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Impact of mergers & acquisitions on job satisfaction and employee productivity in Indian banking

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Abstract

As the Indian economy continues to globalize, the Indian corporate and financial sectors have little option but to consolidate in order to compete in the global marketplace. It is a well-known truth that corporate houses were particularly focused on achieving their company objectives by implementing M&A strategies.

According to Price Waterhouse Coopers, the culture of the business houses and the function of human resources must be addressed throughout the due diligence process in order to make proper transaction, since these components have a significant effect in post-merger outcomes. The goal of this research was to see how a merger or acquisition affected

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job satisfaction and performance. The researchers considered numerous aspects of job satisfaction for this objective. The researchers wanted to see whether employee satisfaction differed depending on their demographic identity.

It was agreed to conduct the research solely in the Delhi NCR Region, and 30 bank branches in the region were chosen for the research. The study aims to guide the development of hypothesis. The data was gathered using the survey approach. A systematic questionnaire was created for the aim of data gathering. Frequency Distribution, Cross Tabs, Chi Square, Pearson's Correlation, and the Friedman Test were used to examine the data. A conclusion was reached based on the analysis. Future research recommendations were also made. Based on the findings, it can be concluded that the majority of workers at various banks were happy with their jobs after the merger. They were pleased with a variety of facets of the job, which might influence employee job satisfaction.

Subject Classification: G34.

Keywords: Mergers & Acquisitions performance, Job satisfaction, Employee morale, Banking industry, Delhi NCR.

1. Introduction

As the Indian economy continues to globalize, the Indian corporate and financial sectors have little option but to consolidate in order to compete in the global marketplace.

Mergers & Acquisitions have massive ramifications for the financial sector and the economy. Banks confront a difficulty in improving their operations and management quality. There is a belief that increasing the size of a bank will lessen the likelihood of a bank collapse. Larger banks would be in a better position to diversify their businesses and, as a result, lower their risks. Banks are reorganized after mergers.

They are more likely to emerge stronger as a result of improved earning capability, allowing them to further increase their capital foundation. As a result of the increased capital, they will be able to pursue new and more diverse operations, such as financing equity underwriting, distribution of investment and insurance products, and the issuance of asset-based securities, among others. Competition in the contemporary banking business is mostly a test of managerial qualities and competence. One approach to do this is to cut expenditures and keep an eye on cost-to-income ratios. By optimizing branch locations and reducing duplications, merging banks operating in the same market area is guaranteed to cut overheads. The synergy created via M&A is anticipated to ease the transition and better prepare banks to deal with the flood of foreign banks.

Based on the above, it is reasonable to expect that mergers and acquisitions will continue to be one of the most significant company development and sustainability strategies. Although mergers and

acquisitions (M&A) is a highly important technique used by corporations, it has been discovered that it often fails. Although the legal, financial and operational components of a merger or acquisition get the most attention, the practical success of a transaction is decided by the management of human components throughout a merger, according to a McKinsey analysis.

2. Review of Literature

Compensation is a primary driver of employee satisfaction, according to Lawson, G., Hein, S. F. & Stuart, C. E. (2009) and Jones, Hohenshil & Burge (2009), Any changes in remuneration and benefit policies after a merger might have an impact on employee satisfaction. In the post-merger phase, any change in salary and benefit policies might have a significant influence on employees. As a result, compensation or pay-related issues were taken into account in this study.

Job satisfaction has a direct negative association with turnover intention, according to Mah, Okechukwu E. (2009). These findings suggest that job satisfaction may have a positive impact on turnover in two ways: when workers discover a match between their job and their self-identity, and when engagement in such employment improves their overall life satisfaction. These two studies demonstrate the significance of research. In this study, the factor of overall life satisfaction was not taken into account.

According to Sekaran, Uma (2009), personal, job and organisational environment elements impacted people's ego investment or job participation in their work, which in turn affected the intra-psychic reward of feeling of competence they felt, which in turn affected workers' job satisfaction.

Anum Khan, Muhammad Ramzan, and Muhammad Saqib Butt (2013) found that Organizational Climate and Occupational Stress have a considerable influence on Job Satisfaction (JS), that age does not matter and has a substantial influence, and that gender has a substantial influence (Chen, C. H. & Chou, C. Y., 2021). The researcher took into account the organizational environment but not the stress factor since the study took place from 2000 to 2011. The researcher suspected that participants would be hesitant to admit their stress levels and that if a mental block developed, the respondents would be unable to complete the questionnaire.

(Hosani et. al, 2020) As PMI unfolded, employee disengagement was exacerbated or mitigated in large part by HR activities and an effective

employee communication strategy. Individual job performance was impacted by the length of time an employee has worked for the company.

