



## A study on the psychological effect among bank employees after the merger concerning Punjab National Bank in Haridwar

Ritu Modi, Deepshikha Bohra, Sapna Saklani

Assistant Professor, Department of Commerce & Management, HEC Group of Institutions, Uttarakhand, India

### Abstract

Over the past ten years, mergers and acquisitions have significantly impacted the banking sector in India and around the world. As a result, mergers and acquisitions have had a variety of psychological repercussions on bank workers. Employee behaviour is frequently observed to be negatively impacted by acquisition, leading to counterproductive behaviours, absenteeism, low morale, and job unhappiness. This study examined how mergers and acquisitions impact employees' psychological well-being and productivity in the Haridwar banking industry. It defined the various phases of mergers and acquisitions as well as the potential issues at each turn of the integration process. The study found several relationships between pre- and post-merger and acquisition parameters. According to the study, a high level of integration is necessary because there is a risk of cultural clashes. After all, the banks have different cultures. The results also showed that several factors, including poor communication, insecurity, uncertainty, and fear of displacement, were to blame for the stress and dissatisfaction levels.

**Keywords:** Psychological effects, mergers and acquisitions, banking sector, bank workers, poor communication, cultural clashes

### Introduction

Mergers have focused all of their attention on political and economic unpredictability and uncertainty, with an eye toward the success and gain of their businesses, while ignoring employee morale and wellbeing during the process of transformation and integration.

During and After A Merger, the Human Workforce (Human Capital) Is Frequently Ignored and Left Out. The authorities have hardly ever taken any action to evaluate and weigh the impact of the bank's merger and acquisition on its employees. Employee behaviour is typically negatively impacted by mergers and acquisitions, leading to biased practices, job dissatisfaction, absenteeism, low morale, and low motivation. The Researchers Have Examined Several Frameworks to Understand the Response Of the employees, following Mergers (Amiot, Terry, Jimmieson, & Callan, 2006). As more motivated employees are, the more secure productivity is, which is essential to the bank's growth and prosperity as a result of the merger and acquisition procedure, it is imperative to certify that the morale of the workforce is preserved. The biggest news in the banking industry recently was the Indian government's decision to combine public sector banks, reducing their number from 27 to 12 over the next several years or so—the choice to combine up to ten public sector banks into four.

An employee of Oriental Bank even confirmed that they are concerned because previous mergers of a similar nature have led to bank employees losing their jobs.

### Objective of Study

The goals for carrying out the investigation are as follows:

- To investigate how employees in India perceive bank mergers
- To Research Workforce Factors Associated with Job Satisfaction.
- To Examine Employee Perspectives Regarding Upcoming Bank Mergers

### Research Methodology

The Research Methodology Used Is Mostly Descriptive. The information is gathered from secondary sources. Throughout the investigation, references are made to research papers, websites, articles, and published materials about banking mergers and acquisitions. Additionally, data gathered from print media and journals is taken into account.

### Literature Review

Dr. Smitha Meena, Dr. Pushpendar Kumar (2014) Banking companies now operate on a much larger and more sophisticated scale in the global economy, and they must contend with a constantly evolving and complex regulatory landscape. Globally, people have come to understand that M&A is the only way to obtain a competitive edge both domestically and globally, and as a result, a wide range of businesses are searching both domestically and globally for strategic acquisitions. Currently, one of the sectors in India that is expanding the fastest is banking. The banking industry has seen a fundamental shift within the past 20 years. M&A accelerates the emergence of a relatively new feature in the Indian banking sector. In order to combat unhealthy rivalry and to achieve economies of scale. Shook and Roth (2011) <sup>[6]</sup> evaluated the viewpoints of HR professionals in light of their experiences with mergers, acquisitions, and downsizings through a qualitative study employing a constant comparative method. They gathered the data by interviewing thirteen HR professionals. They discovered that HR professionals weren't Participates in the planning of mergers, acquisitions, and/or downsizing choices. In these change projects, neither the HR practitioners in this study nor other HR team members in their respective firms played an upfront, due diligence role. A qualitative study on the psychological effects of a merger of two financial institutions on Bruneian managers was carried out by Clarke and Salleh (2011) <sup>[2]</sup>. It was

discovered that the unique national culture, which embodies a synthesis of Islamic and Malay values, affected the merger's emotional impact. These principles give less weight to exercising personal control over one's actions in the face of uncertainty. The results imply that the application of Western transactional theories of perceived control to understand how people handle change may be much more constrained in Brunei.

