Impact of Mergers and Acquisitions on the Banking Sector Performance A Case Study of HDFC Bank

ISSN 2321 – 371X
Commerce Spectrum 6(1) 25-34

Reprints and Permissions
drsanstpeters@gmail.com
www.commercespectrum.com

Renu Susan Samuel
Assistant Professor, Department of Economics, St. Peter's College, Kolenchery, Ernakulam, Kerala.

I. Introduction

Mergers and Acquisitions (M&A) are nothing new to the world. But then, they have acquired so much importance in the present decade with the increase in the intensity of competition. Though the two terms merger and acquisition have different meanings, most of the time they are used synonymously. There are two parties involved in M&As- the acquiring firm and the acquired (or target) firm. It is estimated that a large number of benefits can be derived by the acquiring firm through mergers and acquisitions if carried out efficiently. A merger should be among equals. Synergies, expansion of scale, economies of scale, operational efficiencies, diversification, market expansion, are a few benefits to mention, that accrue from M&A. M&A is much sought after in today's world as a better means of growth. Many a time even the authorities take the initiative to merge the weak or sick units which are performing financially badly with the well-performing ones and at times coercion has also been used for this purpose.

Mergers (not acquisitions) are equivalent to marriages in many respects. Both involve two parties and it should be carried out with their mutual understanding. The processes involved in the two are also somewhat similar in that, the acquirer should have an initial idea with whom to merge. So the suitable bridegroom has to be sought for. Then, there should be a detailed understanding of the financial and other backgrounds of each other by both the entities. Finally, if all factors suit, the merger or the marriage, takes place. For a marriage to be successful, it requires the consent and adjustments between the two parties. The same happens in the case of mergers too. If not done with care, a proper understanding of each other by either the entities or the lack of willingness among anyone to co-operate, the whole effort may go waste and the whole result will be disastrous. The experience may be painful. This situation mostly occurs when most M&As fail to consider or address the concern of the employees within the firm, especially of the firm which is being acquired. The human factor is believed to be able to adjust to situations. But then, when the question is about their job, it is a matter of utmost concern.

Employees are seriously affected by the cultural differences, and change in their job profile that happens as a result of the M&A. When this is ignored by the management, mergers, just like marriages fail, as is evident from various studies. While concentrating on improving profit and synergies that may arise out of the M&A, management should not forget that their employees are an integral part of their organisation.

II. Statement of the Problem

The world is in a state of flux, being influenced by the forces of globalization and fast technological changes and as a consequence firms are facing intense competition. To face the challenges and to explore the opportunities, firms are making their move towards various strategic alternatives like mergers and acquisitions, strategic alliances, joint ventures etc. The mergers and acquisitions are arguably the most popular strategy among firms who seek to establish a competitive advantage over their rivals. With the increasing competition in the globalised economy, mergers and acquisitions are expected to occur at a much larger scale than any time in the past and have played a major role in achieving the competitive edge in the dynamic market environment.

Mergers and acquisitions can prove to be a huge risk to the human resources of both companies. Employees of the merging or acquiring company, however, have an edge over those working for the acquired company as they may be rewarded with an increase in remuneration and better job position. It gives them a sense of having an upper-hand, yet, the fears of mergers cannot be neglected. Mergers and Acquisitions can be especially challenging to employees, ultimately impacting their performance. Capable and experienced employees are the foundation of any workforce. During times of uncertainty, employees are most likely to become unproductive or take leave. Beyond the direct costs of employee turnover, companies can lose thousands

[1] The thesis was submitted to the Mahatma Gandhi University, Kottayam, in July 2018 for the award of Ph.D Degree and awarded in July 2019. Email: renubibu125@gmail.com

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. It is well accepted that 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 as well as turnover of valued personnel. Buono and Bowditch (1989) noted that negative reactions may lead to significantly lower levels of job satisfaction and job security and less favourable attitude towards management. Employees often cope with the uncertainty surrounding a merger by reducing levels of commitments and instead use the energy either to cope with anxiety and confusion or try to find new employment opportunities (Fulmer and Gilley, 1998). The negative effects of mergers do not seem too simple or go away with time, but rather seem to get more serious as time passes. With mergers and acquisitions happening, the perceived thought is usually in both ways that are positive and negative. The management always has the impression that the mergers are good as they will give a competitive advantage while others usually perceive it oppositely.

Many studies have been carried out to examine the profitability and efficiency ratios of the firms involved in the M&A especially abroad. Literature proves that deep studies have not been carried out in the Indian scenario and that too with little focus on the human factor. Hence, in the light of the above discussion, the study has been made on the topic "The Impact of Mergers and Acquisitions on the Banking Sector Performance: A Case Study of HDFC Bank".

