

A Case Study on Customer Satisfaction Level Post Merger & Acquisition (With Special Reference to ICICI Bank and Bank of Rajasthan)



Management

KEYWORDS : Mergers and Acquisitions (M&A), Corporate Restructuring, Banking Sector, Customer Satisfaction.

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ABSTRACT

Mergers and Acquisitions (M&A) has been recognized as the most common way of corporate restructuring. It has been rightly said that change is a necessity of life. In today's era of technological advancement, firms have to keep in pace with the technological advancement else they are bound to fail in long run. The impact of mergers on consumers can be positive or negative, depending on the industry and the market competition. Mergers and Acquisitions (M&A) has its positive and negative impact on customers, employees, shareholders etc. This paper talks about the satisfaction level of customers post Mergers and Acquisitions (M&A) and also study the case of Bank of Rajasthan merging into ICICI bank. Whenever a company undergoes Mergers and Acquisitions (M&A) they tend to make changes that make a big difference to customers. This results in shifting of even the most loyal customers to switch. The main idea behind Mergers and Acquisitions (M&A) is to venture into new businesses and markets; increase the market share; and aim for monopolizing the market. In this paper the study is done to find out whether the customers are satisfied post Merger & Acquisition. The major findings were that the customers were satisfied with the change and happily accepted the change.

Mergers and Acquisitions

In the new age of technological advancement and globalization the banks are in great pressure. There is a pressure on banks because of changing consumer's behavior, consumer's pressure, shrinking margins etc. The success of a country is highly dependent on a strong banking system and since the pressure is high, banks have to keep up with the changing environment and thus the concept of Corporate Restructuring came into being.

Customers Satisfaction

Customers are the pivot around which the market revolves. Any change in the industry has a direct impact on customers which can be positive or negative, depending on the decisions taken by the industry and the present market competition. It is thus important to plan the strategies in such a way that it does not hamper the customer's interest.

Corporate restructuring

According to D.Y Chandrachud (2012) corporate restructuring is the process of redesigning one or more aspects of a company. The process of reorganizing a company may be implemented due to a number of different factors, such as positioning the company to be more competitive, survive a currently adverse economic climate, or poise the corporation to move in an entirely new direction.

Change is unavoidable, so every organization has to change in order to succeed in the market. Mergers and Acquisitions are most extensively used strategy by organizations to toughen and maintain their position in the market. Mergers & Acquisitions are thought of as a quick and economical way to expand into new markets and incorporate new technologies.

Corporate Restructuring can be done in various ways Mergers and Acquisition being one of them.

Merger: - In the words of A.T Kearney (2013) a merger is Voluntary amalgamation of two firms on roughly equal terms into one new legal entity. Mergers are effected by exchange of the pre-merger stock (shares) for the stock of the new firm. Owners of each pre-merger firm continue as owners, and the resources of the merging entities are pooled for the benefit of the new entity. If the merged entities were competitors, the merger is called horizontal integration, if they were supplier or customer of one another, it is called vertical integration

Mergers are of various types:-

Horizontal Merger
Vertical Merger
Conglomerate Merger
Concentric Merger

Merger is defined as mixing of two or additional companies into one company. In this situation one survives and the other loses their existence. A Merger could be a combination of two firms where one firm is totally absorbed by another. The less important firm loses its individuality and becomes a part of the other important firm. A merger is entirely different from consolidation as in consolidation both the firms lose their identity and make altogether a new firm.

Acquisition: - According to A.T Kearney (2013) is taking control of a firm by purchasing 51 percent or more of its voting shares

In acquisition the company retains its separate legal entity even when the other company takes over its shares. The main purpose of an acquisition is to undertake control of management without essentially involving transfer of absolute title. An acquisition is usually effected by takeover bid and the consent of the target company is required. Acquisitions are typically created as a part of a company's growth strategy.

Main reasons of Mergers & Acquisitions:-

The main reason of M&A is to enhance the firm's financial performance. Others are:-

- It is always economical to undergo a Merger & Acquisition as all the work of two companies are now taken care under the same roof so all the costs are reduced which in turn increases the profit margin.
- Merger & Acquisition is one of the least expensive strategy for growth as it is always easier and less costly to buy an already existing firm.
- When two companies merge or acquire they can take advantage of customer base and market share of one another.
- Merger and Acquisition reduces competition.
- One important aspect of Merger & Acquisition is synergy. When two companies combine together the end result is generally profitable.
- Merger and Acquisition increases the cost efficiency and also increases the goodwill of the company.
- Merger and Acquisition give gains to promoters and share-

holders.