The strong stressors (stimuli) that bank workers faced were recognized by Rajeshwari (1992) <sup>[5]</sup>, who subsequently categorized them according to organizational policy, structure, procedure, physical working conditions, group dynamics, and other aspects. Concluded that strong stressors included structural rigidity, unfavourable physical working conditions, and additional organizational elements.

Sakas and Triantafyllopoulos (2009) <sup>[7]</sup> investigated the roles that staff members' views, opinions, and social representations play in the negotiations between the two leaders of the Greek banking branch regarding their intention to merge. To make the tendencies for win-win agreements clear, they employed software-assisted codification. They came to the conclusion that each banking organization engaged in merger negotiations, whether private or public, will have an impact on the strategic decisions it makes about the role that professional attitudes and human beliefs play in the process. Furthermore, the study identified certain components that might be explained and validated by the current conditions in that specific banking sector.

Rafferty and Restubog (2010) <sup>[4]</sup> investigated the connections between a measure of the change context, two measures of the change process that a company implemented, and the responses of its employees to a merger. To investigate the employee's impression change process in a merger, they carried out a longitudinal study. Anxiety was observed to decrease with the frequency of formal change information sessions attended. Furthermore, it was shown that affective commitment to change was favourably correlated with high-quality change information and negatively correlated with fear. Positively correlated with job satisfaction, negatively correlated with plans to leave the company, and positively correlated with voluntary turnover was affective commitment.

The influence of such a significant event on employee health and well-being, which have gotten comparatively little academic attention, was examined by Cartwright and Cooper (1993) <sup>[1]</sup> in their study of the human dimensions of mergers and acquisitions. 157 middle managers who were involved in the merger of two U.K. building societies were included in the sample size. Even in cases when there is a high degree of cultural fit between the collaborating firms, they discovered that post-merger assessments of mental health represent a stressful life event.

Weber (1996) <sup>[8]</sup> evaluated the significance of managerial commitment, autonomy removal, and corporate cultural fit in predicting successful integration between merger partners in several industrial sectors. He discovered that the relationship was quite complicated, differing throughout industries and having various associations with various performance metrics. Furthermore, he discovered that the ability of the merging firms to generate synergies was most likely to be impacted by cultural differences at the highest management level.

### **Effect of Merger in the banking sector Merger Stressors**

It is clear from the literature analysis above that the stressors listed below are what drives employees' stress levels. This will aid in our comprehension of the human element, which needs to be taken into account before merging. Merger success is more likely when these elements are prioritised.

#### **Uncertainty**

In the private sector, it is a regular occurrence for employees' lives and careers to be heavily influenced by business environment elements. This is one of the fundamental elements that affect how stressed out employees are. When a merger is announced, it is evident that employees become more uncertain about a variety of variables. This is because they are not provided with adequate information, and they begin to wonder about their future.

#### **Insecurity**

**Uncertainty:** Upon learning about the merger, they question whether the receiving business will accept them or not. Employee stress is largely caused by a few major causes, including whether or not they will be adjusted to the work environment if they are adopted by the transferee organisation.

#### **Worries about losing one's employment**

Employees' immediate and initial response to mergers and acquisitions is a sense of job insecurity. Employee stress results from this unclear position, which leaves them unsure about whether to stay on the job or quit. In their book, Buono and Bowditch (2003) provided examples to demonstrate how mergers make transferor business employees fearful of losing their jobs. Workers experience extreme stress as a result of this.

#### **Nature and Quality of Job**

Employees are not at ease as a growth process brings about advancements in many areas because of the changes in the work culture following the merger. Some employees become overpowered by this, which contributes to stress. When considering growth, the restructuring process is very crucial. As a result, banks need to focus on their staff members for them to function effectively. Mylonakis (2006) asserts that significant shifts in the type and calibre of employment have resulted from the reorganisation of European and international banks. Therefore, we can conclude that M&As have a big impact on bank employees' lives. The M&A wave was preceded by the emergence of new technology in banking.

