



**ORIGINAL RESEARCH PAPER**

**Management**

**AN IN-DEPTH STUDY ON MERGERS AND ACQUISITIONS AND ITS PERCEIVED EFFECTS ON EMPLOYEE PRODUCTIVITY IN PUBLIC SECTOR BANKS WITH SPECIFIC REFERENCE TO GUJARAT REGION**

**KEY WORDS:** Banking Industry, Perception and Employee Productivity.

**Miss Sonalben Bharatkumar Parmar**

Research Scholar, Hemchandracharya North Gujarat University.

**Dr. Nishith H. Bhatt\***

Research Supervisor, Hem. North Gujarat University. \*Corresponding Author

**ABSTRACT**

The banking industry has in the last couple of years seen a transformation and dramatic changes which are brought about by competition. The study looked and analyzed as study objective, the type of mergers and acquisitions that the banks have adopted to achieve competitive advantage over its rivals. On another objective, it ventured on determining the effects of mergers and acquisitions on employee productivity. The design used was ideal for the research problem since it allowed for a quantitative study for an expansive data collection and thorough analysis of the data collected. By using the research design, the researcher was able to collect data and explain phenomenon more deeply and exhaustively. The study found out that a higher percentage of banks were either in acquisition than horizontal mergers and vertical mergers and most respondents had worked in the bank at the time of mergers or acquisitions. The study found that this is usually as stress and tension times for the employees for the both bank which leads to staff turnover, absenteeism due to the uncertainty. The study made the conclusion that before mergers or acquisitions management needs to have equal treatment to all staff. It should not create any sense of job insecurity so communication in regards to such a venture needs to be communicated at all times so that staff feels they are part of the team. The study recommended that organizations needs to maintain its standard and always be keen on employee's perception Further research on this study should be undertaken in different industries so as to get the employees perception on effects of employee productivity.

**INTRODUCTION**

**Concept Of Mergers And Acquisitions**

According to Pike and Neale (2002), merger strategies are associated with the pooling of the interests of two companies into a new enterprise requiring the agreement by both sets of shareholders. Firms will thus seek that strategic position that will provide them with the maximum impact on the external environment, internal resources and competencies, and the expectations and influence of stakeholders (Johnson and Scholes, 2002). Mergers and acquisitions strategies are used by firms in strategic positioning. A takeover or an acquisition, on the other hand, is defined as an acquisition by one company of the share capital of another in exchange for cash, ordinary shares, loan stock, or some mixture of the two: this directly results in the identity of the acquired being absorbed into that of the acquirer.

**Concept Of Perception**

Perception can be defined as the process by which organisms interpret and organize sensation to produce a meaningful experience of the world. Sensation usually refers to the immediate, relatively unprocessed result of stimulation of sensory receptors in the eyes, ears, nose, tongue, or skin.

**Concept Of Employee Productivity**

Mergers and Acquisitions can be especially challenging to employees, ultimately impacting their performance. Whether wildly divergent or sharing commonalities, rarely do two cultures easily and smoothly merge into one. Capable, experienced employees are the foundation to any workforce. During times of uncertainty, employees are most likely to become non-productive or leave. Beyond the direct costs of employee turnover, companies can lose thousands of Rupees in productivity and reduced levels of customer service, with broader implication to the bottom-line business results. Further, when employees leave with years of knowledge and experience, they simply cannot be easily replaced overnight. Cultural resilience suffers when the workforce lacks confidence and stability.

**Banking Industry In India**

The Indian banking system consists of 12 public sector banks,

22 private sector banks, 46 foreign banks, 56 regional rural banks, 1485 urban cooperative banks and 96,000 rural cooperative banks in addition to cooperative credit institutions. As on January 31, 2020, the total number of ATMs in India increased to 210,263 and is further expected to increase to 407,000 by 2021.

The Oriental Bank of Commerce and United Bank of India are acquired by Punjab National Bank (PNB), Allahabad Bank to be merged to Indian Bank, Syndicate Bank to be merged with Canara Bank and Andhra Bank and Corporation Bank to be merged with Union Bank of India in 2020 Year.

**LITERATURE REVIEW**

**Theoretical Foundation**

Casciaro and Piskorski (2005) further developed, and they found that mutual dependence was a key driver behind inter-industry M&As among firms as they offer an internal perspective of how organizations specify resource needs and use M&A as an instrument to obtain missing capabilities and/or enhance existing resources (Barney, 1986).

Penrose (1959), provides a general theory of the growth of the firm, a theory of entrepreneurship based on the subjective opportunity set of the firm, expansion based on indivisibility and the balance of processes, a resource-based theory of diversification, and a theory of expansion through acquisition and merger.

**RESEARCH METHODOLOGY**

**Research Design:**

Descriptive Research Design use for this research study

**Research Objective**

- To establish the types of mergers and acquisition among Public Sector Banks in India.
- To determine the effects of mergers and acquisitions on employee productivity in Public Sector Banks in India.