III. Objectives of the Study

The following objectives have been framed for the study:

1) To compare the profitability ratios of the HDFC Bank during the pre-merger and post-merger period.
2) To analyse the attitude of employees in HDFC Bank during the pre-merger and post- merger period.
3) To measure the perception of employees towards the merger in HDFC Bank.
4) To identify the issues faced by the employees in the working environment after the merger in the HDFC Bank.
5) To find out the perceived effects of the merger in the HDFC Bank on the employee productivity.

IV. Hypotheses of the Study

The hypotheses used in the study are the following:

1) There is no significant difference in the profitability ratios of the HDFC Bank during the pre-merger and post-merger period
2) There is no significant difference between the socio-demographic factors of employees and the attitude of employees in the HDFC Bank during the pre-merger and post-merger period.
3) There is no relationship between the perceived effects of the merger in the HDFC Bank and the employee motivation.
4) There is no relationship between the perceived effects of the merger in the HDFC Bank and the employee productivity.
5) There is no influence in the perceived effects of the merger in the HDFC Bank on the employee motivation.

V. Methodology of the Study

This section describes the methodology applied by the researcher in conducting the proposed research work. It provides the details about the research design, sampling design, source of data collection and tools used for analysis of the study. The section also provides a brief description regarding the tool used for data collection and about the various tests employed to establish the reliability and validity of the collected data for the purpose of analysing the data to empirically test the hypotheses developed from the literature review in tune with the objectives of the study.

V. (A) **Research design**

The study deals with the attitude of employees in HDFC Bank during the pre-merger and post-merger period and also identifies the issues faced by the employees in the working environment after the merger in the HDFC Bank. It also proves with the perceived effects of the merger in the HDFC Bank on the employee productivity. Thus, the research design of the study is descriptive as well as empirical in nature in the context of measuring the perception of employees towards the merger in HDFC Bank. The study is also analytical in nature as it compares the profitability ratios of the HDFC Bank during the pre-merger and post-merger period.

V. (B) **Sample Design**

For the purpose of the study, the researcher considered all branches of HDFC Banks in Kerala. Respondents comprised of the employees from both top management and middle management of the HDFC Bank, who had witnessed either one of the two mergers undertaken by the HDFC Bank. Researcher considered the merger of Centurion Bank of Punjab with the HDFC Bank and selected the employees of erstwhile Centurion Bank of Punjab (now with the HDFC Bank) for the purpose of the study. HDFC Bank has 172 branches in Kerala with a total number of 1922 employees, of which employees who were taken over from Centurion Bank of Punjab numbered to around 400. Hence, the total population of the study is 400.

V. (C) Framework of the Analysis

The data required for the study is collected with the help of a structured questionnaire. It consists of questions related to the socio-demographic profile of the employees, attitude of employees in the HDFC Bank during the pre-merger and post-merger period, perception of employees towards merger in the HDFC Bank, issues faced by the employees in the working environment after merger in the HDFC Bank, perceived effects of merger that influence the employee performance. The questionnaire consisted of statements with 5-point Likert Scale and also statements for ranking along with questions to elicit socio-demographic profile of the respondents.

The collected data was coded using SPSS package and various appropriate statistical tools were used for analysis on the basis of objects such as Ratio Analysis, Paired t-test, Descriptive Statistics, Garret Ranking, Independent t-test, ANOVA, Exploratory Factor Analysis, Correlation Analysis and Structural Equation Modeling. Hence, the researcher applied 9 different statistical tools for analysis by using the statistical package of SPSS 22 and AMOS 20 which are more suited to make inferences with regard to the subject matter of the study.

VI. Plan of the Study

The whole study is divided into six chapters. Chapter I provides a lead into the topic of the study by stating the topic of the research, the relevance of the study, its objectives, and hypotheses. Chapter II gives a detailed outline of the review of the already existing literature on the topic established by scholars in the area. The chapter has been divided into mainly two sections: the Indian Experience and the Global Experience. Further, the section under Indian Experience has been divided into sub-sections based on the historical perspective; the motives and benefits in mergers; the pre and post-merger performance of banks; impact of mergers on the Indian banking sector and other entities including both the target and the acquirer; issues and trends faced in mergers; some case studies and also studies based on the HDFC Bank involved mergers. The Global experience is subdivided into the historical perspective; the rationale behind the mergers; effect of mergers; country-based studies and cross-border mergers. On the basis of this literature, the Research Gap is identified. Chapter III brings out the concept of Mergers and Acquisitions, its various types, significance, benefits and motives of M&A, the impact of M&A on various entities, the Global M&A scenario as well as the Indian Scenario, and finally the limitations of M&A in India. Chapter IV probes deeper into the topic by providing the theoretical framework that most confirms with the study, the profile of the HDFC Bank, a summary of past mergers of the HDFC Bank with Times Bank Ltd. and Centurion Bank of Punjab, employee motivation, and factors affecting employee motivation. Chapter V deals with the analysis and interpretation on the profitability ratios of the HDFC Bank during the pre-merger and post-merger periods, the attitude of employees in HDFC Bank during the pre-merger and post-merger period and also identifies the issues faced by the employees in the working environment after the merger in the HDFC Bank. It also proves the perceived effects of the merger in the HDFC Bank on the employee productivity. The analysis is based on the data collected using primary sources and secondary sources. Chapter VI is the final chapter that offers the summary of the study along with the findings, suggestions, and conclusion.

