

# IMPACT OF MERGER AND ACQUISITION OF BANKS ON CUSTOMERS AND IMPROVEMENTS IN E-SERVICES OF THE BANK: A CASE STUDY ON SBI-SBT MERGER

With Special Reference to Alappuzha, Pathanamthitta and Kollam districts.

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**ABSTRACT**---Mergers and Acquisitions began in India in the 18th century, still, it is widely used as a tool for corporate restructuring throughout India. This research paper evaluates the impact of SBI-SBT merger on customers and assessing the satisfaction and drawbacks of using recent banking technologies. This article uses a questionnaire to collect data from the customers and the data is analysed using SPSS and Percentage analysis. From customer's point of view merger is successful but they still insist on improvements and slight reforms in the banking sector. SBI has remarked its global presence through better strength after the merger. It has now got a better capital base and a strong control system. This study was to generate a general idea of how the upcoming mergers can be implemented with more effectiveness keeping in mind the assessed effects and drawbacks.

**Key Words**-- Merger and Acquisition, Banking Technologies, Customer Satisfaction.

## I. INTRODUCTION

In India, the banking system is a chief constituent of the economy. India's economy is witnessing a slowdown stage of growth. India's GDP growth rate in the first quarter of 2019 reported as 5% which is lesser than the expected growth rate. The stock market is crashing down at a higher rate, foreign investors drawing back money from the market, unemployment in the automobile industry reported the highest ever in 45 years. The RBI has fixed a cap on withdrawals from YES bank RBI added that it will opt for YES bank's reconstruction through amalgamation, so the present scenario calls for thorough research on the effect of mergers.

One of the possible ways to crack the problem is to boost investments in the economy through credit policies and terms. The banking system takes part in increasing the ease of doing business. The digitalization of the

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economic system also paves the way for the advancement of banking technology and services within the country. Recently our finance minister declared the consolidation of ten public sector banks into four, thus reducing the level of non-performing assets and for easing the governance and control on banks. Customers are then to be considered as primary stakeholders apart from our nation henceforth, it is important to assess the impact on the customer.

## **II. LITERATURE REVIEW**

Many scrutinizes have done by both individuals, groups and research centers in order to analyses satisfaction among customers both in the pre-merger and post-merger and also several publications are there on the basis of its impacts on other stakeholders including employees, shareholders, management and also on the financial position and technological environment of the bank. Some of the findings are:

Krishna Prasad Sharma (Dec 2018) in his research study he pointed out that, according to the Nepal Government, consolidation is considered a way to increase capital base, to attain operational efficiency, and also to strengthen their service quality. Consequently, Mergers and Acquisitions are thus appraised as an effective measure. He gives a systematic analysis of the effects of takeover using a questionnaire along with relevant graphs which is designating his analysis. Eventually, his results had indicated that consolidation increases the economies of scale in the country and through such elevation, it enlightens the benefits of customers.

In a paper published from the journal of scientific research [2013] with reference to the merger of Bank of Rajasthan and ICICI bank spells outcomes up with the conclusion that post-merger services provided by ICICI bank, like they could get access to better e-facilities, ATMs, fund transfer systems, etc. They made an inference that mergers and acquisitions have come up with great advantages like better financial products with customer-friendly features.

Dr.K.A.Goyal and Vijay Joshi[2011] stated that merger is an aid for small and local firms facing competition from the global economy. Private banks are also using the strategy for broadening their line. Merger strengthens their networks across geographical boundaries, improves customer base and market share.

## **III. RESEARCH METHODOLOGY**

This research study is descriptive research conducted using survey and interview method. Structured questionnaires, telephone interviews, and personal interviews were used for collecting data. Secondary data including charts and figures of previous years and other details of the financial position of the company and other aspects critically examined in published research works were also considered. Internet, newspapers, journals and even social media was considered for secondary data. This study has all SBT customers in Kerala state who are now the customers of SBI. This study covered 155 customers focusing mainly on three districts including Kollam, Pathanamthitta and Alappuzha. The study used a convenience sampling method. A non-probability sampling method was adopted as we couldn't collect complete list of SBT [now SBI] customer Data collected is analyzed in consideration of the research objective. This is done using percentage analysis and SPSS.

#### IV. OBJECTIVES OF THE STUDY

1. To find whether there is an improvement in service quality in the post-merger phase.
2. To know the improvement in quality and range of e-services provided by the bank.
3. To evaluate whether there is a significant relationship between the age of the customers and the usage of the technology.
4. To evaluate customer-employee relationships after the merger.
5. To evaluate the drawbacks and benefits of e-services introduced.
6. To know whether goodwill of the bank has increased in the post-merger phase.

