



Perception of Bank Employee's Towards Post Merger and Acquisition- Evidence from Public Sector Bank

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Abstract

The banking sector is consolidating at an accelerating pace. Almost all banking institutions feel obliged to become larger and more powerful. The purpose of this study was to examine how bank employees perceive bank's M&As and how it is expected to affect their personal and professional career as well as their commitment to work. Data were collected from 87 employees of public sector banks in Amritsar who face merger situation. Factor analysis was used to obtain the factor that influences the perception of bank employee towards merger and acquisition. The three factors affective commitments, continuance commitment, turnover intentions are extracted from factor analysis. Anova and t test also used to check the impact of status and gender on factors extracted. The findings suggest that there is no significance difference Results show that bank employees feel personally threatened by M&A, which are not considered to be justified and necessary entrepreneurial activities conducive to enhanced, quality banking services. This study determines that there is no variation between perception of the clerk, PO and manager of banks by conducting ANOVA.

Keywords

Merger and acquisition, employer, employee, affective commitment, continuance commitment, turnover intention

1.Introduction

Change is always good, but keeping up with it can be difficult. The banking industry is an example of a sector that has seen significant transformations over time. The banking sector has evolved far beyond words, from the classic "brick and mortar" structure to today's online operations. The Indian banking business, too, has a long and illustrious history. The banking business has changed dramatically since the Presidency banks of the 1800s. The nationalization of the Indian banking industry, which took place in two phases, and the 1991 economic reforms, as well as all the changes that happened as a result of this liberalisation, are significant milestones. Mergers and acquisitions (M&A) aren't a new concept in the business world. However, with the growth in the intensity of competition in the last decade, they have grown in importance. Authorities have been known to take the initiative to integrate weak or sick units that are underperforming financially with the well-performing ones, and coercion has been employed in the past.



1.1 Merger and Acquisition

Despite the fact that the phrases mergers and acquisitions have different meanings, they are sometimes used interchangeably. In a merger and acquisition, there are two parties involved: the acquiring firm and the acquired firm. Mergers are similar to marriages in many ways. Both involve two parties, and they should be carried out in a mutually beneficial manner. Merger of two weaker banks or one strong bank with another weak bank might be viewed as a more expedient and cost-effective method of increasing profitability than driving internal growth (Devarajappa, 2012). The methods are similar in that the acquirer should have a preliminary concept of who he or she wants to combine with. As a result, a suitable bridegroom must be sought. After that, both entities should have a thorough awareness of each other's financial and other backgrounds. Finally, if all of the conditions are met, the merger or marriage takes place. Consent and modifications between the two partners are required for a successful marriage. In the case of mergers, the same thing happens. The entire work may go to waste and the end result will be devastating if not done with care, a proper knowledge of each other by either the entities or a lack of willingness among anybody to cooperate. It's possible that the experience will be unpleasant. Acquisition is the purchase of shares or assets on another company to achieve a managerial influence not necessary by mutual agreement (Shreelakshmi & Kumara, 2018). Acquisition as activities by which acquiring firms can control more than 50% of the equity of target firms (Piesse, Lee, Lin, & Kuo, 2005). A This is most common when most M&A as fail to acknowledge or resolve the concerns of employees within the company, particularly those of the company being bought. When a merger take place, employees experience a wide range of emotions, including anxiety, uncertainty, and confusion. Cultural disputes between the merging entities may occur during the integration process. But employees who believe they have the freedom to make decisions and are held accountable for their actions are happier and more productive. The outcomes are amazing when employees believe they have autonomy, and potential benefits include increased employee commitment, higher performance, increased productivity, and turnover. A lot of studies have been conducted on the subject of perception of banking employees towards merger and acquisition and a lot of research still going on. There are a large number of factors that affect the mindset and attitudes of employee, which is also, vary from employee to employee. It is self-evident that sick banks must be merged with large banks in order to defend customer rights. Here, the transferor and transferee banks develop synergy and clients profit from the merger as well. But in some cases, employees at the transferee company are dissatisfied. In this research, examine the perception of bank employees towards post-merger and acquisition in public sector such as canara bank, pnb, indian bank, bank of baroda, union bank of india. Perception is a psychological phenomenon that arises from the observation and experience of one's surroundings. One person's daily activities are influenced by their perception. Employee perceptions of mergers and acquisitions of banking organisations are explored in this study (Ganesh Bajgai 2021). If changes that occur during mergers and acquisitions are not managed properly, stress levels can rise. To deal with this circumstance, banks must adopt specific policies and strategies to avoid such issues in the first place.