VII. Major Findings

The major findings of the study are summarised as follows:

VII. (A) Comparing the profitability ratios of the HDFC bank during the pre-merger and post-merger period.

Return on Investment is the only ratio that exhibits a steady increase during the post-merger period, while all the other ratios are visibly fluctuating. Hence, it is concluded that Return on Investment has got significant growth during the post-merger period. It is found that all the four profitability ratios show a slight increase in the earnings quality. Results of paired sample test revealed that there is no significant difference in the profitability ratios of HDFC banks during the pre-merger and post-merger period except ROI. Return on investment shows a significant difference in the earnings quality of HDFC bank during the pre-merger and post-merger period.

VII. (B) Mergers witnessed by the respondents

As all of the respondents had more than 8 years of experience, they had witnessed at least one of the mergers of the HDFC Bank. Among these, 153 of them had witnessed the merger of HDFC with CBoP in 2008, while a very valuable lot of 9 respondents had witnessed the mergers of both 2000 and 2008.

VII. (C) Objectives of the HDFC bank for carrying out the mergers

Majority (**33.95** %) of the respondents assign rank one to the objective that HDFC wants to enter a new geographical area as the reason for carrying out the merger. The second most important objective is found as 'increased market share' by **40.74%** of the respondents. **30.86%** of the respondents assigned third rank to the objective of 'growth and expansion of banks' assets', fourth rank to 'increased profitability and financial synergies' by **30.25%,** fifth rank to 'enhancement of shareholders wealth' by **38.89%,** sixth position to 'diversification of risk and minimizing costs' by **31.48%** and seventh rank to 'developing managerial talent and skill through competition' by **58.64 %.**

VII. (D) Attitude of employees in the HDFC Bank during the pre-merger period.

The mean score for 'I was nervous about my future when I heard about the merger' is 3.49 and it indicates that the employees are highly nervous about the merger process. The mean score for 'The communication from top management about the merger plans was assuring' is 2.89 and it indicates that there was a problem of poor communication regarding the merger process. The mean score for 'I feel sufficiently informed about the process of the merger' is 2.65 and it indicates that the employees have no clear information regarding the process of merger. The mean score for 'I understand the objectives behind the merger' is 3.01 and it indicates that the employees somewhat know the motive behind the merger but it was not clearly defined. The mean score for 'I believe that the merger is the right way for the bank to become a market leader in India' is 3.22 and it indicates that the merger is the right way for the bank to become a market leader in India. Hence, it is concluded that the employees are highly nervous about the merger process and they felt that there is no proper communication regarding the merger in the bank.

VII. (E) Attitude of the employees in the HDFC Bank during the Post-merger period

The mean score for 'I feel adequately involved in changes to my work environment' is 3.46 and it indicates that the employees are experiencing change in the work environment. The mean score for 'My supervisor provides me with the necessary orientation concerning the merging process' is 3.02 and it indicates that the supervisor gives only a few information regarding the merging process. The mean score for 'I miss my colleagues from the previous bank' is 3.67 and mean score for 'I feel out of place in the new bank' is 3.58 and these indicate that the employees miss their old working environment and their co-workers. The mean score for 'I experience frustration and stress from my attempts to adapt to the culture in the merged bank' is 3.89 and mean score for 'There are things in my new network environment that I find surprising' is 3.22 and this indicates that due to merger, employees feel stress and tension in the new working environment so as to adapt to the new culture in the new merged bank. The mean score for 'I feel nervous and uncomfortable when meeting individuals from the merged bank' is 3.14, the mean score for 'I have a clear understanding of my role within the new bank' is 2.33, the mean score for 'I feel welcome and respected by new colleagues' is 2.96 and the mean score for 'My suggestions are always received by my supervisors' is 2.77. All these indicate that the employees are not comfortable in the merged bank as they have an issue with role clarity, role ambiguity and, role conflict. The mean score for 'I look towards my professional future at the bank in a positive way' is 3.63 and the mean score for 'I am happy and satisfied at my new workplace' is 3.17 and these indicate that even though the employees are not fully satisfied with the merger process, they feel that this merger will help them to gain a professional future in the coming days.

