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## Employee Perception on Merger and Acquisition of Commercial Bank in Nepal

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Rayamajhi Sushma\*

\*MBA BF, Lumbini Baniya Campus, Butwal, Tribhuvan University, Nepal.

Corresponding Email: \*sushmarayemajhi@gmail.com

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**Abstract:** *The merger and acquisition of commercial banks can have significant impact on employee perception of their job security, working condition and remuneration. This paper examine level of satisfaction in term of job security among the employees of merged and acquired, level of satisfaction in term of pay among the employees of merged and acquire and level of satisfaction in term of working condition among the employees of merged and acquired. 20 questionnaire is distributed among employee of merged and acquired commercial bank of Nepal. The purpose of the study is to fulfill the research gap and try to analyze the relationship between dependent variables and independent variables such as job security, working condition and Remuneration. Judgemental sampling technique is used to conduct the survey among 100 employee of banking sectors. Data collection period of this paper is 2 month. Multiple Regression analysis is used for Data Analysis procedures. Major conclusion of this paper is that there is positive but insignificance relationship between job security and employee perception. There is positive and significance relationship between working condition and remuneration.*

**Keywords:** *Job Security, Perception, Merger and Acquisition.*

### 1. INTRODUCTION

Combinations and Accessions are business deals in which the power of companies, business associations, or their operating units are transferred to or consolidated with another company or business association. One cerebral miracle that results from watching and engaging with the world is perception. One person's practical sweats are impact by perception. Then, the study's findings regarding how workers felt about the bank junction and purchase are reviewed & financial establishment. Combining two or further businesses results in combinations and accessions than two businesses in one association. A junction is a way of combining two companies players into a unified group marketable banks are essential to Nepalese's frugality and fiscal sector. Nepal Rastra Bank planned to ameliorate the health of the fiscal sector by



introducing the Merger by law 2011 predicated on the Company Act 2006 composition 177, Bank and fiscal institution act( BAFIA) 2006 composition 68 and 69 that pressurize all the BFIs for immediate junction as a connection. A junction wasn't a choice of the Nepal Rastra bank

( NRB) but it was a coercion strategy to increase the capital and strengthen their capacity to face the competitive request. It's perceived that, junction result in newer and larger associations which are supposed to be effective in allocating coffers, mortal and capital and maximize the affair earnings. It's believed that the larger banks, with further coffers can offer further products and services at lower operating cost i.e. at husbandry of scale. junction and accession issue is important in case of Nepal numerous marketable banks are intermingled to minimize the fiscal threat as well as for smooth operation of banking sectors so the major issue related with this content is M&A can produce query and anxiety among workers, especially regarding job security, organizational structure changes, and implicit redundancies. Poor communication and lack of hand engagement during the process can impact morale and productivity. Their function as an conciliator has a significant impact on the effectiveness of the plutocrat and capital requests. As a result, an effective banking system is a necessary element of an effective fiscal system, which in turn drives an effective frugality to a considerable extent. Over the once 30 times, there has been an unknown change in the global banking structure. Particularly, vertical combinations and accessions( M&A), which are agreements made between businesses operating in the same assiduity. The specific objects are to examine the position of satisfaction in term of job security among the workers of merger and acquired, to examine the position of satisfaction in term of pay among the workers of megred and acquired , to examine the position of satisfaction in term of working condition among the workers of merger and acquired. Every study bid needs to have a particular scope. The responses of repliers are gathered using primary data. Results might not be applicable to other banks because information was taken from a sample of merged and acquired bank workers in the Rupendahi District of Siddhartha Municipality.

**Name of Commerical Bank Merged Acquiried in Nepal**

Table 1 Mergers in Nepalese Banking Industry.

S.N	Name of Banks	Merged Year	Fate
1	Bank of Asia Nepal	2013	Merged with NIC Bank and renamed NIC Asia Bank
2	Bank of Kathmandu	2023	Merged with Global IME Bank
3	Century Commerical Bank	2023	Acquired by Prabhu Bank
4	Commerz & Trust Bank	2014	Merged with Global IME Bank
5	Grand Bank Nepal	2016	Merged with Prabhu Bank
6	Global Bank	2012	Mergered with IME Financial Institution and Lord Buddha Finance and renamed Global Bank
7	Janta Bank	2019	Merged with Global IME
8	KIST Bank	2014	Merged with prabhu Bikash Bank ,Gaurishankar Development & zenith Finance and renamed Prabhu Bank