**Data Collection**

**Primary Data:** It is collected through structured questionnaire

**Secondary Data:** It is collected through Published Research paper, Journals and Books

**Sampling Method:** The non-Probability convenience sampling method use for this research study.

**Sample Size:** The sample size are 25 senior managerial level employees of Public Sector Banks in Gujarat

**Research Instrument:** Well prepare and structure questionnaire is use for this research study.

**Data Analysis Tools:** The researcher can interpret collected data through pie charts and tables and also carry frequency distribution and cross tabulation.

**Limitation Of The Study**

- The 25 employees can be the limitation for this research study.
- This study can reveals only selected Public Sector banks.
- The one-month time period can be the limitation for this research study

**DATA ANALYSIS AND INTERPRETATION**

**Effect Of Mergers And Acquisitions On Employee Productivity**

Aspect of Productivity	Mean Score	SD
Timeliness	3.20	1.15
Adherence to policy	3.16	1.31
Target achievement	3.12	1.30
Resource allocation	3.08	1.26
Staff turnover	3.04	1.31
Job satisfaction	2.84	1.28
Job commitment	2.80	1.12
Grand Mean	3.03	

The findings showed that the grand mean score on employee productivity was 3.03. The most impact was in timeliness where a mean score of 3.20 was achieved. Adherence to policy had an impact of 3.16 while target achievement was at 3.12. The aspects with the least performance were job commitment which was at 2.80 and Job satisfaction at 2.84. These two were rated low amongst the employees meaning that there was no change in employees' commitment to work after the mergers or acquisitions.

**Effect On Employees**

Issues	Very Much	Much	Not Much	Not at All	Not Sure
1. Work environment	20%	28%	32%	20%	-
2. Job characteristics	16%	24%	44%	16%	-
3. Career path	28%	36%	24%	12%	-
4. Work relationships	16%	28%	32%	12%	-
5. Status differences	16.7%	12.5%	54.2%	8.3%	8.3%
6. Job security	25.0%	20.8%	37.5%	8.3%	8.3%

Most of the respondents (32%) reported that there works environment had not been affected much while (28%) said there work environment had been affected by the merger. In addition (44%) reported that their job characteristics had not been affected much while (24%) said their job characteristics had been affected much by the merger. Thirty six percent of the respondents reported that their career paths had been affected much by the merger while (12%) said that their career path was not affected in anyway by the merger. In regard to work relationships (32%) were not much affected by the merger while (12%) confirmed that the merger never affected their work relationships.

**Findings**

- 54.2% respondents indicate that there was no much status

difference after the merger.

- 16.7% respondents said the status difference was affected very much after the merger.
- 37.5% reported regard to job security after the merger
- 50% respondents said that the merger has not affected their commitment to work
- 41.7% did not experience any significant change in their work role due to merger and acquisitions

**CONCLUSION**

People changing attitudes happens when they have the feelings of discomfort or they attribute their cause to their own behaviors and attitudes. Mergers and acquisitions often create significant trauma for employees and managers of both the acquiring and acquired firms that result in attitudinal and productivity problems and negative reactions may lead to significantly lower levels of job satisfaction and job security and less favorable attitude towards management. From the data collected, this research concludes that there were more companies which were undertook acquisitions more than mergers. This being the case the study found that ideally acquisition is preferred. The study also concluded that majority of employee's perception on how performance had been affected by acquisitions. Majority of the responses showed there had been greater improvement in regard to staff turnover, resource allocation, adherence to policy and commitment to work. However, in terms of performance most employees in Acquisitions experienced tension and stress compared to Horizontal, Vertical and Conglomerate mergers. In addition, Career paths, work relationships and job security were also affected among employees in Acquisitions compared to Horizontal, Vertical and Conglomerate mergers.

**REFERENCES**

1. Amburgey, T. L. and Miner, A. S. (1992). Strategic momentum: *The effects of repetitive, positional, and contextual momentum on merger activity*. Strategic Management Journal.
2. Berger, A., & Humphrey, D. (1992). Mega mergers in banking and the use of cost efficiency as an antitrust defence. Berger, A. (1999). The role of Capital in Financial Institutions. *Journal of Banking & Finance*
3. Cooper, D. R., & Schindler, P. S. (2003). *Business Research Methods*. New Delhi: Tata McGraw Hill.
4. Feilzer, M. Y. (2009). Doing Mixed Methods Research Pragmatically: Implications for The Rediscovery of Pragmatism as A Research Paradigm. *Journal of Mixed Methods Research*.
5. Focarelli, D., F. Panetta and C. Salleo (2002). "Why Do Banks Merge? *forth coming, Journal of Money Credit, and Banking*
6. Kothari, C. R. (2004). *Research Methodology-Methods & Techniques*. New Delhi: New Age International Publishers.