Mergers & Acquisitions in India:-

Mergers & Acquisitions are one of the most sought out ways to enter into a global market. The process of Merger & Acquisition has gained considerable significance in today's corporate world. With the ever growing number of Indian companies going for mergers and acquisitions, India is now one of the top nations in the world in terms of Merger & Acquisition.



Source: www.imaa-institute.org

Need of the Study-

This study has been conducted to know the perception of customers regarding the services provided by the banks in India post Mergers & Acquisitions. The changing scenario of the market is forcing the industries to take up various corporate restructuring techniques Mergers and Acquisitions being one of them. The banking industry in India has gone through various Mergers & Acquisitions and the purpose of this paper is to find out whether the customers are satisfied or not satisfied after Mergers & Acquisitions. While one would expect that Mergers & Acquisition would accelerate growth quite simply, a lot of failures have also been identified. Mergers and acquisitions might have a good economic impact but it surely ignores the human aspect in terms of employees and customers. This research thus talks about customer satisfaction post Mergers & Acquisitions.

Review of Literature

Barman, A & Bajju, K (2015) identified that the value of M&A deals are increasing in comparison to 2013 & 2014. Experts said that the M&A deals will start with a pace as soon as the economy starts growing and companies will regain the confidence in demand projections. Sangita, M (2015) opines that the large banks are not in a position to takeover small banks as they face the same problems of their potential targets and he also said the merger of any bank with SBI can only be done if the performance of the particular bank matches with the standards of SBI. Tiwari, D. (2014). said that the decision of mergers of banks would be based on political conditions rather than on economic conditions and it would also create overlapping among various state owned banks in terms of branches and clients.

Tripathy, D & Chatterjee S. (2014) The author explains that the consolidation of banks should support an expected recovery in Asia's third largest economy by creating strong lenders which help to control the growth of bad loans and would make the credit availability easier. Gaur T., Chakravarty, S. (2014) examined the impact of merger and acquisition on employee's job motivation and job satisfaction. Merger and Acquisition are done to expand the particular market but most of them are not able to fulfill their objectives just because they neglect the human resource. These mergers become a reason of stress for the few employees which leads to poor performance, absenteeism, anger and fear of unknown resulting in psychological imbalances in employees. Upadhyay, A., (2014) talks about stress which is a problem everyone is facing. Stress is a mental tension which

affects our body and mind. Stress has various impacts on our body like depression, headache, insomnia, anger, impatience which ultimately creates psychological disorder in an individual. The best way to overcome stress is to think positively and take things one at a time. Ganguly, D., (2014) discussed about the leadership development strategy which was followed by ICICI bank to encourage its young employees. The strategy helped the employees to gain confidence and take initiatives. It taught its employees to take new challenges risks and gain new opportunities for their growth prospects in future. Dealogic (2013) talks about the global merger & acquisition deals volume which reached up to 2.3 trillion. Telecom sector is at the top in the list with \$329.9 billion and researcher says that the number will increase in near future. Bhatnagar, A.B., & Sinha N. (2012) The article talks about the proposed merger between India's largest private-sector lender ICICI Bank and the much smaller Bank of Rajasthan which may not be a marriage of equals but the scheme, which was approved and it caught the market's attention as it promised good for everyone. The deal gave ICICI Bank branch presence in India's lucrative northern and western markets, which otherwise would have taken a long time coming. Khan, A.A., (2011). said that the paper explore various motivations of Merger and Acquisitions in the Indian banking sector. This includes the various aspects of banking Industry's Merger and Acquisitions. It also compares pre and post-merger financial performance of merged banks with the help of financial parameters. The writer says that Merger and Acquisition is a useful tool for growth and expansion in the Indian banking sector. It is helpful for survival of weak banks by merging into larger bank. This study shows the impact of Merger & Acquisition in the Indian banking sector. Dharmalingam S., Kannan K. V. (2011) the author opines that with insistent marketing strategies for generating business opportunities, banks have developed innovative products, keeping in view the needs of different classes of customers. Taking in consideration the present day competition, new private banks are becoming more conscious of the needs of the customer. In order to measure customer satisfaction, SERVQUAL measures have been considered. Asopa M., (2011) in this article the researcher talks about how globalization has changed today's scenario. The top management is making utmost use of the resources, and for that organizations are now focusing on advanced management concepts. In the present time competition is at peak due to changing taste and preference of customer so in order to keep pace with the customer the organizations have to have innovative products and services. Gupta, S., (2010) The author talks about the deal was beneficial for both the banks and the employees of bank of Rajasthan would get the same position. This merger helps ICICI bank to expand its operations in future.