#### **Changes in Salary, Authority, and Power**

Research shows that when small businesses combine with larger ones, employees benefit from pay increases and that the acquiring company also improves and enriches their jobs. There are other occasions when employees experience stress because of various stresses, such as rising management expectations, which put a strain on their thoughts.

**Change Process:** Since mergers and acquisitions include a lot of changes, it makes sense that these changes would have an impact on behaviour and attitude. These changes include restructuring, mergers, and acquisitions. As a result,

workers' stress levels could rise. In their 2001 study, Rafferty and Restubog investigated the connections between two indicators of a company's change process, a measure of the context of the change, and the responses of employees to a merger. A longitudinal research was carried out to gauge the employee's belief in They discovered that an effective commitment to change was adversely correlated with a poor change history. Anxiety declined as more formal change information meetings were attended. Anxiety was adversely and favourably correlated with high-quality change information.

**Working Hours and Workload:** In 2005, Krantz, G., Berntsson, L., and Lundberg, U. examined the relationships between symptoms reported by male and female white-collar professionals and paid employment, unpaid domestic activities, child care, work-child care interactions, and perceived work stress. A questionnaire was issued to 1,300 white-collar workers, 1300 of whom were men, for this purpose. It included subjective indices for work stress and symptoms, as well as measures pertaining to overall workload (hours spent on paid work, unpaid domestic chores, and childcare). They came to the conclusion that in order to prevent stress-related illness in both men and women, consideration should be given to both private and professional lives, as well as how they interact.

**Technological Issue at Work:** Every organisation is now required to implement new technologies following the introduction of information and communication technology. As a result, the concerned organization's staff members are expected to complete technology training courses. Without these training sessions, there would undoubtedly be a rise in stress. The study by Schraeder, Swamidass, and Morrison (2006) makes this clear; it looked at the connections between workers' attitudes towards their jobs and how they responded to particular technology advancements. The findings of their long-term investigation showed that people who were actively involved in choosing how to implement the new technology responded better to the changes than people who were less involved. Furthermore, their study's findings showed that people with higher pre-change

### Group Disparities

When a bank merges, two sets of employees must become used to one another, but it takes time for them to get along because of different work schedules and cultural norms. In their study, Panchal and Cartwright (2001) found that group differences persist following mergers, leading to employee stress.

### Communication

According to Schweiger and Denisi (1991), providing employees with a realistic merger preview as part of a merger process can aid them in navigating the process. Lately, we observed in case of the bank of Rajasthan Ltd. and ICICI Bank Ltd. merger that employees agitated it, and lack of communication was reported. How organisations should handle the circumstances that cause the changes in employees' behaviour and attitude listed below is one of the topics that needs more investigation.

The above-mentioned stressor affects the attitude and behavior of employees. It is one of the issues for further research that how organization should deal with those stressors which lead to below mentioned changes in the attitude and behavior of employees.

The above-mentioned stressor affects the attitude and behavior of employees. It is one of the issues for further research that how organization should deal with those stressors which lead to below mentioned changes in the attitude and behavior of employees.

### Cultural Clash

When two separate organisations with disparate belief systems, customs, and work styles come together, there's a chance that a "clash or collision" will happen and have unfavourable effects. Members of an organisation are so ingrained in their own culture that they are unaware of how it influences their behaviour; therefore, when they are required to work in a different culture, it will undoubtedly have an impact on how well they perform. It may also have a favourable or unfavourable impact on the performance of the organisation. If this aspect is not properly taken into account, employees will undoubtedly become stressed. The case study by Buono, Bowditch, and Lewis (1985) on the merger of two mutual savings' banks from the standpoint of organisational culture makes clear that even within the same

### Employees' Attitude and Behavior

- It is a natural phenomenon that the changes in the internal and external environment will surely affect our attitudes and behaviour. It is quite common from the learning aspect that as we go through certain changes, it will bring some or the other changes in our behaviour and consequently, the employees' behaviour will determine organizational behaviour, discipline and work culture. Hassan, R. (2010) found that M&As do have significant impacts on employees' well-being, work, team performance and organization performance. Managing the acquisition process and the employees of the acquired organization in the right manner and approaches can reduce the negative impact of the acquisition process. It also can help an organization to recover and perform again in a shorter period. Organizations should employ the right approach and strategies during the acquisition process and special attention given to effectively managing the employees of the acquired organization.