(Singh et. al., 2021), Human resource techniques such as change management education and communication have been shown to have a substantial impact on the implementation of change.

3. Problem Statement

Cultural misalignment is a significant issue in Merger & Acquisition transactions. Based on the literature analysis, it can be stated that different issues that arise during and after mergers and acquisitions might result in initiative failures.

4. Objectives of the Study

- I To examine the impact of Mergers & Acquisitions on employee job satisfaction in Indian banking industry.
- II To assess the impact of Mergers & Acquisitions on employee productivity in Indian banking industry.

In order to achieve the objectives of the study as mentioned above, the author decided to pursue the research in two stages, the first being the identification of the factors that affect the job satisfaction levels and their level of impact on the same for the employees of the banks undergone or undergoing the process of a merger or acquisition. In the second stage, the author decided to study the impact of job satisfaction of these employees on their productivity. For the purpose of the first stage of the study, five factors were identified from the extensive literature survey and a hypothesis was created combining all the five factors as following:

Ho₁: There is no statistically significant impact of the factors like job security, training, job role, cultural difference and organizational communication on the job satisfaction of the employees.

Although, all the five factors being studied have combined representation in the above mentioned hypothesis, the data analysis handles the impact of all these factors separately. The factors have been combined for the sake of convenience and reducing the creation of multiples hypothesis.

For understanding the impact of job satisfaction on the employee productivity, the following hypothesis was proposed:

Ho₂: There is no statistically significant impact of the job satisfaction on the productivity of the employees

5. Research Methodology

In order to fulfill the stated objectives of the study and to gauge the significance and the impact of the chosen factors like job security, training, job role change, cultural differences of the merging organizations and the organizational communication on the employee job satisfaction, a structured questionnaire, with close – ended questions was prepared that was validated through a pilot run for 50 respondents and the reliability analysis for the factors chosen was also conducted (as depicted in Table 1) that established the significance of the chosen factors for the concerned study.

Once the questionnaire was validated, it was sent to a total 238 employees using emails and other electronic and social media platforms, working in the 30 bank branches spread over the NCR region. Of these 238 questionnaires sent, 194 responses were received and used for this study, thus achieving a return rate of 81.5%. The questionnaire, primarily, consisted of five - point Likert Scale based statements, where the respondents were asked to choose their responses ranging from strongly disagree to strongly agree as per their opinion against the statements. Regression Analysis was used to study the effect of the chosen five factors on job satisfaction of the employees and the impact of job satisfaction on the employee productivity. Further, the two stages of the study were further analyzed into the form of two separate models using Structural Equation Modeling and represented using a path diagram.

6. Data Analysis & Results

As the regression analysis was performed on the chosen factors to determine their impact on the job satisfaction, the test returned an adjusted r^2 value of 62.4% (Table 2) which is highly significant in statistical terms, as the research literature clearly establishes that any value of r^2 above 25% should be considered significant. Thus, it was clearly established

Table 1
Reliability analysis

Reliability Analysis	
Job Security	0.851
Training	0.912
Job Role	0.894
Cultural Differences	0.796
Organizational Communication	0.635
Job Satisfaction	0.864
Overall Reliability	0.954

that the factors like job security, training, job role, cultural differences and organizational communication had a significant impact on the job satisfaction levels of the employees.

Further, the ANOVA table generated (Table 3), along with the regression model, also depicted a significant probability value, thus establishing the effect that these factors have on the job satisfaction.

The above two tables of regression analysis and ANOVA clearly establish that the first null hypothesis H_{01} has been clearly rejected and the study shows that there is a significant impact of job security, training, job role, cultural differences and organizational communication on the job satisfaction levels of the bank employees undergoing or having undergone any merger or acquisition related activity. In order the grade the effect of these five factors on the job satisfaction, regression coefficients were calculated, which are given in Table 4.

Table 2
Regression model summary – job satisfaction

Regression Statistics	
Model	1
Multiple R	0.824
R Square	0.676
Adjusted R Square	0.624
Standard Error	0.24857

Table 3
ANOVA for job satisfaction model

Model		df	SS	MS	F	Significance F
1	Regression	7	17.552	2.489	43.26	0.000
	Residual	138	8.068	0.057		
	Total	145	25.620			

Table 4
Regression coefficients for job satisfaction

Model		Unstandardized Coefficients		Standardized Coefficients		t	Significance
		B	SE	β			
1	(Constant)	0.818	0.21			3.887	0.000
	Job Security	0.457	0.084	0.54		5.503	0.000
	Training	0.062	0.092	0.075		0.71	0.478
	Job Role	0.323	0.087	0.37		3.623	0.000
	Cultural Differences	0.005	0.09	0.004		0.023	0.981
	Organizational Communication	0.057	0.046	0.056		1.069	0.286