2. Literature review

D. M. Schweiger (1991): Communication with employees following a merger: a longitudinal field experiment. The impact of a realistic merger preview, or a programme of realistic communications, on employees of a company that has just announced a merger, was investigated in this study. Employees in one factory were given a sneak peek, while employees in another were given only a restricted amount of information. The preview lowered the merger's dysfunctional outcomes, according to results based on four sets of data. Those effects persisted throughout the study, and in some cases, assessed traits returned to levels similar to those prior to the merger announcement. The current findings imply that realistic merger communications in the form of a realistic merger preview can assist employees in navigating the process. Realistic communications, in particular, can aid employees in coping with the uncertainty of the situation and thereby protect them from some of the negative consequences.



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.

Ivy Akua Kyei-Poku (2002): The purpose of this research was to see how employee post-merger satisfaction affects employee organisational commitment and turnover intentions. Employees of a Canadian financial institution (N=73) completed surveys seven months after the merger of two banks of similar size. The association between satisfaction with a merger and the affective and normative components of organisational commitment was demonstrated using the partial least squares (PLS) approach to structural equation modelling (SEM) (e.g., Wold, 1982). The hypotheses that affective and normative commitments are adversely linked with turnover intentions were also supported. The PLS analysis shows that post-merger satisfaction is linked to affective and normative commitments in a positive and substantial way. Affective and normative commitments are also adversely and strongly linked with turnover intentions, but not continuance commitment and turnover intentions. The findings imply that affective and normative commitment plays a role in the link between merger satisfaction and turnover intentions.

J.Mylonakis(2006): The perception of banks' mergers and acquisitions by bank employees. The goal of this study was to see how bank workers think about mergers and acquisitions and how they will affect their personal and professional lives. M&As, which are not perceived to be justifiable and essential entrepreneurial activity conducive to increased, high-quality financial services, make bank personnel feel personally threatened, according to the findings.

Marmenout, K (2010) conducted experimental study to examine how employees make sense of a merger announcement and investigates the relationship between deal characteristics (culture clash potential, degree of integration, position in deal structure) and employee attitudes. As employees make sense of the merger, higher perceived uncertainty is associated with greater dysfunctional outcomes.

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.

Joshi and Goyal (2012) reviewed stressors, which contribute in increasing the level of stress among employees. This included uncertainty, insecurity, fears concerning job loss, job changes, compensation, changes in power, status, prestige, workload, working hours, technological problem at work, inadequate salary, time for family job worries at home group differences and communication.

H. Abhyankar (2018): The goal of this study was to see how a merger or acquisition affected employee job satisfaction. This study contributes to a better understanding of the psychological status of employees following mergers and acquisitions. This also assists managers in anticipating what types of actions they should take to ensure the success of major transformations such as mergers and acquisitions. Frequency Distribution, Cross Tabs, Chi Square, Pearson's Correlation, and the Friedman Test were used to examine the data. Based on the findings, concluded that the majority of employees in various banks were satisfied with their jobs following the merger. They were pleased with a variety of aspects of the job, which can influence employee job satisfaction.

N. Antoniou, D. Vrontis, A. Thrassou and I. Pappasolomou (2020): "Employee retention during Cooperative banks' mergers and acquisitions". The drawing on the paper Empirical evidence from a study that looked into the most important criteria in keeping senior employees. Employees, whose worries and challenges frequently result in voluntary turnover with the failure of a merger the study makes use of qualitative data gathered through



interviews. 55 people participated in semi-structured interviews and focus groups. Participants from the Cooperative financial services environment as a whole Cyprus's tourism sector. The HRM department's role in managing the restructuring process that results from M&As and its influence on organizational members is highlighted by these findings. The vast majority of interviewers agree on one thing: Employee retention is dependent on the HRM department. This is owing to the fact that department's understanding of each member's value and contribution to the team organization. This understanding has a direct impact on efforts to keep those people. Employees who contribute to the organization's success by utilizing the appropriate technology HRM software.

G. Bajgai 2021: “Employees’ Perception towards the Merger and Acquisition of Bank and Financial Institutions of Nepal”. The study's goal was to find out how employees felt about Nepalese banks and financial institutions merging and acquiring each other. A total of 385 financial institution respondents were surveyed for the study. For the questionnaire survey, the participants were chosen at random. Because the survey used a quantitative approach, statistical analysis was used to compare the perceptions of the banks in categories A and B. The findings suggest that there was a strong relationship between the perceptions of merger and acquisition contribution among workers of category A and B banks. The majority of respondents said that mergers and acquisitions were successful in improving service quality, organizational performance, corporate culture exchange, maximizing profit and revenue, and increasing the number of employees.

3. Need of the study

Perception is a psychological process that results from viewing and experiencing one's surroundings. One person's practical efforts are influenced by their perception. There is need to study employees' perceptions of the Bank merger and acquisition. It is crucial to understand the factors that influence the perception of public sector employee after merger.