- **Employees Turnover Rate:** Due to mergers and acquisitions, the employee turnover rate may be high, it so because employees feel unhappy with the work or compensation they get in a new company. It may be possible that employees will start to look for new jobs, and it will increase the turnover which is not at all good for the bank or any other company.

The stressor mentioned above affects the attitude and behaviour of employees. It is one of the issues for further research on how the organization should deal with those stressors that lead to below-mentioned changes in the attitude and behaviour of employees.

**Absenteeism:** Much research has been done on the subject of employee relations in businesses, but little is known about the absenteeism of workers who experience problems at work. When a worker is required to alter their job description, this may become a major factor in why workers attempt to minimise stress by taking time off work. As a result, these problems must be addressed seriously because

they have an immediate impact on the company's production. It is one of the issues for further research that how organization should deal with those stressors which lead to below mentioned changes in the attitude and behaviour of employees, issues at work. One of the main reasons why employees try to reduce stress by taking time from work is when they are forced to change their job description. These issues therefore need to be taken carefully because they directly affect the company's output.

### How to manage the effect of merger

1. Planning decisions pertaining to acquisitions, mergers, and/or downsizing should engage human resource professionals.
2. An effective communication plan can help reduce the impact of most stressors, such as uncertainty, insecurity, and fear of losing one's work.
3. After a merger, re-evaluating employees and assigning them appropriately.
4. Effective stress management and expert assistance can therefore enhance employees' performance. Employee development programs can be held to help staff members comprehend the working environment of the acquiring company.

### Conclusion

According to the description above, mergers and acquisitions are an unavoidable aspect of banking, and it is a natural law that smaller entities will eventually combine into larger ones. Employee stress can be caused by a variety of factors, including workload, working hours, technological issues at work, inadequate pay, worries about family time, job insecurity, fear of losing one's job, job changes, compensation, changes in power, status, and prestige, and communication problems. The performance of employees may be impacted by these pressures. In order to reach the intended goal, banks should prioritize employee satisfaction while taking the aforementioned suggestions into account.

### References

1. Cartwright S, Cooper CL. The Psychological Impact of Merger and Acquisition on the Individual: A Study of Building Society Managers. *Human Relations*,1993;46(3):327-347. doi: 10.1177/001872679304600302.
2. Clarke N, Salleh NM. Emotions and Their Management during a Merger in Brunei. *Human Resource Development International*,2011;14(3):291-304.
3. Dr. Smita Meena, Dr. Pushpender Kumar. "Mergers and Acquisitions Prospects: Indian Banks Study" ISSN: 2349-7807 *International Journal of Recent Research in Commerce Economics and Management (IJRRCEM)*,2014;1(3):(10-17).
4. Rafferty AE, Restubog SD. The Impact of Change Process and Context on Change Reactions and Turnover During a Merger. *Journal of Management*,2010;36(5):1309-1338.
5. Rajeshwari TR. Employee Stress: A Study with Reference to Bank Employees. *Indian Journal of Industrial Relations*,1992;27(4):419-429.
6. Shook L, Roth G. Downsizings, Mergers, and Acquisitions: Perspectives of Human Resource Development Practitioners. *Journal of European Industrial Training*,2011;35(2):135-153.

7. Sakas D, Triantafyllopoulos Y. Lessons from a Case Study for Greek Banking M&A Negotiations. *Management Decision*,2009;47(8):1300-1312. December, 09, 2011, from Corporate Resource Net, Pacific Institute of Management.
8. Weber Y. Corporate Culture Fit and Performance in Mergers and Acquisitions. *Human Relations*,1996;49(9):1181-1202.