#### V. HYPOTHESIS

H0: There is no significant relationship between the age of customers and the usage of technology.

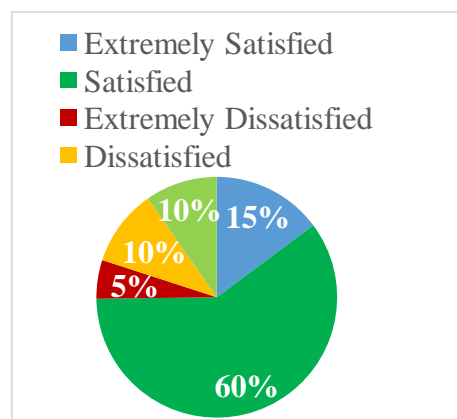
Ha: There is a significant relationship between the age of customers and the usage of technology.

#### VI. SURVEY ON SERVICE QUALITY

**Table:1.1:** SA-Strongly Agree, A-Agree, N-Neutral, D-Disagree, SD-Strongly Disagree

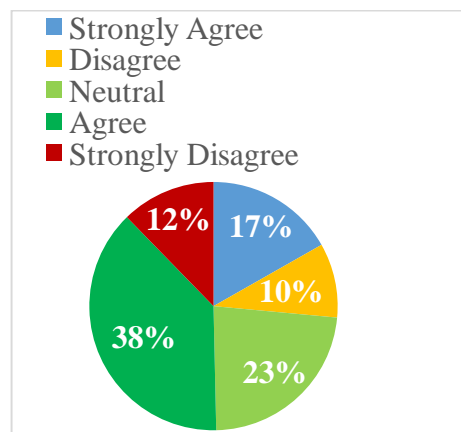
FACTORS AFFECTING SERVICE QUALITY	SA	A	N	D	SD
IMPROVED CUSTOMER SERVICE IN POST-MERGER PHASE DUE TO MORE NUMBER OF BRANCHES THAT SBT CUSTOMERS CAN APPROACH	14	48	17	9	12
RENDERING MODERN SERVICES TO CUSTOMERS IN THE POST-MERGER PHASE	26	38	25	9	2
CARING AND INDIVIDUAL ATTENTION IS GIVEN TO CUSTOMERS IN POST-MERGER PHASE	22	54	NIL	16	8
LEVEL OF CUSTOMER'S SATISFACTION IN ECONOMIC TERMS AFTER MERGER	13	51	12	16	8
MERGER AND ACQUISITION ACQUISITION ENLARGED THE CLASS OF PRODUCTS SERVICES AVAILABLE	16	36	30	10	8
CUSTOMER FRIENDLY ATMOSPHERE AT BANK AFTER MERGER	13	51	12	16	8
NO COMPLICATION FOR THE EXISTING DEPOSITORS TO MAINTAIN BANKING RELATIONSHIP IN POST-MERGER PHASE	19	42	24	11	4

NO COMPLICATION FOR THE EXISTING BORROWERS TO MAINTAIN BANKING RELATIONSHIP IN THE POST-MERGER PHASE	13	31	37	13	6
NO PARTIALITY ON THE GROUND OF SOCIOECONOMIC CLASSES WHILE OFFERING SERVICE IN POST-MERGER PHASE	27	43	17	8	5



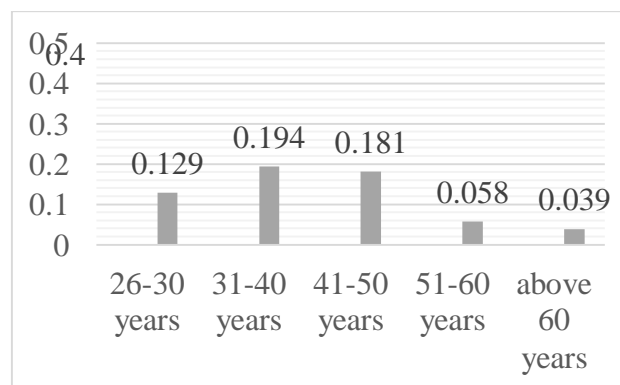
**Figure 1.1:** Customer-employee relationship

60% of customers are satisfied with the customer-employee relationship after the merger, 15% are extremely satisfied, 10% are neither satisfied nor dissatisfied in customer-employee relationship, 10% are dissatisfied and 5% are extremely dissatisfied.