Objectives of Study

- To explore the customer issues involved in Mergers and Acquisitions.
- To study behavioral effect of Mergers and Acquisitions on customers.
- To study factors resulting in resistance to change.

Hypothesis

Ho- There is no significant difference between customer satisfaction level post Merger and Acquisition.

H1- There is a significant difference between customer satisfaction level post Merger and Acquisition.

Research Methodology

The universe of the study consists of customers of merged Bank of Rajasthan into ICICI bank operating in Rajasthan particularly in Jaipur. Convenience sampling is used in this research.

This study was conducted to collect information on customer's

satisfaction post Mergers & Acquisitions in banking industry. The bank which is selected for the purpose of study is “ICICI Bank” in private sector from Jaipur in particular.The information on study of customer satisfaction post Mergers and Acquisitions was collected from 41 customers of ICICI bank.

Both primary and secondary sources have been used to collect the data. Primary data was collected through questionnaires to gather feedback from customers. Secondary information related to selected banks was collected through web sites, journals books, magazines etc.

Data so collected is tabulated suitably for the purpose of the analysis.Likert Scaling technique is used.Appropriate descriptive statistical tools like arithmetic mean, standard deviation, coefficient of variation, correlation analysis and diagrammatic presentation are used for interpretation of data.Appropriate inferential statistical tools like Chi-square test has been used.

Limitations of the Study

The sample taken for the study is restricted to a particular region.

Bias of the respondents may effects the results of the study.

Lack of knowledge of the respondent about the topic.

Customer’s resistance to fill the questionnaire in the fear of being exposed.

Data Interpretation-

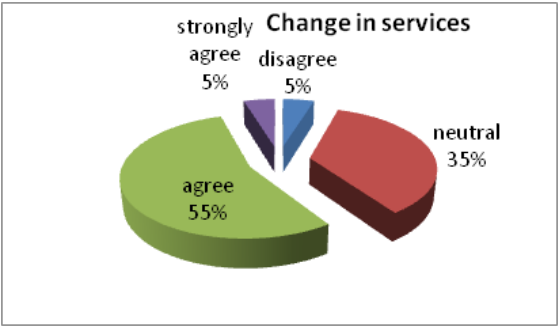
Customer Satisfaction		
Options	No. of respondents	Percent
neutral	6	14.28571
Agree	28	66.66667
strongly agree	8	19.04762
Total	42	100



Inference:

Above table inferred the satisfaction level of customers of ICICI bank after M & A .It shows that 19%of customers strongly agree that they are satisfied, 67% agree with the same and 14% are neutral about the condition.

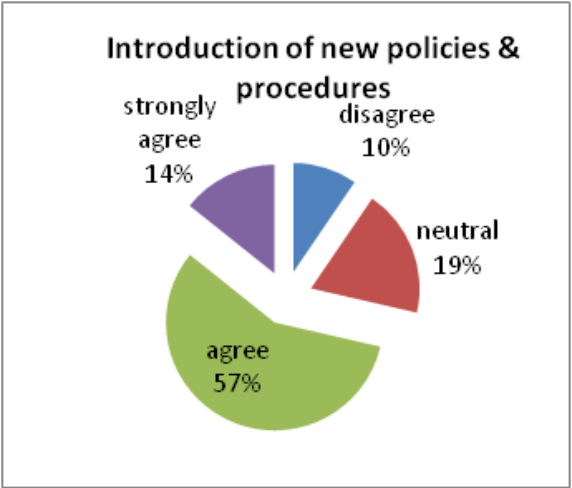
Change in Services		
Options	No. of respondents	Percent
Disagree	2	4.761905
Neutral	15	35.71429
Agree	23	54.7619
strongly agree	2	4.761905
Total	42	100



Inference: In the above table 5% customers strongly agree that M&A did create change in the services of the bank.55% agree to the same 35% of the customers were neutral about the condition. And the rest 5% said that M&A did not create any change in services

New Policies and Procedures

Options	No. of respondents	Percent
disagree	4	9.52381
Neutral	8	19.04762
Agree	24	57.14286
strongly agree	6	14.28571
Total	42	100



Inference:

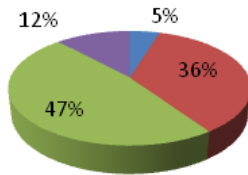
In the above table 57% of the customers agree that introduction of new policies & procedures made working of the bank more effective. And 14% customer’s strongly agreed with the same. Though 19% were neutral about the condition whereas only 10% disagreed.

