



IMPACTS OF MERGERS AND ACQUISITIONS ON EMPLOYEE'S PERCEPTION IN BANKING SECTOR OF INDIA.

Dr. Richa Agrawal

Assistant professor

Indirapuram Institute of higher studies

ABSTRACT

Merger is defined as a combination of two or more business organization where one firm survives and others would cease to exist. There are lots of impacts of mergers and acquisition on any business organization but the present paper mainly focused on impacts of merger's and Acquisition's on employee's perception in banking sector of India.

Key Words: Job security, financial security, Work life balance

Introduction

Corporate restructuring is a heavy piece of the company finance world. It is the company management term for the act of spotting the legal, ownership, possession, operational or other structure for a company for the purpose of making it more worthwhile or better organized for its present needs.

India in the recent year has shown tremendous growth in M & As deal. It has been actively playing in all industrial sectors. It is widely spreading far across the stretches of all industrial verticals and on all business platform the increasing volume is witnessed in various sectors like that of finance, pharmaceutical, telecom, FMCG, industrial development, automobile and metals.

Mergers and Acquisitions (abbreviated M&As) are both aspect of strategic management, corporate finance and management handling dealing with the buying and selling, dividing and combining of different organizations and similar entities that can assist an enterprise to grow rapidly in its sector or location of origin, or a new subject field, or new location without developing creating a subsidiary or other child entity. The use of joint venture and mergers and acquisitions activity can be defined as a type of restructuring in that they result in some entity reorganization with the intention to provide growth or positive value. Consolidation of an industry and sector occurs when widespread M &As activity concentrates the resources of many small companies in few large one, such as occurred with the automotive industry between 1910 and 1940.

Mergers and Acquisitions have now become important features of corporate restructuring, they have been playing an important role in the external growth of a number of leading companies the world over .They have become popular because of the enhanced competition, breaking of trade barriers, free flow of capital across countries and globalization of business .

In the wake of economic reforms, Indian industries have also started restructuring their operations around their core business activities through mergers and acquisitions and takeovers because of their increasing exposure to competition both domestically and internationally.

Literature review

Schweiger and Weber (1989) suggested that Mergers and acquisitions (M&As) are corporate events that have the potential to create severe personal trauma and stress which can result in psychological, behavioral, health, performance, and survival problems for both the individuals and companies involved. With the increasing size and number of M & As transacted and the number of employees affected, it is essential that executives and human resource professionals pay greater attention to understanding the sequence of actions and reactions associated with the process.

Weber (1996) assessed the role of corporate cultural fit, autonomy removal, and commitment of managers to the merger in predicting effective integration between merger partners in different industry sectors. He found that relationship was very complex; they varied across industries and had different relationships with different measures of performance. Further, he found that cultural differences at the top management level were most likely to influence the merging organizations' ability to realize synergies.

Panchal and Cartwright (2001) investigated post-merger stress in a sample of field sales employees. A survey methodology was used to examine group differences, comparing those from the two pre-merger companies and those newly merged organization. Results revealed that group differences in both sources and effects of stress existed. Those from the dominant pre-merger company reported the highest stress levels and most negative work attitudes.

Clarke and Salleh (2011) conducted a qualitative study examining the emotional impact of a merger between two banking institutions on managers in Brunei. The distinctive national culture representing a fusion of Malay and Islamic values was found to influence the emotional impact of this merger. These values place less emphasis on personal control as a means for dealing with uncertainty. The findings suggest that Western transactional models of perceived control to explain how people manage change may have far more limited application within a Bruneian context.

Khattak et.al (2011) examined the occupational stress in the banking sector of Pakistan. A total of 237 bank employees from different commercial banks participated in the survey. They used self-reported questionnaire. Descriptive, correlation, and regression statistical tools were used to analyze data. The results revealed the potential stressors like workload, working hours, technological problem at work, inadequate salary, time for family and job worries at home were the significant sources of stress in the banking sector. The study suggested that the elements, which are created, stress leading to burnout. Moreover, the significant symptoms of burnout as revealed by the results were back pain, extreme tiredness, and headache and sleep disturbance. All stressors (Organization, Job, and Relationship at work, work environment, and family work interface) were significantly correlated to all burnouts (Physical, Psychological, and Organizational). All the stress elements significantly predicted burnout in the banking sector of

Pakistan. The changing work pattern is creating stress for the bank employees and these stressors are leading to burnout.

Research methodology

Objectives

1. To study the impact of Mergers and Acquisitions on employee's perception on Job security.
2. To study the impact of Mergers and Acquisitions on Employee's perception on financial security
3. To study the impact of mergers and Acquisition on Employee's perception on Work life balance.

Hypothesis:

H₀: There is no significant difference of mergers and acquisitions on employee's perception on job security.

H_a: There is a significant difference of mergers and acquisitions on employee's perception on job security.

H₀: There is no significant difference of mergers and acquisitions on employee's perception on financial security.

H_a: There is a significant difference of mergers and acquisitions on employee's perception on financial security.

H₀: There is no significant difference of mergers and acquisitions on employee's perception on Work life balance.

H_a: There is no significant difference of mergers and acquisitions on employee's perception on work life balance.

Methodology

This study is an attempt to analyze the impact of Mergers and Acquisitions on employee's satisfaction of different public and private sector banks on job security, financial security and work life balance

Sample selection

The sample is taken from different public and private sector bank employees.

