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MERGING IN BANKING SECTOR AND ITS IMPACT OVER ITS EMPLOYEE
(With special reference to ICICI bank and Bank of Rajasthan)

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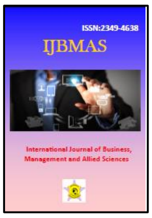


ABSTRACT

The purpose of this paper is to 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 looks upon the impact on employees of ICICI Bank after merger. The world of competition is like a jungle where monsters gobble smaller ones therefore one has to be competent enough to win the rivalry. There are evidences that large enterprises have merged smaller competitors in themselves. This review article on mergers in banking industry has been ignited from the case of the Bank of Rajasthan Ltd. and ICICI Bank Ltd. The aim of this paper is to probe the motives of banks for mergers and acquisition with special reference to Indian Banking Industry. For this purpose sample of some bank employees and officers were taken across various branches in Ajmer and its nearby area. This study is conducted on the basis of number of branches, geographical penetration in the market and benefits from the merger.

Keywords: Merger, ICICI, Bank Employee, M&A

1. INTRODUCTION

Concept of merger: A merger is the combination of two or more companies into one, wherein merging entities lose their identities. No Fresh investment is made through this process. However, an exchange of shares takes place between the entities involved in such process, Generally, the company that survives is the buyer which retains its identity and the seller company is extinguished. The basic purpose of the mergers or combining the two businesses is to achieve the faster growth of the corporate business. Faster growth can lead the business to Improvement and competition position. For the offer or company, the purpose for Acquiring the other company is reflected in the corporate objectives. Offer or firm Need to decide some specific objectives that they want to achieve from the merger or Acquisition. General purpose of the merger and acquisitions are to generate more profit for the built business and to diversify their organizational domains but at the same time, to expand the business in different geographical region is also a big reason for merger and acquisition to take place.

Some major benefits of Merger :

1. The merger can enhance value for shareholders of both companies through the amalgamated entity's access to greater number of market resources. With addition to market share a company can afford to control the price in better manner with a consequent increase in profitability.
2. *Growth and Diversification:* Companies that desire rapid growth in size or market share or diversification in the range of their products may find that a merger can be used to fulfill the objective instead of going through the volume consuming process of internal growth or diversification. The firm may achieve the same objective in a short period by merging with an existing firm. In addition, such a strategy is often less costly than the alternative of developing the necessary production capability and capacity.
3. S*ynergy* : It Implies a situation where the combined firm is more valuable than the sum of the individual combining firms. It refers to benefits other than those related to economies of scale. Operating economies are one form of synergy benefits.
4. *Risk:* Managing Bankruptcy and organizational risks, recent studies have established that if merger and acquisitions in banks if allowed in a controlled manner would significantly reduce the bankruptcy risk of the merged entity. Obviously, mergers would also provide these benefits to banks in India reducing their bankruptcy concerns.
5. *Economies of Scale:* With the help of mergers and acquisitions in the banking sector, the banks can achieve significant growth in their operations and minimize their expenses to a considerable extent. Another important advantage behind this kind of merger is that in this process, competition is reduced because merger eliminates competitors from the banking industry.
6. *Economies of Scope:* An ability to grow products and segments and an opportunity to cross sell would enhance revenue. This could also result in more geographic growth.
7. *Strategic Integration:* Considering the complementary nature of the businesses of the concerned companies, in terms of their commercial strengths, geographic profiles and site integration, the amalgamated entity may be able to conduct operations in the most cost efficient manner. The merger an also enable maximum utilization of various infrastructural and manufacturing assets, including utilities and other site facilities.

There are other possible purpose of Mergers and Acquisitions which are as follows:

- To limit the competition
- To displace the existing management
- To reap speculative gains attendant upon new security issue or change P/E ratio.
- To diversifying the risk of the company, particularly when it acquires those
- To reduce tax liability because of the provision of setting off accumulate losses and unabsorbed depreciation of one company against the profile of another.

- To limit the severity of competition the company's market power.
- To utilize the under-utilized resources and it can be human, physical and management skills.
- To utilize the under-utilized market power

  o To overcome the problem of slow growth and profitability in one's own industry.

MERGER HISTROY of ICICI

	Bank Merged With	Year of the Merger
ICICI BANK	Takeover Of Anagram Finance	1998
ICICI BANK	BANK OF MADURA	2000
ICICI BANK	ICICI LTD	2002
ICICI BANK	ACQUIRES RUSSIA'S IVESTITSIONNOKREDITNY BANK	2005
ICICI BANK	SANGLI BANK	2007

ICICI bank aims to create the wealth in long term through the four Cs strategy of Current Account Savings Account (CASA) growth, the credit quality, cost control and the capital preservation. The bank has the network of 4,450 branches and about 14,404 ATMs in India and is also have a presence in other 18 countries.

Review of Literature

A large number of studies examined various aspects of M&A in the Indian banking system. Many important books and research articles have been published. In this section of the chapter an attempt has been made to review some of the books and articles, existing literature dealing with the various aspects of bank consolidation.

Mehta Jay & Kakani Ram Kumar (2006) stated that there were multiple reasons for Merger and Acquisitions in the Indian Banking Sector and still contains to capture the interest of a research and it simply because of after the strict control regulations had led to a wave of merger and Acquisitions in the Banking industry and states many reason for merger in the Indian Banking sector. While a fragmented Indian banking structure may be very well beneficial to the customer because of competition in banks, but at the same time not to the level of global Banking Industry, and concluded that merger and Acquisition is an imperative for the state to create few large Banks.