4. Methodology

The study aims to identify the factors influencing bank employees’ perception towards post-merger and acquisition situations, particularly focusing on challenges such as increased workload. It is limited to public sector bank employees in Amritsar, Punjab, representing diverse backgrounds. The research adopts both exploratory and descriptive designs and uses a survey method to collect primary data through a structured questionnaire. A total of 87 valid responses were obtained. The questionnaire was based on literature and expert inputs and included sections on affective commitment, continuance commitment, turnover intention, and demographic details. Data analysis was conducted using Exploratory Factor Analysis (EFA), supported by KMO and Bartlett’s Test. Additionally, t-test and ANOVA were applied to examine differences across demographic variables.

5. Factor Analysis

Factor analysis has been run using principal component matrix and Varimax rotation to examine the validity and reliability of the statement. 14 statements were loaded out of 17 to bring all the communalities values more than .5 and improving the KMO value and total variance explained. Before deleting these three statements the value of total variance explained was 64.44% and KMO was .766. After removing the statements total variance explained was improved to 65.12% and KMO is .768. All the Eigen values of these factors were larger than one, which implied that factors were valid and could be interpreted. The null hypothesis is that the variables are uncorrelated in the population rejected by Bartlett’s test of Sphericity. Thus, the Factor Analysis considered an appropriate technique for analysing the perception of bank employee towards merger and acquisition.



TABLE 1.

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.768
Approx. Chi-Square	584.713
df	91
Bartlett's Test of Sphericity	.000
Sig.	

TABLE 2.

STATEMENTS	FACTOR LOADING	COMMUNALITIES	% OF VARIANCE	CRONBACH'S ALPHA
FACTOR 1- AFFECTIVE COMMITMENT				
This merger serves an important purpose	.911	.846		
I believe in the value of this merger	.898	.835		
this merger is a good strategy for the organization	.881	.798		
things would be better without this merger	.779	.535		
This merger is not necessary	.670	.624		
TOTAL VARIANCE EXPLAINED			25.494%	
RELIABILITY STATISTICS				.890
FACTOR 2- TURNOVER INTENTION				
I will not look for a new job in the near future	.774	.605		
At the present I am not searching for new job in a different organization next year	.782	.622		
I do not intend to quit my job	.858	.739		
It is unlikely that I am actively look for another job in a different organization	.804	.651		
I am not thinking about quitting my job at the present time	.724	.603		
TOTAL VARIANCE EXPLAINED			23.696%	
RELIABILITY STATISTICS				.854
FACTOR 3- CONTINUANCE COMMITMENT				
I feel pressure to go along with this merger	.616	.463		
I have too much at stake to resist this merger	.691	.535		



It would be costly for me to resist this merger	.835	.703		
It would be risky to speak out against this merger	.728	.554		
TOTAL VARIANCE EXPLAINED			15.916%	
RELIABILITY STATISTICS				.713
OVERALL RELIABILITY STATISTICS				.784

5.1 FACTOR ANALYSIS INTERPRETATION:

The communalities of the variables are higher than 0.5. This may indicate that the variables chosen for this analysis are only highly related with each other. Also, The KMO and Bartlett's Test of Sphericity both indicate that the set of variables are sufficiently related for factor analysis. It is a well-recognized criterion for the factorability of a correlation. Firstly, it was observed the Kaiser-Meyer-Olkin measure of sampling adequacy was .768, above the commonly recommended value of .6, and Bartlett's Principal components analysis was used because the primary purpose was to identify and compute composite scores for the factors. Initial Eigen values indicated that the 3 factors explained 25.494%, 23.696% and 15.916% of the variance respectively. Solutions for all factors were each examined by using Varimax. A total of three items were eliminated because they did not contribute to a simple factor structure and failed to meet a minimum criterion of having a primary factor loading of .4 or above primary factor loading. For the final stage, a principal components factor analysis of the remaining 14 items, using Varimax and rotations, was conducted. A rotation method provided the best-defined factor structure. Internal consistency for each of the scales was examined using Cronbach's alpha. The Cronbach's Alpha for the independent variables are all greater than .60 which means that all the variables are excellent and can be accepted. The overall Internal consistency for the scales was 0.784. Composite scores were created for each of the 3 factors, based on the mean of the items which had their primary loadings on each factor which shows that data is consistent and reliable for running the factor analysis.

6. Independent t test - based on Gender

Following hypotheses have been established for conducting the t test.

H1 there is significant difference between the perception of male and female about affective commitment factor.

H2 there is significant difference between the perception of male and female about turnover intention factor.

H3 there is significant difference between the perception of male and female about continuance commitment factor.