The Table 4, gives us the following equation relating job security, training, job role, cultural differences and organizational communication with job satisfaction:

$$\text{Job Satisfaction} = 0.457 \times \text{Job Security} + 0.062 \times \text{Training} + 0.323 \times \text{Job Role} + 0.005 \times \text{Cultural Differences} + 0.057 \times \text{Organizational Communication}$$

Once the regression analysis of these factors was conducted and the relationship established, the author moved towards the next part of this research problem, i.e., testing the second set of hypotheses to study the impact of job satisfaction on the productivity of these employees. Regression Analysis was used again and it proved that the relationship was significantly positive as the adjusted r2 was calculated at 58.4%, which shows a significant relationship between job satisfaction and productivity, as it is much higher than the standard threshold of 25%. The Table 5 exhibits the outcome of this regression analysis.

This outcome of the regression analysis was further supported by the ANOVA table that showed that the p value of the test was also significant, thus establishing the relationship of these variables. Table 6 exhibits the outcome of the ANOVA test.

The regression table and the ANOVA table clearly exhibit that the second null hypothesis H02 can be rejected and the alternate hypothesis Ha2 should be accepted, establishing that there is a significant impact of the job satisfaction levels of employees on their productivity. Further, the regression coefficients table (Table 7) gave the following equation for relationship among these variables:

$$\text{Employee Productivity} = 0.874 \times \text{job satisfaction} + 0.512$$

Table 5
Regression model summary – employee productivity

Regression Statistics	
Model	1
R	0.769
R Square	0.584
Adjusted R Square	0.586
Standard Error	0.30282

Table 6
ANOVA for employee productivity model

Model		df	SS	MS	F	Significance F
1	Regression	1	20.315	20.417	221.271	0.000
	Residual	147	12.756	0.092		
	Total	148	33.071			

Table 7
Regression coefficients for employee productivity

Model		Unstandardized Coefficients		Standardized	t	Significance
		B	SE	β		
1	(Constant)	0.512	0.428		2.118	0.036
	Job Satisfaction	0.874	0.06	0.774	14.875	0.000



Figure 1
Estimated model using PLS

Thus, both the regression exercises made it clear that both the alternate hypothesis can be accepted and a model can be validated that illustrates the impact of job satisfaction on the employee productivity as depicted in Figure 1.

Thus, the estimated model clearly depicts that the factors of job security, training, job role, cultural differences and organizational communication have an effect on the employee productivity through job satisfaction. The figure also tells us that the job security, job role and the training factors have the maximum effect followed by the other two.

7. Discussion

The first regression analysis that was conducted to understand the effect of five individual factors on the job satisfaction of the employees of banks undergoing or have undergone any merger or acquisition like activity demonstrated that all the factors had an impact on the job satisfaction. However, the magnitude of their effect was different in all the five cases. As Table 4 of regression coefficients illustrate that the job security was the strongest of the factors impacting the job satisfaction, followed by job role and training respectively. Most of the mergers and acquisitions lead to the downsizing or right – sizing, as it is often called, of the work force by the management, leading to a job loss for many

employees. There have been various reports of management offering early retirement packages to their senior employees, instead of firing them. All this leads to a sense of insecurity in the work force about their jobs. The job role is also significant since any employee remaining in the organization fears for a change in their job role after the exercise. The management does the same for utilizing the available human resources in the best possible manner, but, it becomes very difficult for a middle aged employee to get adjusted to a new role. Even when the employee might be ready, the training or reskilling opportunities provided by the management are also critical, as the employees, on themselves, might not be in a position to re-train themselves, while, any effort from the organization makes them feel valued. The factor of organizational communication related to the information sharing about the merger or acquisition process and the ability of the management to communicate clearly with the staff was also an important factor. The cultural differences among the work places and the employees of two merging bank was not a significant factor as per this study, which might have happened as most of the mergers or acquisitions have happened among public to public or private to private banks, and there are very few cases of public sector banks being merged into private sector banks. The structural model also clearly depicts that the job satisfaction of these employees was also directly impacting their productivity on the job. This is a significant outcome of the study, as the entire exercise of merger or acquisition is, primarily, aimed at increasing the operational efficiency of the merged entity inclusive of all the possible factors, the employees being one of them. If the correct policies are not implemented and the noble intentions of the management do not translate into effective and affirmative action on the ground, the employees would not be able to be a part of this transition, thus, again, creating a drain on the efficiency of the newly formed organization.

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