- The calculated P value for the attitude of employees (t value = 4.284) show that there is a significant difference in the level of attitude of the HDFC Bank employees during the pre-merger and Post-merger period.
- The calculated P value for the attitude towards merger (F value = 2.77) show that there is a significant difference among the different age group of the HDFC Bank employees. It is found that the level of attitude towards merger is different among the different age group of employees.
- The calculated P value for the attitude towards merger (F value = 5.15) show that there is a significant difference among the different designation of the HDFC Bank employees. It is found that the level of attitude towards merger is different among the different designation of employees.
- The calculated P value for the attitude towards merger (F value = 3.88) show that there is a significant difference among the different years of experience of the HDFC Bank employees. It is found that the level of attitude towards merger is different among the different years of experience of employees.

VII. (F) Perception of Employees towards the Merger in the HDFC Bank

A majority (46.9%) of the respondents agreed to the statement that the objectives of the merger set by the HDFC Bank were met. A majority of 37% of the respondents remained neutral to the statement on whether they considered the merger essential for the bank they worked. 51.9% of the respondents strongly felt that it was more of a takeover rather than a merger. 43.2 % of the respondents strongly disagreed to the statement that they were properly informed about the merger. 56.8 % of the respondents remained neutral to the statement whether the merger process could have been made better. A majority of 46.3% strongly agreed and 36.4% agreed to the statement that the merger has led to the loss of key employees from their bank. This is especially true in the case of the target bank-CBoP. The main reason can be attributed to the differences in the work culture of the two banks.

The merger has lowered the level of job satisfaction as per the opinion of 42% of the respondents. 50.6% of the respondents disagreed with the statement that the merger had a negative impact on the banking business. Regarding the statement on whether the HDFC Bank dealt with the cultural issues adequately, 38.3% of the respondents remained neutral. 37.7% of the respondents remained neutral to the statement regarding whether the bank had to face resistance from employees at the time of merger. Again, 37.7% of the respondents agreed to the statement that the management of the HDFC Bank dealt appropriately with the merger process. To the statement whether the employees of the HDFC Bank or Centurion Bank of Punjab had an important role to play in the merger process, 40.7% agreed. 40.1% of the respondents had a neutral remark on whether the merger affected employee performance negatively.

A good majority of 35.2% strongly agreed to the statement that merger led to a drop in the level of their sense of belongingness. 41.4% of the respondents were of the opinion that they considered merger as a threat. 46.3% of the respondents agreed that they had adjustment issues after merger. With regard to the statement whether the HDFC Bank has gained profoundly from the mergers, 44.4% of the respondents agreed. 46.3% of the respondents agreed with the statement that the mergers have resulted in employees quitting from their jobs. 43.2% of the respondents strongly agreed with the statement that there has been a change in the management style post-merger. To the statement where there has been a change in the bank policies since the merger, 45.7% agreed. A majority of 40.7% of the respondents hold the view that merger had negatively affected the work environment and workplace relationship. Regarding the efficiency of the HDFC Bank performance after mergers, 41.4% of the respondents agreed that there has been an increase in the overall efficiency. 36.4% of the respondents agreed with the statement that the merger process increased the workload of the staff of the HDFC Bank post-merger.

The mergers undertaken by the HDFC Bank was considered a success by 37% of the respondents. A majority of 36.4% of the respondents strongly disagreed to the statement that there has been increase in the incentives post-merger. As per the response of 35.2% of the respondents, they disagreed with the statement that the merger has increased the competence among the employees. 41.4% of the respondents agreed that the merger has led to a change in their work tasks.

It is worth noting that 40.1% of the respondents remained neutral when asked about whether they would render their wholehearted cooperation in the future merger initiatives undertaken by the Bank. 31.5% of the respondents agreed with the statement that they were satisfied with the remuneration policies post-merger.

VII. (G) Issues faced by the employees in the working environment after merger in the HDFC bank

It is revealed that the ‘change in location’ (4.44) is the first and foremost problem faced by the employees after merging with HDFC bank, the second problem is the ‘changes in work atmosphere’ (4.37), the third problem is the ‘increase in the workload’ (4.28) and one of the other major problem is ‘losing the strength of trade union’ (4.11). The other problems faced by the employees after merging with HDFC banks are ‘status difference’ (4.01), ‘lack of management support’ (3.96), ‘issues in communication and information sharing’ (3.89), ‘poor workplace relationship’ (3.7), ‘increase in competition’ (3.67), ‘job insecurity’ (3.45), ‘uncertainty in career path’ (3.33), ‘changes in job characteristics’ (3.21) and ‘cultural issues’ (3.14).