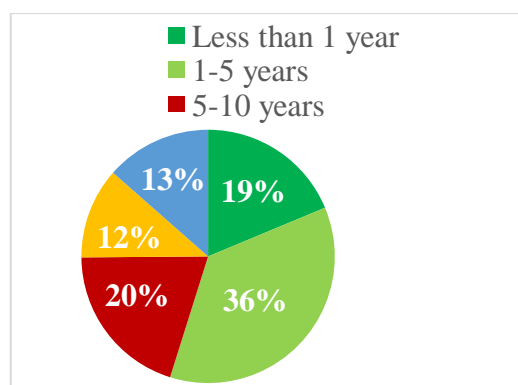
**Figure 1.2:** Goodwill of the bank

38% have agreed that the goodwill of the bank is enhancing after merger and acquisition while 23% have neither agreed nor disagreed, 17% strongly agreed, 12% strongly disagreed and 10% have disagreed with this.



**Figure 1.1:** Age group of customers

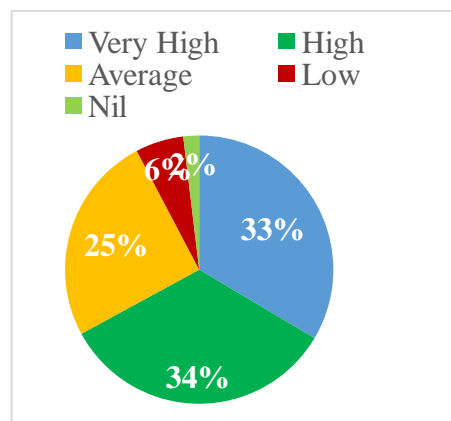
From the above graph it is clear that 40% of the respondents were in the age group “18-25 years”, 19.40% were in the group of “31-24 years” and 18.10% were in the group of “41-50 years”. 12.90% of respondents were in the age group “26-30 years”, 5.80% and 3.9% were in the group of “51-60 years” and “above 60 years” respectively.



**Figure 1.3:** Usage of services

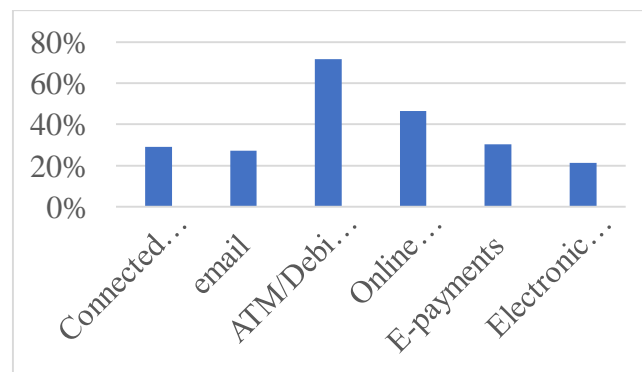
From the above chart, we can understand that 36% of customers are using SBI services from a period of 1-5 years, 20% are using from 5-10 years, 19%

are using services for less than 1 year. 13% are using from above 15 years and 12% are using from 10-15 years.



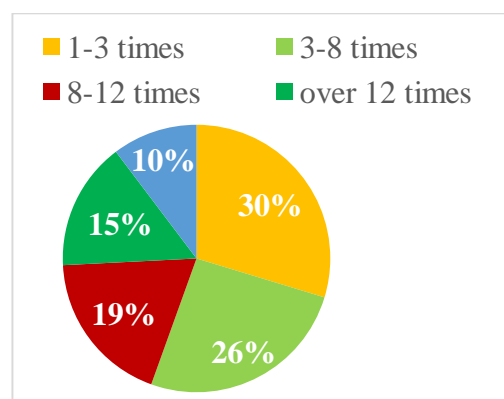
**Figure 1.4:** Contribution of the technology to the success of the bank

From the above chart it shows that 34% customers says that the contribution of technology highly contributed to the success of banks, 33% says that the contribution is very high and 25% says there is only average contribution of technology. 6% of customers says that there is a low contribution of technology and 2% doesn't have any opinion with this.



**Figure 1.2:** Level of usage of technology

From the above graph it clear that a above 70% of customers depend on technologies like ATM/ Debit/ Credit cards and above 40% of customers use online banking technology which is because of new online digital applications like YONO introduced by SBI, 30% use for e-payments, 20-30% of customers use email or connected to the internet of home or work and above 20% customers uses Electronic Fund Transfer technology.



