score of 2.62 and second rank for "to improve profitability" with mean value of 2.83. With mean sore of 3.02 "more opportunity for growth" is in third important factor. Similarly, "enter new market" and "achieve administrative management" are in fourth and fifth rank having mean score of 3.33 and 3.67 respectively.

Descriptive Statistics

The mean value of pay remuneration of employees ranges minimum value of 2.75 to maximum value of 3.10 and weighted average is 2.98 that indicates effect of merger on employees' satisfaction has been executed properly and more focus is to increase the level of satisfaction through enhancing the pay remuneration of employees. Similarly, the mean value of belongings ranges from minimum value of 2.22 to maximum value of 2.72 and weighted average is 2.55 that reveals effect of merger on employees' satisfaction has appropriately executed and is focus to increase employee satisfaction level through enhancing the belonging or ownership of employees. Likewise, the mean value of job security of employees of merged banks ranges from minimum value of 2.20 to maximum value of 3.25 and weighted average is 2.85 which states effect of merger on employee's satisfaction has properly executed is more focused on increasing employee satisfaction level through enhancing the job security of employees.

Similarly, the mean value of chain of command ranges from minimum value of 2.41 to maximum value of 2.85 and weighted average is 2.71 which shows that effect of merger on employees' satisfaction of merged banks has been executed properly and is focused to increase the level of satisfaction through enhancing the chain of command. Additionally, the mean value of employees' performance of merged banks ranges from minimum value of 2.62 to maximum value of 3.18 and weighted average is 2.84 that means effect of merger on employees' satisfaction of banks has been executed properly and is more focused on increasing employee satisfaction level through enhancing the employee performance of employees. Furthermore, the mean value of training and development ranges from minimum value of 2.76 to maximum value of 3.43 and weighted average is 3.01 that exhibits effect of merger on employees' satisfaction of banks has been executed properly and focuses to increase employee's satisfaction level through enhancing training and development of employees. Moreover, the mean value of employees' satisfaction ranges from minimum value of 2.68 to maximum value of 2.92

and the weighted average is 2.81 that indicates effect of merger on employees' satisfaction of banks has been executed properly.

Correlation Analysis

Table 1

Pearson's Correlation Matrix

	Mean	Std. Deviation	PR	B	JS	CC	EP	TD
PR	2.98	0.89	1					
B	2.55	0.81	0.458	1				
JS	2.85	0.59	0.471	0.651	1			
CC	2.71	0.62	0.342	0.681	0.639	1		
EP	2.84	0.79	0.608	0.630	0.591	0.502	1	
TD	3.01	0.89	0.549	0.481	0.601	0.387	0.668	1
ES	2.81	0.76	0.668	0.642	0.671	0.522	0.659	0.709

Note. This table shows correlation coefficient between perceived effect of merger on employees and different dimensions (pay remuneration, belongings or ownership, job security, chain of command employee performance and training and development) of perceived effect of merger on the employees

The results show employees satisfaction of merged banks is positively correlated with all independent variables that means higher the pay remuneration in merged banks, higher would be employees satisfaction; more the employees are dedicated to the organization, higher would be employees satisfaction; higher the job security, higher would be employees satisfaction; higher level of training, higher would be employees satisfaction; strong the chain of command, higher would be employees satisfaction; and higher the level of satisfaction higher would be employees performance.

Regression Analysis

Table 2

Regression Result

Model	Constant	PR	B	JS	CC	EP	TD	Adj R^2	S .E. E.	F
1	1.169***	0.57***						0.397	0.56405	80.302
	(6.04)	(8.87)								
2	1.311***		0.60***					0.376	0.57988	68.71
	(6.76)		(8.312)							
3	0.542**			0.82***				0.461	0.56116	82.777
	(2.12)			(9.123)						
4	1.143***				0.61***			0.304	0.64917	37.42
	(3.91)				(0.015)					
5	1.114***					0.623***		0.386	0.56811	76.435
	(5.43)					(8.805)				
6	1.072***						0.594***	0.498	0.53417	100.415
	(5.88)						(12.34)			
7	0.652***	0.40***	0.40***					0.64	0.48905	69.374
	(3.44)	(6.518)	(5.803)							
8	0.155	0.34***	0.23***	0.399***				0.704	0.45718	59.314
	(0.71)	(.5711)	(3.102)	(4.117)						
9	0.131	0.34***	0.22***	0.39***	.022			0.588	0.45917	44.358
	(0.59)	(5.703)	(2.611)	(3.603)	(0.167)					
10	0.111	0.29***	0.19**	0.36***	0.009	0.154		0.712	0.45312	34.243
	(0.48)	(4.502)	(1.997)	(3.196)	(0.92)	(1.725)				
11	0.68	0.25***	0.20***	0.23**	0.044	0.015	0.268***	0.703	0.42514	37.124
	(0.303)	(3.875)	(2.312)	(2.117)	(0.391)	(0.172)	(3.911)			

i) * * *denotes that the results are significant at 1% level of significance.

ii) * * denotes that the results are significant at 5% level of significance.

The beta coefficients of all independent variables are positive and significant which reveals that higher the pay remuneration, higher would be the employee satisfaction of merged banks; higher the belonging, higher would be the employee satisfaction; higher the job security, higher would be the employee satisfaction; higher the chain of command, higher would be the employee satisfaction; higher the employee performance, higher would be the employee satisfaction; higher the training and development, higher would be the employee satisfaction level of merged banks.

Conclusion

It is found that employees of merged banks ranked highest for belongings as the most important factor affecting their satisfaction of merged banks. It is concluded that the pay remuneration, belonging, job security, employee performance, chain of command, training and development have positive and significant relationship with employee satisfaction in the merged banks. This study also reveals that in recent years, the conceptualization of effect of merger and acquisition in Nepal is in increasing stage and few institutions have been merged and are taking initiations on the broad aspects of employee satisfaction during merger as practices in developed countries.

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