6.1 Result of independent t test - Gender On the basis of gender characteristics,

1. **Affective commitment:** for males SD= 1.0621 and for females, SD=.944. During leven's test, significance value came out to be 0.202 which is more than 0.05. The p value of the test for equality of means is .820.

2. **Turnover intention:** SD for male and female is .563 and .541 respectively. During leven's test, significance value came out to be 0.645 which is more than 0.05. And the p value is 0.540 at 5% significance level.

3. **Continuance commitment:** the SD of male and female is 1.141 and .764, During leven's test, significance value came out to be 0.061 which is more than 0.05. The p value of the test for equality of means is 0.555.

Hence there is no significant difference between the perception of male and female employees regarding Affective commitment, Turnover intention, Continuance commitment factors



7. One Way Anova Analysis

Hypothesis:

Null hypothesis: Means of the groups being studied are the same.

Alternative hypothesis: at least one of the group means studied is different.

Test of Homogeneity of Variances

	Levene Statistic	df1	df2	Sig.
AFFECTIVE COMMITMENT	.568	2	79	.569
TURNOVER INTENTION	1.931	2	79	.152
CONTINUANCE COMMITMENT	.398	2	79	.673

The significant value of the homogeneity test is more than .05 hence Anova test can be conducted. Output of ANOVA analysis reported that the significance value of all factors is more than ($p > .05$) that means there is no statistically significant difference in the mean status of the employee to their perception towards merger and acquisition. "There were no statistical differences between group means as determined by one way ANOVA".

Affective Commitment: The f value 1.440 and significance value of ANOVA is .243 which is more than p value 0.05.

Turnover Intention: The f value .023 and significance value of ANOVA is .977 which is more than p value 0.05.

Continuance Commitment: The f value .163 and significance value of ANOVA is .163 which is more than p value 0.05.

Results of ANOVA There were outliers and the data was normally distributed for each group as assessed by box plot and shapiro-wilk test ($p > .05$), respectively. Homogeneity of variance was ($p > .05$), as assessed by levene's test of homogeneity variance. Analysis of variance is more than .05. ANOVAs tell us whether there is a significant difference between groups but it does not tell which specific group is different. Post hoc analysis tests explain this difference. Multiple comparisons show that there is no statistically significant difference in perception of employee regarding merger and acquisition between the clerk and po ($p = .242$) as well as between clerk and manager ($p = .919$). However, there were no differences between the groups between po and manager ($p = .451$). It can be reported that status had no influence of any kind on employee perception. Hypothesis was found to be true and there was no significant relationship between status and the factors that influence an employee perception. Rest of the factors showed no sign of variation among them. Based on the above data analysis using different analytical techniques such as factor analysis and ANOVA, various inferences can be obtained regarding the objectives of the study. Data analysis was successfully conducted.

8. Conclusion

The purpose of this survey was to find out how employees felt about bank institution mergers and acquisitions in Amritsar. The majority of respondents thought mergers and acquisitions were effective in improving service quality, organizational performance, organizational culture exchange, maximizing profit and revenue, increasing bank credit ratings, introducing new services and facilities, and implementing new innovative ideas but some respondents dissatisfied with merger which cause fear, anxiety, and lower their commitment toward their job. As a result of the preceding debate, we can conclude that mergers and acquisitions are an ongoing activity in the corporate world. It is self-evident that sick banks must be merged with large banks in order to defend customer



rights. Here, the transferor and transferee banks develop synergy and clients profit from the merger as well. However, in some cases, staff at the transferee company is dissatisfied. We discovered in our study that mergers and acquisitions are the activity that causes effect on employee commitment and their turnover intention. As a result of the merger, we discovered that employee commitment is low and but no effect on turnover. As a result of the preceding reasoning, we can conclude that mergers and acquisitions are a good thing. The study reveals the major factors that cause employees to get less committed. Uncertainty, insecurity, work changes, and the potential of job loss, work load, new job climate are the key psychological variables that cause anxiety among employees. Working cultural variables, on the other hand, contribute to the turnover intention, affective commitment as well as continuance commitment, and these include, dissatisfaction at job, reporting system, working hours etc. As a result, we can say that the changes that occur during mergers and acquisitions can increase the level of stress in employee also if they are not managed properly. To deal with this predicament, banks must adopt certain policies and strategies to avoid such issues in the future and prepare the employee to welcome the change

9. Suggestions

Because human capital is a vital resource for a successful merger, banks involved in M&A should continue to take steps after the merger to ensure that the integration process is managed efficiently by paying attention to minute elements such as employee job satisfaction, affective commitment, continuance commitment, and turnover intention. As it is a distinct job, key personnel involved in the merger process must spend full attention to it and focus on various issues such as role, advancement, trustworthy culture, promotion, workload and updated policy as desired in the new circumstances.

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