**Figure 1.5:** How frequently use banking services

From the above chart we can clearly say that 30% of customers frequently use the banking services “1-3 times” per month, 26% of customers’ use “3-8 times” and 19% uses “8-12 times”. At the same time, only 15% of customers uses the banking services “over 12 times” in a month and 10% don’t use banking services at all.

## VII. DESCRIPTIVE STATISTICS

**Table:1.2:** Correlation analysis between the age of the customers and the number of usages.

### CORRELATIONS

		Age of the respondents	Status of usage of the respondents
Age of the respondents	Pearson Correlation	1	.623**
	Sig. (2-tailed)		.000
	N	162	162
Status of usage of the respondents	Pearson Correlation	.623**	1
	Sig. (2-tailed)	.000	
	N	162	162

Table:1.3 \*\*. Correlation is significant at the 0.01 level (2-tailed).

The ‘r’ on correlational analysis is at 0.62, which signifies a positive and moderate correlation between the variables i.e. the age of the customers and the number of times usage of technological banking services. Since the significance level is at 0.001, null hypothesis is rejected and alternate hypothesis is accepted.

	Mean	Std. Deviation	N
Age of the respondents	2.48	1.488	162
Status of usage of the respondents	2.69	1.287	162

## VIII. FINDINGS AND DISCUSSIONS

1. Customer service in the post-merger phase has increased due to a greater number of bank branches for SBT customers.

2. A significant part of customers is satisfied with the customer-employee relationship even after the reshuffling of employees following consolidation. The other minor part believes that they were getting personalized service from previous staff members. They are much more personally attached and were able to easily communicate they face some difficulty after merger due to reshuffling of employees (appointing employees from other states in Kerala branches).

3. From chart 4.7 majority of the customers agreed that SBI has been rendering modern services in the post-merger phase. SBI has introduced the following digital services in the post-merger phase:

a) YONO: YONO is a smartphone application having a unified platform of digital banking services that allows the customers to access financial services along with other utility services.

b) YONO Cash: YONO cash facilitates the withdrawal of cash without ATM debit or credit cards

c) SBI in Touch: SBI has setup digital branches called SBI in touch with a view to providing easy and instant access to various services including approval of loans, It was basically targeted to attract the young tech generation they also provide personalized ATM card right after opening a bank account, they can make video conferences for financial advices.

d) Swayam: State Bank of India has recently launched an automated system called Swayam, which enables the customers to print their passbook their own using barcode technology.

e) Single Window Concept: It is a system in which customers can avail of all the facilities in one place so that they need not go separate sections for different transactions.

f) SBI Buddy: In 2016, SBI had come up with an E-wallet app, customers can go load their wallet with a debit card or net cash.

g) SBI Anywhere: It helps the customers to avail personalized banking services anywhere and at any time through an app.

4. A significant part has satisfied, but the other part especially poor sections of the society suffer due to an increase in service charges, minimum balance, etc.

5. Merger and acquisition have increased the range of products and services available to customers than those available SBT to an extent.

6. Most branches provide a customer-friendly atmosphere. It's subjective and dependent on the behaviour of employees and individual attention provided.

7. Most customers say that the contribution of technology to the success of the bank is very high. Even though old people believe that technology is essential for the development of banks, Some find it impractical to completely digitalize the banking sector as some people especially old aged ones more prefer for offline services



as they find it difficult sometimes to move up with the changing technological environment and they even prefer companionship during the retirement life.

8. Satisfaction in the usage of digital services is high as problems are rare while using services.

## **IX. SUGGESTIONS**

1. Training should be given or meetings can be conducted to spread awareness among old-aged people for efficient usage of technology.
2. An effective feedback system can be introduced and also should consider their need in the feedback.
3. A system to monitor a customer-friendly atmosphere in the bank can be introduced.
4. Digital systems must be strengthened with more security systems.
5. Add more ATMs in rural areas.
6. Supporting staffs should be appointed to keep them in carrying out their transactions
7. The benefit of technological development should not only be restricted in the urban area but also be reached in rural areas also.

## **X. CONCLUSION**

Merger and acquisition strengthen the financial position, it broadens the capital base, provides the bank with a common technological platform under an umbrella study concludes that the merger of SBI-SBT has created a positive impact on customers to an extent. Service quality has been improved along with digitalization of services. It also concludes that there correlate a positive relationship between the age of users and the number of times using the e-services. Even though some scepticism exists regarding the complete digitalization of services, customers are maintaining a positive attitude towards current mergers.

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