ORIGINAL RESEARCH PAPER

Commerce

A STUDY ON CONSUMER AWARENESS IN BANKING SECTOR AFTER THE MERGER WITH SPECIAL REFERENCE TO STATE BANK OF INDIA AND STATE BANK OF INDORE

KEY WORDS: Merger, Customer Awareness, Banking Sector.

Manish Phalke Research Scholar, Devi Ahilya University, Indore (MP) India

Dr. Avinash Desai Group Director, LNCT Group of Colleges, Indore (MP) India

ABSTRACT

This paper analyzed the role of merger on customer awareness for the services provided by banking sector. Further, it analyzed the various opinions towards the customer awareness for the services provided by banks. We focus on meaning and impact of merger on customer awareness related to services provided by banks pre and post merger. For that we study the customers and banks employee both views with the help of a questioner and we observed that there are deference in customers' awareness for the services provided by banks in pre and post merger.

Introduction

Meaning of Merger

Merger is a combination of two or more bank or firm or company into one bank or firm or company. In India, mergers are called as amalgamations, in legal terms. The acquiring bank, (also referred to as the amalgamated bank or the merged bank) acquires the assets and liabilities of the target company (or amalgamating bank). Typically, shareholders of the amalgamating bank get shares of the amalgamated bank in exchange for their existing shares in the target company. Merger may involve absorption or consolidation

The main motive behind the Merger is to create synergy, that is one plus one is more than two and this rationale beguile the companies for merger at tough times. Merger and Acquisitions help the banks in getting the benefits of greater market share and cost efficiency. For expanding the operations and cutting costs, Banks are using Merger and Acquisitions as a strategy for achieving larger size, increased market share, faster growth, and synergy for becoming more competitive through economies of scale.

The banking sector is one of the most important instruments of the national development, occupies a unique place in a nation's economy. Economic development of the country is evident through the soundness of the banking system. Deregulation in the financial market, liberalization, economic reforms have witnessed astounding changes in banking industry leading to incredible competitiveness and technological sophistication leading to a new era of in banking. Since then, every bank is relentless in their endeavor to become financial strong and operationally efficient and effective.

Indian banking system is divided into three part i) nationalized Banks ii) private Banks iii) foreign Banks. In the past three decades, worldwide financial and banking systems have been characterized by a consolidated trend of steady and continuous liberalization of domestic markets. This has implied a shift from highly regulated financial markets to more open systems, based on prudential regulation, reduced direct intervention by the state in the credit allocation decisions, privatized financial intermediaries, increased level of competition, and encouraged entry of foreign providers of financial services. There has been great competition and efficiency in the banking system which can lead to greater financial stability, product innovation and access of households and firms to financial services, which in turn affects economic growth. It is indeed found that changes in banks' behaviors matter in a systematic way through liberalization.

RATIONALE OF THE STUDY

The purpose of the study is to examine the differences before and after the merger of State Bank of Indore into SBI. As this study helps in understanding the customers' perception towards merged banks. It is evident that after merger many major changes take place and also affect the customers' perspective. Banks usually choose the growth through Mergers and Acquisition rather than going in for an organic growth strategy due to a lot of added advantages.

Research Methodology

The Research Design

The research performed through the study is Descriptive in Nature. Descriptive approach has been undertaken for the study

The Sample Design

In statistics and survey methodology, sampling is concerned with the selection of a subset of individuals from within a statistical population to estimate characteristics of the whole population. Two advantages of sampling are that the cost is lower and data collection is faster.

Universe: Population in the study refers to group of Customers of these two banks.

Sample Size: For the research 200 questionnaires were distributed to the target respondents that covered customers from the merged banks

The type of study: This study included Exploratory and Descriptive Research both

Sampling Method: For data collection 'Purposive Sampling Technique' is used.

Reliability of the Questionnaire

Cronbach's Alpha Test (Cronbach, 1951) was applied to check reliability before the questionnaire was administered for the final survey. An Alpha Coefficient of 0.60 is considered to be good reliability estimate of the instrument. In the present study, the Alpha Coefficient Value is found to be 0.89.

Questionnaire for Customers

Part I of the questionnaire for customers covered nine demographic variables including name, bank name, year of opening the account, type of account, marital status, gender, qualification, profession and income (for which the responses are given like for those banks in which they have account). In this part of the questionnaire respondents were requested to put a mark in the box a side of relevant field to choose the option.

Part II respondents were given 40 statements on how they perceive the services after the merger. For this various key factors were taken for the study from the perspective of the customers' mind. The statements were at five point likert scale (1= strongly agree and 5= strongly disagree).

Tools for Data Analysis: Once the response is collected it was converted into the useful data that can be used for statistical analysis by using SPSS software. Further, to meet the objectives of the research various statistical tools such as:

Hypotheses of the Study

H_{01}: There is no significant difference in the customers' perception towards Customer Awareness of banks between pre-merger and post-merger period.

H_{a01}: There is a significant difference in the customers' perception towards Customer Awareness of banks between pre-merger and post-merger period.

In order to find out the difference in the customers' perception towards Customer Awareness of banks during pre & post merger, a paired T-test has been used.

PAIRED SAMPLES STATISTICS ON CUSTOMERS' PERCEPTION TOWARDS CUSTOMER AWARENESS OF BANKS

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Pre-Merger Customer Awareness	20.4322	200	8.62447	.61137
	Post-Merger Customer Awareness	23.5327	200	8.74811	.62014

PAIRED SAMPLES CORRELATIONS ON CUSTOMERS' PERCEPTION TOWARDS CUSTOMER AWARENESS OF BANKS

		N	Correlation	Sig.
Pair 1	Pre & Post-Merger Customer Awareness	200	.181	.010

PAIRED SAMPLES TEST ON CUSTOMERS' PERCEPTION TOWARDS CUSTOMER AWARENESS OF BANKS

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	PRE-CA POST-CA	3.1005	11.1510	.78793	1.54669	4.65431	3.935	198	.000

From the results of the t-test; tabulated in the above mentioned tables it is evident that the null hypothesis is rejected at 5 per cent level of significance, which means that there is a difference in the perception of customer towards customer awareness during pre and post merger period. From the table on means of two groups pre and post merger, it is clear that there is a difference between these two groups, the mean value of pre-merger is 20.43 and the post merger is 23.53 and the value of t-test is 3.935 (higher than the tabulated value of T-Test) at .000 significant level which is lower than p-value (<.005). Hence**,** the alternative hypothesis is accepted and the null hypothesis is rejected at 5% level of significance. We fund there are deference in customers' awareness for the services provided by banks in pre and post merger.

Conclusion

This study has looked at the merger activity in the banking industry in India during the period 2006-2010 pre-merger and post-merger period. The financial performance of both State Bank of Indore and SBI with respect to acquiring private limited banks does not result in any notable changes in its liquidity position as well as on its profitability levels. But the efficiency of the banks in generating income relating to their investment in fixed assets has declined in shorter time period. In addition, the net earnings in longer time period of five year tend to increase against taking over of private limited banks by public and private sector banks in India.

LIMITATIONS OF THE STUDY

- A study that includes banks across different sectors like private, foreign and public instead of being limited to only the SBI and State Bank of Indore
- This study fully depended on primary data collected from customer

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