VII. (H) Clustering of perceived effects of merger in the HDFC bank that influence the employee performance

Exploratory factor analysis reveals that out of the 29 parameters of perceived effects of merger that influences the employee performance, 7 factors have been extracted and these seven factors explain the total variance of perceived effects of merger to the extent of 79.26 percent. The 4 parameters of perceived effects of merger such as ‘Wages and benefits’, ‘Allowances and bonus’, ‘Performance-based pay’, ‘Terms of employment’ were clustered together as factor 1 (**Perceived effects of merger in remuneration**) with 26.05 per cent variance.

The 3 parameters of perceived effects of merger such as ‘Communication and contributions’, ‘Employee composition’, ‘Workplace relationship’ were clustered together as factor 2 (**Perceived effects of merger in the sense of belongingness**) with 17.03 percent variance.

The 4 parameters of perceived effects of merger such as ‘Organisational commitment’, ‘Job skills and traits’, ‘Employee retention’, ‘Job satisfaction’ were clustered together as factor 3 (**Perceived effects of merger in job security**) with 12.57 percent variance.

The 5 parameters of perceived effects of merger such as 'Coordination', 'Workloads', 'Personal and task conflicts', 'Cultural compatibility', 'Resource allocation' were clustered together as factor 4 (**Perceived effects of merger in chain of command**) with 6.60 percent variance.

The 3 parameters of perceived effects of merger such as 'Management support', 'Staff development', 'Strategic rationale' were clustered together as factor 5 (**Perceived effects of merger in company policy**) with 6.09 percent variance.

The 5 parameters of perceived effects of merger such as 'Training and development', 'Non-monetary benefits', 'Employee commitment', 'Employee attitude', 'Working conditions' were clustered together as factor 6 **(Employee Motivation)** with 5.68 percent variance.

The 5 parameters of perceived effects of merger such as 'Efficiency', 'Consistency', 'Service quality', 'Creativity', 'Target achievement' were clustered together as factor 7 **(Employee Productivity)** with 5.24 percent variance.

It is identified that the loading patterns of the factors suggest a strong association among the parameters and all these variables are found to be contributing to the perceived effects of merger that influence the employee performance in the HDFC Bank.

VII. (I) Correlation between the perceived effects of merger and the employee motivation

It is identified that the perceived effects of merger in remuneration has 67.8 percent relationship with employee motivation, perceived effects of merger in sense of belongingness has 77.7 percent relationship with employee motivation, perceived effects of merger in job security has 69.4 percent relationship with employee motivation, perceived effects of merger in chain of command has 51.3 percent relationship with employee motivation, perceived effects of merger in company policy has 52.4 percent relationship with employee motivation. It is also found that perceived effects of merger in sense of belongingness is having a higher influence in the employee motivation.

VII. (J) Correlation between the perceived effects of merger and the employee productivity

It is identified that the perceived effects of merger in remuneration has 62.1 percent relationship with employee productivity, perceived effects of merger in sense of belongingness has 69.5 percent relationship with employee productivity perceived effects of merger in job security has 55.8 percent relationship with employee productivity, perceived effects of merger in chain of command has 73.2 percent relationship with employee productivity, perceived effects of merger in company policy has 73.9 percent relationship with employee productivity. It is also found that perceived effects of merger in company policy and perceived effects of merger in chain of command are having higher influence in the employee productivity.

VII. (K) Influence of the perceived effects of merger in the HDFC bank on the employee motivation and employee productivity

Mergers and acquisitions have become more often associated with lowered morale, job dissatisfaction, unproductive behaviour, increased turnover and absenteeism, rather than with increased financial performance as expected. Therefore, the underlying causes of employee non-performance need to be studied carefully because their understanding has the potential of improving merger planning and outcomes. Identifying the various ways in which mergers and acquisitions influences employee productivity can have long-term implications for economic development of individuals, organisations and nations in general. From the literature review, the various aspects of mergers and acquisitions that influence employee productivity form the conceptual framework in this study. A conceptual framework is a basic structure that consists of certain abstract blocks which represent the observational, the experiential and the analytical aspects of a process or system being conceived. The independent variables in this study are perceived effects of merger in remuneration, sense of belongingness, job security, chain of command and company policy. The mediating variable is employee motivation and the dependent variable for the study is employee productivity.

SEM model yielded a good model fit which proves that there is an influence of the perceived effects of merger in the HDFC bank on the employee motivation and employee productivity. The standardised estimate is taken for the regression weights to find out the influence of the independent variable over the dependent variable through the inclusion of mediating variable. In the present case, all the five independent variables have positive influence on Employee Motivation and Employee Productivity. It is explained as:

- If perceived effects of merger in remuneration increased by one percent in the positive direction, then it can be seen that Employee Motivation of bank employees is increased by 0.451.
- If perceived effects of merger in sense of belongingness increased by one percent in

the positive direction, then it can be seen that Employee Motivation of bank employees is increased by 0.672.