9	Lumbini Bank	2016	Merged with Bank of Kathmandu
10	Mega Bank Nepal	2023	Merged with Nepal Investment Bank and Renamed Nepal Investment Bank
11	Nepal Bangladesh Bank	2022	Acquired By Nabil Bank
12	Nepal Credit & Commercial Bank	2023	Merged with Kumari Bank
13	Nepal Investment Bank	2023	Merged with Mega Bank Nepal
14	Nepal Industrial and Commercial Bank	2013	Merged with Bank of Asia Nepal And Renamed NIC Asia Bank
15	Civil Bank	2023	Merged With Himalayan Bank

## 2. RELATED WORKS

Wickramasinghe (2009) took views of 109 employees of two banks of Sri Lanka, which had undergone an extension merger and a collaborative merger and reported that the type of the merger affects employee perceptions and employees are less satisfied in the collaborative merger than in the extension merger. Further findings revealed that age, gender, and marital status influence the perceptions of the respondents and among those, age is the most influential. Goyal (2011) the aim of this paper is to probe the motives in banking for merger and acquisition. Researcher taken 17 merged bank for sample research is conducted on the basis of number of branches, geographical penetration in the market result revealed is small and local bank face difficulty in bearing the impact of global economy Therefore they need support and it is one of the reason for merger.

Devkota( 2023) taken 310 respondent and structural Motdeling was used to analyze the data .This study examine the effect of merger and acquisition on employess satisfaction in Nepalese banking sector. The result exhibit the organzational climate, recongnition and nature of work remain significant to employee satisfaction and motivation.

Wakar Akbar( 2008) Reasearcher taken 375 worker as sample size regression effect is used to find out effect of a merger change readiness the aim of this study to identify the employee attitude during the time of proposed merger result revealed that uncertainty is statistically found to be insignificant with the change readiness that employee are not fearful of being uncertain about change happening due t merger.

Mylonakis J. ( 2006) the survey based on a random sample of 135 bank employee the objective of this research wad to examine how bank employee perceive bank 's M&A and how it expected to affects their personal and professional career and result shows that bank employee feel personally threatened by M&As, which are not considered to be justified and necessary entrepreneurial activities conducive to enhanced, quality banking service

Schneider(1980) conducted research on some boundary-spanning theory and on some practical realities. Assumptions underlying the use of perception-based diagnoses were also explained. However,Results revealed some strong relationships between employee perceptions of branch practices and procedures in relation to service and customer perceptions of service practices and quality.

Mylonakis(2006) has examined in his article that how bank employees perceive bank' M&As and how it is expected to affect their personal and professional career. The result showed that

bank employees feel personally threatened by mergers and acquisitions, which are not considered to be justified and necessary entrepreneurial activities conducive to enhanced, quality banking services.

M&As/reforms hinge on the neo-liberal principles of flexibility, banks seem to have taken advantage of its flexibility to engage new employees in the banking sector. The fear of not wanting to lose one's job, often, propels employees to be efficient and committed to the organization thereby improving productivity for an organization but not necessarily, translating to satisfaction for the employees (Akinde, 2020).

There is evidence that all the significant amount of literature that examine the employee perception on merger and acquisition of commercial banks based in different countries such as Srilanka, India, USA and UK in different time frame including independent variables Job satisfaction, performance, age, qualification and marital status. The purpose of this study is to fill this research gap and try to analyse the perception of employee on merger and acquisition with variables job security, remuneration and working condition.

### 2.1 Conceptual Framework

The following conceptual framework is developed for the purpose of the study. It shows the relationship between the merger and Acquisition as dependent variables and job security, Remuneration/pay and working condition as independent variables.

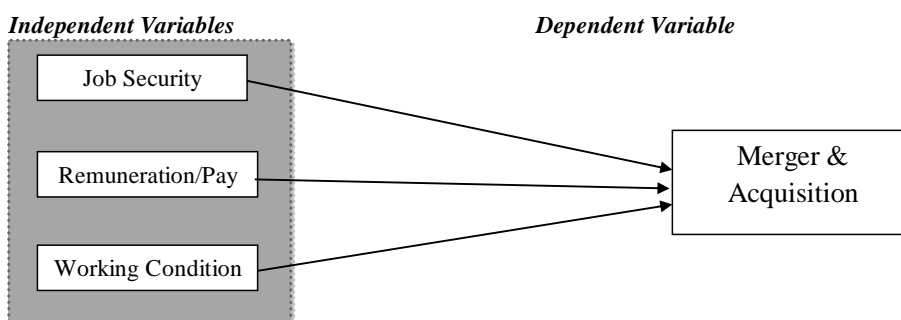


Figure 1

In this paper the conceptual framework appears to be exploring the relationship between certain independent variables ( job security, remuneration, and working condition) how they affect the dependent variables ( Employee perception on merger and acquisition)

Job security refers to the subjective dimension of perceived job security [2] There is positive relationship between job security and employee perception because if employee jobs are secure, they may be more likely to have positive perception towards banking sectors and its decision. Working condition refers to the physical social and environment factors that contribute to the working condition [3] good working condition can lead to increase employee satisfaction decrease the turnover rates which can have positive impact on banks profitability.