Sample size

The sample size is 400 employees of different public and private sector banks.

Data collection

A well defined questionnaire was designed for the study. It was sent to the professional organizations they removed 9 questions from it and add another 11 in it. This questionnaire was further sub divided in to three sections. First section comprises 10 questions related to demographic profile, second section comprises 26 questions for pre-merger period status and the third section comprises 26 questions for post-merger period status using 5-point Likert scale ranging from '1' for "strongly agree", '2' for "agree", '3' for "neutral" (Neither disagree nor agree), '4' for "disagree" to '5' for "strongly disagree". This questionnaire was sent for the pilot survey.

Pilot Survey

Pilot survey is being done on 50 respondent and the tool (questionnaire) was found statistical significant because the value of cronbach's alpha is more then 0.7.

Table -1

Reliability Statistics		
Cronbach's Alpha	N of Items	Sample size
.928	52	50

Table 2 - Scale statistics

Scale Statistics				
Mean	Variance	SD	N of Items	Sample size
126.52	599.642	24.488	52	50

After the pilot survey the selected questionnaire was sent to the target employees of banks. The questionnaire was sent to 500 randomly selected bank employees in both public and private sector banks for ascertaining their pre and post merger attitude. We got 426 responses in which we were able to use 404 responses which were properly filled. The data we got from the randomly selected employees was statistically reliable because the value of Cronbach's alpha is more than 0.7.

Analysis of the study

To test the hypothesis Wilcoxon signed rank test is used to analyze the data because the data is non-parametric.

Analysis

The present study is based on the impact of Mergers and Acquisitions on employee's perception on job security, work-life balance and financial security. To analyze the pre and post merger impacts on employee's perception, the data was collected through a questionnaire and the data was analyzed by using Wilcoxon signed rank test. The analysis is given below:-

Table -3 - Job Security

Paired Samples Statistics				
	Mean	SD	Wilcoxon Signed Rank Test	
			Z value	P value
JOB SECURITY_PRE	2.48	0.677	-2.079	0.038**
JOB SECURITY_POST	2.54	0.628		

(Source: Primary data, *significant at 10% level of significance **significant at 5% level of significance, ***significant at 1% level of significance)

From the observation of the table -3, it is clear that there is a significant difference between pre and post merger mean of employee's perception on job security (Pre merger mean of employee's perception on job security 2.48 and post merger mean 2.54 $p = 0.038 < 0.05$). So, we can conclude that the perception of employees on job security is positive after mergers and acquisitions.

Table- 4 – Financial Security

Paired Samples Statistics				
	Mean	SD	Wilcoxon Signed Rank Test	
			Z value	P value
FINANCIAL SECURITY_PRE	2.53	0.800	-0.426	0.670
FINANCIAL SECURITY_POST	2.55	0.717		

(Source: Primary data, *significant at 10% level of significance **significant at 5% level of significance, ***significant at 1% level of significance)

From the observation of table- 4. It is clear that there is a minor difference between pre and post merger mean of employee's perception on financial security, but this difference is statistically insignificant (Pre merger mean of employee's perception on financial security 2.53 and post merger mean 2.55, $P = 0.670 > 0.05$). So we can conclude from the above observations that there is no any significant difference in employee's perception on financial security.

Table - 5 - Work life balance

Paired Samples Statistics				
	Mean	SD	Wilcoxon Signed Rank Test	
			Z value	P value
WORK LIFE BALANCE_PRE	2.41	0.687	-4.156	0.000***
WORK LIFE BALANCE_POST	2.60	0.712		

(Source: Primary data, *significant at 10% level of significance **significant at 5% level of significance, ***significant at 1% level of significance)

From the observations of table -5 it is clear that there is a significant difference between pre and post merger mean of employee's perception on work life balance this difference is statistically significant (Pre merger mean of employee's perception on work life balance 2.41 and post merger mean 2.60, $P < 0.05$). So, we can conclude from the above observations that the perception of employees on work life balance is positive after mergers and acquisitions.

Conclusion

Banking sector is an important sector for the country economy and Mergers &

Acquisitions are an important activity for the development for banking sector. Result of the study suggests that the surviving employees of the merged banks positively perceive merger activity. Though the employees were nervous initially about the information of merger, job security, financial security, work life balance. In fact, the employees were very happy with their job security, financial security and work life balance after merger.

Limitations

1. Limited number of respondent will be chosen and this affects the accuracy of the results.
2. Chance of biasness of the respondent.
3. Budget and time also be constraint.

BIBLIOGRAPHY

- Agarwal R.K., “Evaluation of the Working of Regional Rural Banks,” Mittal Publications, Delhi, 1991.
- Akhilesh, K. B., L. Prashad, and P. Singh. 1995. HC Chaudhary, Relevance of Merger and Acquisitions, Evolving Performing Organizations through People . New Age International Publishers, New Delhi.
- Amit Singh Sisodiya (edited) (2005) “Mergers and Acquisitions Strategies and Insights” The Icfai University Press, Hyderabad.
- Argenti, John, “Corporate Collapse, the Causes and Symptoms,” McGraw Hill Book Company Ltd., 1976.
- Avadhani V.A., “Studies in Indian Financial System,” Jaico Publishing Company, Bombay, 1978.