- If perceived effects of merger in job security increased by one percent in the positive direction, then it can be seen that Employee Motivation of bank employees is increased by 0.531.
- If perceived effects of merger in chain of command increased by one percent in the positive direction, then it can be seen that Employee Motivation of bank employees is increased by 0.511.
- If perceived effects of merger in company policy increased by one percent in the positive direction, then it can be seen that Employee Motivation of bank employees is increased by 0.422.
- If Employee Motivation increased by one percent in the positive direction, then it can be seen that Employee Productivity of bank is increased by 0.441.

All the variables of perceived effects of merger explain 69.1 percent variance on Employee Motivation in HDFC bank. It is also revealed that the mediating effect of Employee Motivation on Employee Performance due to the perceived effects of merger is about 54.4 percent. Hence, it is concluded that the perceived effects of merger has a strong impact on the employee motivation and employee performance.

VIII. Suggestions of the Study

Mergers and acquisitions have proven to be a significant and increasingly popular means for achieving corporate diversity and growth. But the existing failure rate of mergers suggests that neither academicians nor practitioners have a thorough understanding of the variables involved in planning and implementing a successful merger. It is suggested that a successful merger involves not only thorough financial and strategic analysis and planning, but also planning regarding congruence between the two companies' preferences about the implementation strategy for the merger. As is clear from the response of the employees of the HDFC Bank, the most important issue they face post-merger is the change in their location, followed by change in the work atmosphere. With these issues in mind, the following practical suggestions are recommended:

1. The mergers have taken place with certain specific objectives. One of the basic objectives is to ensure that the acquired banks also enjoy the benefits provided by the HDFC Bank to its employees. What is seen is that the acquired firms have not been able to get these immediate benefits creating a sort of heart-burn among the employees acquired by the HDFC Bank. So, it is suggested that the managers of the parent firm should decide about the immediate benefits that the HDFC Bank can provide to the employees of the acquired firms and this will result in long-term synergies for both the parties.
2. This researcher found that even the senior personnel of the acquired banks were not involved in the decision-making process. It is true that HDFC Bank gives the guarantee of protecting both service conditions and salaries. But the senior management cadre of the acquired banks could not get the similar positions after the mergers and acquisitions. In fact, it was found that the inputs they could provide to improve the efficiency of the banks were also not considered. This has definitely affected the morale of the officials who came into the HDFC Bank after occupying senior officials post in the acquired bank. This researcher suggests that the management of HDFC Bank should seriously solicit their inputs and include them in the decision making process. Since this was not done, there have been many cases of such officials leaving the service of the bank. Through a change in the management policy, this attrition can also be minimised.

3. This researcher found that many of the respondents who were with the Centurion Bank of Punjab were still in the dark as to why such a merger took place. After the amalgamation of Centurion Bank and Bank of Punjab and it's taking over the Lord Krishna Bank in Kerala, CBoP has acquired a position of strength in the commercial banking sector. It is at this juncture, that the CBoP was acquired by the HDFC Bank. The employees are unaware as to why such an acquisition was undertaken and this has definitely created an adverse impact on their overall productivity and efficiency. It is suggested that to improve the performance of the HDFC bank and make these employees more goal-oriented, the bank should provide clear, consistent, factual and up-to-date information as to why such a step was taken. If the employees are convinced about this measure being a step towards improving the competitive advantage of the bank, their attitude would change for the benefit of the bank.

4. One of the problems this researcher found was the lack of sensitivity of the management towards the performance of its employees. Unlike other new generation banks which reward employees with monetary incentives for any additional or outstanding contribution made, the HDFC Bank does not have such a policy. Qualified employees who have put up meritorious service are put on par with others. It is also surprising, that the exercise of performance appraisal has not been taken seriously. While the complaints of the

customers are given top consideration, their appreciations are not given the consideration it requires. Further, the customer needs, which provide a good source of feedback, are undertaken very rarely. In effect, there does not seem to be a mechanism which would provide the employees with the recognition they deserve. It is therefore recommended that the Bank management should give due cognizance to better performance. A mechanism to evaluate performance in monetary terms can be easily put into place. This would motivate employees to put in their best performance. Performance appraisal should begin at the branch level in order to enable all those who performed creditably be given due consideration.

5. This researcher found that in all its Annual Reports since 2002, there is a broad outline of the welfare measures undertaken by the HDFC Bank for the public. All these welfare measures are directed towards the society and are undertaken with the active participation of the employees. In fact, the bank expects each employee to contribute substantially for these welfare measures. While it is commendable that the HDFC Bank is undertaking social research programmes, its role in providing such measures to its employees are few and far in between. It is recommended that the bank should also consider the difficulties of its employees. A balance between social welfare measures and employee welfare measures has to be maintained. One reason given for the attrition present in the bank is its lack of sensitivity to employee issues in the name of professionalism. An attitudinal change in this regard is recommended.