Mill argued that wages should be determined by the productivity of labour and that worker should be fair share of the value that they create [1] the who receive fair and competitive compensation for their work tends have more positive perception of their jobs.

## **2.2 Hypothesis**

H1: There is significant relationship between employee perception on merger and acquisition and job security.

H2: Working condition and employee perception on merger and acquisition has a significant relationship.

H3: There is significant relationship between remuneration and employee perception on merger and acquisition.

## **3. METHODOLOGY**

This chapter deals with the research methodology of the study. The study aimed to determine the employee perception on merger and acquisition in rupendehi district. This chapter is organized in the following structure: the research design, population, sample size, sampling technique, source of data and data collection methods to collect the data from the respondent.

### **3.1 Research Design**

To conduct the research study, researchers have used descriptive research design and causal comparative research design. Descriptive research design is used to describe characteristics of a population and causal comparative research design is used to compare the relation between two or more than two group in relation to dependent variables. In this method, survey method is used to collect the data from the respondent.

### **3.2 Population**

A research population is generally a large collection of individual that is the main factor of scientific query. There are several bank merged and acquired. 120 Questionnaire were distributed among these merged bank in Bhairahawa Global IME, Nabil, Kumari Bank Limited, NIBL, NIMB and Parbhu bank.

### **3.3 Sampling Method**

Sampling method select the sample respondent for the data collection. In this perspective the Judgemental sampling is done to approach the employee of different commercial merged and acquired bank. Respondant are selected on the judgement or experties. Questionnaire are made with 20 question are designed to provide the information regarding to employee perception merger and acquisition.

### **3.4 Source of Data Collection**

Primary data means original data has been collected specially for the purpose in mind. It means someone collected the data from the original source first hand. The primary data collected by administering questionnaire to the employee of merged and acquired commercial bank in rupendehi district.



**3.5 Data Collection Procedure**

Total 120 set of questionnaire were distributed among to the sample employee of merged bank in rupendehi district. Among 120 questionnaire, 100 were returned and 20 were not returned. Questionnaire has been used as research instrument for data collection. Five point likert scale has been used in the questionnaire in which 5= Strongly Disagree, 4=Disagree, 3=Neutral, 2=Agree, 1=strongly Agree

**4. RESULT AND DISCUSSION**

Table 2 Demographic Profile of Respondents

		N	%
Age	20-30years	68	58.7
	30-40years	20	20.2
	50-60years	11	11.1
Gender	Male	42	42.4
	Female	58	57.6
Marital Status	Married	46	46.5
	Unmarried	53	53.5
Qualification	Below Bachelor	43	43.4
	Bachelor	52	52
	Master	4	4
Working Experience	Less than 5 years	53	53.4
	5-10years	33	33.3
	10-15years	11	11.1
	15-20years	2	
Working Department	Credit risk manager	41	41.2
	Bank manager	18	59.6
	Equity Analyst	18	77.8
	Financial Account	14	91.9
		8	

Table 3 Descriptive result

	Minimum	Maximum	Mean	Std. Deviation
Job security	2	5	3.771	0.627
Working condition	1.33	5	3.643	0.670
Remuneration	1.33	5	3.612	0.712

Table 2 shows that the job security has the highest mean value of 3.7710 (SD=0.62750) within the dimension of employee perception which implies that the respondent agree that they are has positive perception in job security. Similarly, working condition and remuneration has mean value of 3.6431(SD=0.67049) and 3.6128(SD=0.71223) respectively which implies that the Employee has positive perception towards merger and acquisition.



Table 4 Correlation Analysis Result

	Job Security	Working Condition	Remuneration	Merger
Job Security	1	.294**	.332**	0.124
Working Condition		1	.553**	.340**
Remuneration			1	.285**
Merger				1

.Note. \*\* Correlation is significant at the 0.01 level (2-tailed).

Table 2 shows that there is positive but insignificance relationship between employee perception on merger and acquisition and job security. There positive and significance relationship between employee perception on merger and acquisition and working condition. There is positive and significant relationship employee perception on merger and acquisition and remuneration.