Customer Services

Options	No. of respondents	Percent
disagree	2	4.761905
Neutral	15	35.71429
Agree	20	47.61905
strongly agree	5	11.90476
Total	42	100

customer services

■ disagree ■ neutral ■ agree ■ strongly agree



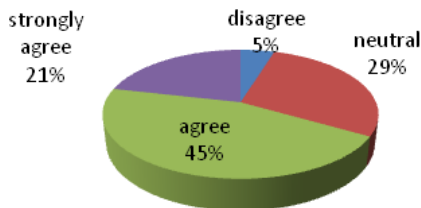
Inference:

The above table shows 47% customers agree that customer services have enhanced post Merger and acquisition. 12% customers strongly agree with the same, 36% were neutral and rest 5% disagreed.

5. Problem solving

Options	No. of respondents	Percent
Disagree	2	4.761905
Neutral	12	28.57143
Agree	19	45.2381
strongly agree	9	21.42857
Total	42	100

Speeded up problem solving



Inference: The above table shows that 45% customers agree that problem solving has speeded up after Merger and Acquisition, 21% strongly agree with this notion, 29% were neutral and rest 5% disagreed.

Problems Faced by customers:-

6.cards get blocked		
Options	No. of respondents	Percent
Never	7	16.66667
Rarely	15	35.71429
Often	20	47.61905
Total	42	100

Cards get blocked



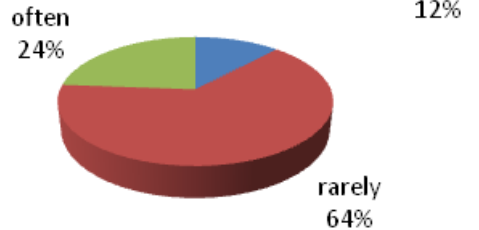
Inference:

The above table shows that most of the customers i.e. 47% said that their cards blocked very often, 36% said that in rare condition their cards get blocked and 17% said they never faced this situation.

7.Machine out of cash

Options	No. of respondents	Percent
never	5	11.90476
rarely	27	64.28571
often	10	23.80952
Total	42	100

Machine out of cash



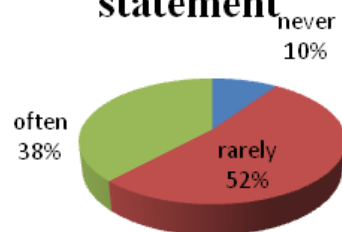
Inference:

The above table shows 64% of customers rarely found machine out of cash, 24% found themselves in this situation very often and rest 12% never found machine out of cash.

8.Non printing of statement

Options	No. of respondents	Percent
never	4	9.52381
rarely	22	52.38095
Often	16	38.09524
Total	42	100

Non Printing of statement



Inference : The above table shows most of the customers i.e. 52% rarely faced the problem of non-printing, 38% often faced the problem of non-printing of statement and rest 10% never faced the problem.

Application of Chi-Square Test- Interpretation-

The results of chi-square shows that in case of all the selected variables alternative hypothesis is accepted as significance is less than 0.05 except in one case of problem faced by customers in a bank such as blocked cards where alternative hypothesis is rejected as significance is greater than 0.05.

So, we can conclude that there is a significance difference between satisfaction levels of customers after Merger & Acquisition in ICICI Bank.

	Satisfaction	Change	New policies	Customer services	Problem solving	Blocked cards	No cash	Non printing
Chi-Square	21.143 ^a	30.571 ^b	23.905 ^b	20.286 ^b	14.190 ^b	6.143 ^a	19.000 ^a	12.000 ^a
Df	2	3	3	3	3	2	2	2
Asymp. Sig.	.000	.000	.000	.000	.003	.046	.000	.002
Ha	Accepted	Accepted	Accepted	Accepted	Accepted	Rejected	Accepted	Accepted
0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 14.0.								
From the above study the researcher has found that the customers are more content post Merger & Acquisition								

Findings

The customers are of the opinion that post Merger & Acquisition services provided in ICICI are better. For instance e- banking facility, electronic fund transfer, ATM facility to name a few. The customers are pleased with the quick problem solving which earlier was relatively slow in BOR. Customers said that introduction of new policies and procedures enhanced the working.

Thus, it can be concluded that for the customers the Merger & Acquisition proved to be of **great** advantage as it has offered them with better features of financial products as well as satisfying customer service experience.

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