6. A comparison of the profitability ratios of the HDFC Bank for the pre-merger and post-merger period reveals that there is no significant growth in any of the ratios except in Return on Investment. All other ratios; return on assets, return on equity and net interest margin exhibit slight rise during the post-merger period. Hence, it is recommended that the essentiality of the merger be well calculated and the future benefits be assessed effectively prior to the M&A. If it is not bringing in the expected results, then the conduct of the M&A can be questioned.

Providing clear, consistent, factual, sympathetic, and up-to-date information in various ways will increase the coping abilities of employees, which will in turn increase their productivity. This increased productivity will positively impact on the firm's performance and create sustained competitive advantage by achieving the projected strategic fit and synergies. Adequate time should be given to the employees of the target bank to adapt to the new location and environment. The vital stakeholders of any corporate entity are its employees and clients and hence, their contentment should be the prime concern beyond basic commercial considerations. M&As need to take place transparently and smoothly, with the interests of the employees' of both the organisations being taken care of.

IX. Conclusion

The process of M&A should be made smoother, giving time to the employees to adjust to the new management and situations. The HDFC bank - CBoP merger could take lessons from the mergers carried out by the Centurion Bank with the Bank of Punjab and with the Lord Krishna Bank, especially the HR related policies and morale of the employees which could been managed better. The M&A be made effective only among the same type of companies having the same culture. In the merger of two entities of this size, cultural integration issues are bound to happen. If the bank expects the employees to continue, they need to take extra care to carry along the newly added employees and also take effort, if needed, to help them integrate with the existing team. If the bank management ignore the concerns of their employees, then ultimately their attitude towards the management will also turn bitter and this negativity will reflect on their interpersonal relationships as well as in their behaviour to the customers. In the long run, this will affect the very existence of the organisation.

Results suggest that the surviving employees of the merged banks positively perceive merger activity taken up by their employer. Though the employees were nervous initially about the information of merger, communication from the management helped them to cope with the change. In fact, the employees were very happy with the sufficiency of information and communication from their supervisors. By involving them in the process of change, the employees felt confidence in their employer and started appreciating the objectives of the merger strategy.

This study contributes to the existing literature on mergers and acquisitions and provides information for both managers and shareholders who are interested in the improvement of bank's competitive position and profitability. In addition, for regulators and policy makers, it is important to understand how bank concentration affects the economy, i.e. competition, efficiency, stability of the financial system and the supply of banking services.

All the variables of perceived effects of merger explain 69.1 percent variance on Employee Motivation in the HDFC Bank. It is also revealed that the mediating effect of Employee Motivation on Employee Performance due to the perceived effects of merger is about 54.4 percent. Hence, it is concluded that the perceived effects of merger has a strong impact on the employee motivation and employee performance.

Bibliography

Allen N.Berger, A. S. (1998). The Effect of Bank Mergers and Acquisitions on Small Business Lending. *Journal of Financial Economics, 50* (2), 187-227.

Amira Neffati, I. B. (2011). Earnings Management and Banking Performance: A Stochastic-Frontier Analysis on U.S. Bank Mergers. *Interdisciplinary Journal of Research in Business, 1* (6), 58-63.

Amritt. (2018). *India Merger Acquisition Companies Act 1956.* Retrieved from Amritt: https://amritt.com/services/india-business-consulting/

Anderson, J. C., & Gerbing, D. W. (1988). Structural equation modeling in practice: A review and recommended two-step approach. *Psychological bulletin*, *103*(3), 411.

Ashford, S. J., Lee, C., & Bobko, P. (1989). Content, cause, and consequences of job insecurity: A theory-based measure and substantive test. *Academy of Management journal*, *32*(4), 803-829.

Badu, E. E. (2005). Employee Motivation in University Libraries in Ghana: A Comparative Analysis. *Information Development*, *21*(1), 38-46.

Bentler, P. M., & Bonett, D. G. (1980). Significance tests and goodness of fit in the analysis of covariance structures. *Psychological bulletin*, *88*(3), 588.

Bhan, A. (2013, March 12). Mergers in Indian Banking Sector-Motives and Benefits.

Bigyan Prakash Verma, P. M. (2013, February). Mergers & Acquisitions And Their Impact On Corporate - Values: Pre And Post-Merger Analysis of Indian Banks. *Indian Journal of Finance, 7*(2).

Bollen, K. A. (1989). A new incremental fit index for general structural equation models. *Sociological Methods and Research, 17*(3), 303-316.

Claudia M.Buch, G. L. (2008). *Banking Globalization: International Consolidation and Mergers in Banking.* Discussion Paper, Institute for Angewandte Wirtschaftsforschung.