Table 5: Summary of Result of Multiple Regression Analysis Examining the employee Perception on merger and acquisition

Model	Constant	JS	WC	Rem	R <sup>2</sup>	F	Sig
coff	2.48	0.000	0.226*	2.535	0.129	4	0.00
Sig		(0.99)	(0.02)	(0.239)			
VIF		(1.14)	(1.46)	(1.509)			

Note: \* significance at 5%, figure in the parenthesis represent P value and VIF represent repectively.

On the basis of above finding regression equation has been developed:

$$Y = 2.481 + X_1 + 0.226X_2 + 2.535X_3$$

Where X<sub>1</sub>= job security, X<sub>2</sub>= working condition, X<sub>3</sub>= Remuneration

Table 5 depicts the result of Multiple regression analysis. The dependent variables is employee perception on merger and acquisition and the explanatory variables are job security, working condition and remuneration. The result presented in the table shows that sig(P-value) of F statistics (F=4.687, sig=0.004) which implies that model is significant at 5 percentage level of significance. Coefficient of determination (R<sup>2</sup>) is 12.9% which implies that 12.9% variation is explain by independent variables and rest by other factors. The finding Shows that there is positive and significant relationship between working condition and merger and acquisition as P-value is less than 0.026 < 0.05 similarly positive but insignificant relationship between job security and remuneration.

**Model Diagnostic Test**

The variance inflation factors of all independent variables ( VIF<sub>Job</sub> = 1.1147, VIF<sub>WC</sub> = 1.469, VIF<sub>Rem</sub> = 1.509) is less than 5, so, the model is free from multicollinearity.

Note: Job s refers job security, wc refers to working condition and rem refers Remuneration

**Realibility Test**

The reliability test was conducted using Cronbach's Alpha and the overall Croanbach's Alpha 0.664, which indicate the item used to measure the construt is reliable.

Commented [N1]:



**Normality Test**

Table 6 Normality test of residual

	Tests of Normality					
	Kolmogorov-Smirnov			Shapiro-Wilk		
		df	Sig.	Sta	df	Sig.
Unstandardized Residual	.073	99	.20*	.987	99	.415
<i>Note.</i> *. This is a lower bound of the true significance.						
a. Lilliefors Significance Correction						

Since  $P > 0.05$  so, the data is normal

**Homoscedasticity**

The Scatter plot show test of Homoscedasticity. The figure shows that standardized residuals are dispersed at random through standardized project value. Therefore, it may be concluded that the outcome of the multiple regression analysis does not have a heteroscedasticity issue. It means there is no autocorrelation.

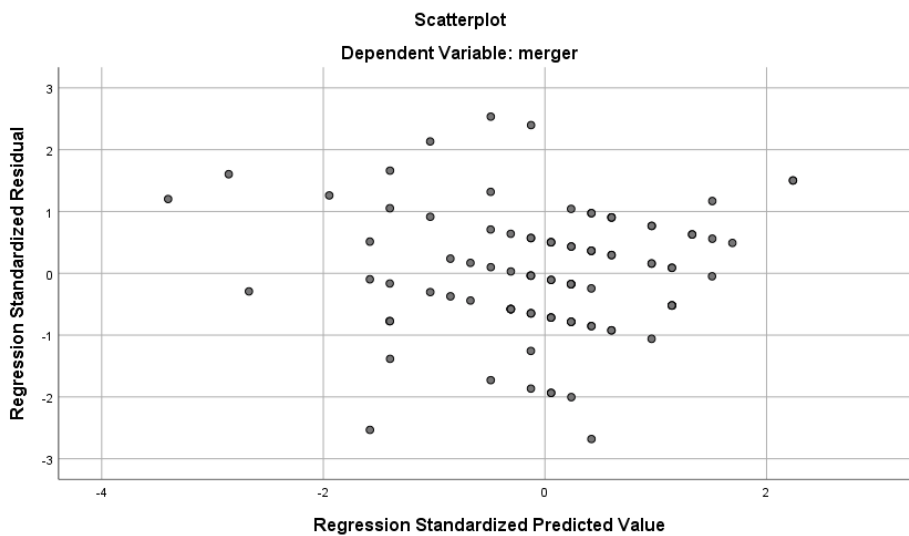


Figure 2

**5. CONCLUSION**

The study had conducted with the objective to employee perception towards the merger and acquisition of commercial bank of Rupandehi district of Nepal. The study found that majority of the respondent had a positive and significance relationship between employee perception on





merger acquisition and working condition, remuneration. There is positive but insignificant relationship between employee perception and job security. For the further research researcher should focus on variables, which has significant impact.

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