Clayton P. Alderfer's ERG (Existence, Relatedness and Growth) theory, 1969

Coff, R. W. (2002). Human capital, shared expertise, and the likelihood of impasse in corporate acquisitions. *Journal of Management*, *28*(1), 107-128.

Donald S.Siegel, K. L. (2008). *Evaluating the Effects of Mergers and Acquisitions on Employees:Evidence from Matched Employer-Employee Data.*

Dr. K.A.Goyal, V. J. (2012). Indian Banking Inudstry: Challenges and Opportunities. *International Journal of Business Research and Management (IJBRM), 3*(1), 18-27.

Gian Kaur, P. K. (2010). Bank Mergers Cost Effiency Gains among Commercial Banks in India. *Indian Journal of Economics and Business, 9*(1).

Gouvin, E. J. (2006). Bank Mergers in North America: Compaaring the Approaches in the United States and Canada. In J. Bose, *Bank Mergers: The Global Scenario* (First ed., pp. 201-211). The ICFAI University Press.

HDFC Bank listed in Domestic Systematically Important Banks. (2017, September 5). Retrieved March 29, 2018, from Current Affairs: https://currentaffairs.gktoday.in/hdfc-bank-listed-domestic-systemically-important-banks-09201747816.html

History of Times Bank Ltd. (n.d.). Retrieved March 28, 2018, from Source2update: https://www.source2update.com/Company-History/ Yimes-Bank-TIMBAN.html

Humentum. (2017, October 14). *Purpose and Belonging in Mergers*. Retrieved February 3, 2018, from PM4NGOs: http://www.pm4 ngos.com /purpose-and-belonging-in-mergers/

Ibanez, Y. A. (2004). *Mergers and Acquisitions and Bank Performance in Europe: The Role of Strategic Similarities.* Frankfurtam Main: European Central Bank.

J C Anderson, D. W. (1988). Structural Equation Modeling In Practice: A Review and Recommended Two-Step Approach. *Psychological Bulletin, 103*(3), 411.

Jehn, K. A., & Mannix, E. A. (2001). The dynamic nature of conflict: A longitudinal study of intragroup conflict and group performance. *Academy of management journal*, *44*(2), 238-251.

Joel F. Houston, C. M. (2001). Where do merger gains come from? Bank mergers from the perspective of insiders and outsiders. *Journal of Financial Economics*, 286-329.

Jonathan Berk, P. D. (2010). *Mergers and Acquisitions.* New Delhi: Kindersley (India) Pvt. Ltd.

Kintner, E. W. (1989). Bank Mergers. In E. W. Kintner, *Primer on the Law of Mergers: A Guide for Businessmen* (pp. 412-418). New York: Collier Macmillan Ltd.

Leadership-central.com. (n.d.). *Types of Motivation.* Retrieved March 18, 2018, from Leadership-central.com: www.leadership- central.com/ types-of-motivation.html#axzz5DZOGSw6N

Liargovas, P. (2011). *The Impact of Mergers and Acquisitions on the Performance of the Greek Banking Sector: An Event Study Approach.* Tripolis.

M.Jayadev, R. S. (2007). Mergers in Indian Banking: An Analysis.

Mohan, T. T. (2004, December 11). Bank Consolidation: Misplaced Priorities. *Economic and Political Weekly, XXXIV*(15), 5283-5286.

Muhammad Naveed, M. N. (2011). Impact of Mergers & Acquisitions on Job Security and Motivation (A Case Study of Banking Employees of Pakistan). *3rd International Conference on Information and Financial Engineering. 12*, pp. 353-357. IACSIT Press.

Mulaik, S. A., James, L. R., Van Alstine, J., Bennett, N., Lind, S., & Stilwell, C. D. (1989). Evaluation of goodness-of-fit indices for structural equation models. *Psychological bulletin*, *105*(3), 430.

P M Bentler, D. G. (1980). Significance tests and goodness of fit in the analysis of covariance structures. *Psychological Bulletin, 88*(3), 588.

P.Srilatha, G. &. (2013, February 15). Mergers and Acquisitions: A Study of Financial Performance of select Private Sector Banks. *Southern Economist, 51*(20), 29-34.

Tabachnick, B. G., & Fidell, L. S. (2007). *Using multivariate statistics*. Allyn & Bacon/ Pearson Education.

Tanaka, J. S., & Huba, G. J. (1985). A fit index for covariance structure models under arbitrary GLS estimation. *British Journal of Mathematical and Statistical Psychology*, *38*(2), 197-201.

Tiwari, D. (2011). Mergers of Banks: Some Issues and Challenges. *Zenith-International Journal of Multidisciplinary Research, 1* (4), 51-58.

Tripathi, A. (2013). *Merger and Acquisition in Indian Banking Industry.* LAP Lambert Academic Publishing.