Murthy (2007) studied the case of five bank mergers in India viz. Punjab National Bank and New Bank of India, ICICI Bank and Bank of Madura, ICICI Ltd and ICICI Bank, Global Trust Bank and Oriental Bank of Commerce and Centurion Bank with Bank of Punjab. It was concluded by the author that consolidation is necessary due to stronger financial and operational structure, higher resources, wider branch network, huge customer base, technological advantage, focus on priority sector, and penetration in rural market. Further , some issues as challenges in aforesaid mergers were identified as managing human resources, managing the client base, acculturation, and stress of bank employees

Kuriakose Sony and Giresh Kumar G.S. (2010) in their paper, assessed the strategic and financial similarities of merged banks and the relevant financial variables of respective banks were considered to assess their relatedness. The study concluded that only private sector banks are in favour of voluntary merger wave in Indian banking system and the public sector banks are reluctant towards this type of restructuring. Target banks are more leverage (dissimilar) than bidder banks, so the merger lead to attain optimum capital structure for the bidders and asset quality of the target firms is very poor except in case of HDFC and CBoP merger in 2007. The factor behind voluntary amalgamation are synergies, efficiency, cost saving, economies of scale. The merging partner's strategically similarities and relatedness are very important in the synergy creation because the relatedness of the strategic variables have a significant impact on the bank performance .

Aharon David y et all (2010) analyzed the stock market bubble effect on M&A and followed by the reduction of pre-bubble and subsequent, the bursting of bubble seems to have led to further consciousness by the investors and provide evidence which suggests that during the euphoric bubble period investor take more risk. M&A of banks is the significant force of change took place in the Indian banking sector. (ref Impact of Bank Mergers on the Efficiency of Banks: A study of merger of Bharat Overseas Bank with Indian Overseas Bank Suresh Kumar)

Goyal K.A. & Joshi vijay (2011) in their paper, gave they discussed on Indian Banking Industry & highlighted the changes occurred in the banking sector after post liberalization era. This study verify the requirement for M&A in banking. It also gave the idea of changes that happened after M&A in the banking sector in terms of legal aspects and formalities, management of human resources, financial aspects. It explains the benefits that come out M&A & examined that M&A is a well planned and strategic tool for expanding their business and banks like the ICICI bank has used merger as their planned and their expansion strategy in rural market to improve customer base and market share. The sample of 17 mergers of post liberalization period was taken.

Goyal and Joshi (2011) examined the needs of banks for mergers and acquisition with special reference to Indian Banking Industry and the study was conducted on the basis of number of branches, geographical penetration in the market and benefits from the merger

Goyal and Joshi (2012a) examined the success of ICICI Bank Ltd through mergers, acquisitions, and amalgamation, are considered as corporate events which helps bank to make synergy and giving sustainable competitive edge but with these sorts of corporate events has the potential to create serious personal trauma, agony and stress which can result in performance, health, behavioural, survival and psychological problems for both the individuals and companies, whether it is a bank or a non banking financial corporation, involved in it. It could be inferred from the case of ICICI Bank Ltd that how an organization can attain success in market by adopting some strategic and planning equipments like mergers and acquisitions.

Goyal and Joshi (2012b) tried to recognize the values, sentiments, opportunities and challenges for the Indian Banking Industry. According to the authors the biggest challenge for banking industry is to serve the large market of India. Companies have shifted their attention from product to customer. The banks understood the fact that in order to be more successful they will have to fulfill the customer needs. In order overcome the challenges, Indian banks must cut their cost of their services.

Li, Tianqi.(2016) presented in his paper," A study on the impact of mergers & acquisitions on shareholders' wealth and efficiency". As nowadays mergers & acquisitions are becoming more and more prevalent, this paper concerns the impact of mergers & acquisition on shareholders' wealth and efficiency. Choosing mergers & acquisitions events in bank industry, we apply literature analysis to see what previous scholars have found and CAPM model to calculate their CAR, which reflects the change of shareholders' values (positive CAR means shareholders gain positive returns from mergers & acquisitions and vice versa). And finally, we find that bank mergers and acquisitions do create shareholder wealth for the target bank acquired and that in many cases the acquiring firm's shareholders tend to lose out because their ownership in the newly formed bank is severely diluted and the same is with the efficiency. What's more, when we take the financial crisis into consideration, mergers are seen to be a safe haven. Besides that, senior management must be skilled at corporate restructuring within the newly merged banks for merged banks to survive post-merger activity.

Research problem: In this research, the problem defined is to analyze the changing perception of employees towards Bank.

The problem is: Impact of merging of bank and its impact over its employee (with special reference to ICICI Bank and Bank of Rajasthan)

Objectives of the Study:

1. To analyze the impact of mergers on employee effectiveness levels.
2. To see the technological impact on employee's effectiveness.

Major hypothesis of the study:-

1a. Ho: There is no significant affect of effectiveness factors over the employee performance.

1b. Ha: There is significant affect of effectiveness factors over the employee performance.

Research Methodology:

- Survey Method
- Instrument formation
- Data Collection
- Data analysis

Data collection: Primary data are in the form of "raw material" to which statistical methods will be applied for the purpose of analysis and interpretations. The primary sources were observation, discussion with Customers, officers and employees, data's collected through questionnaire

Primary data collection:

- Through observation
- Questionnaire Method

Secondary data collection:

- Banking Journal
- Economic magazine
- Financial magazine
- Newspaper Article

Sampling Technique:

1. 1.Random Sampling
2. 2.Cluster Sampling

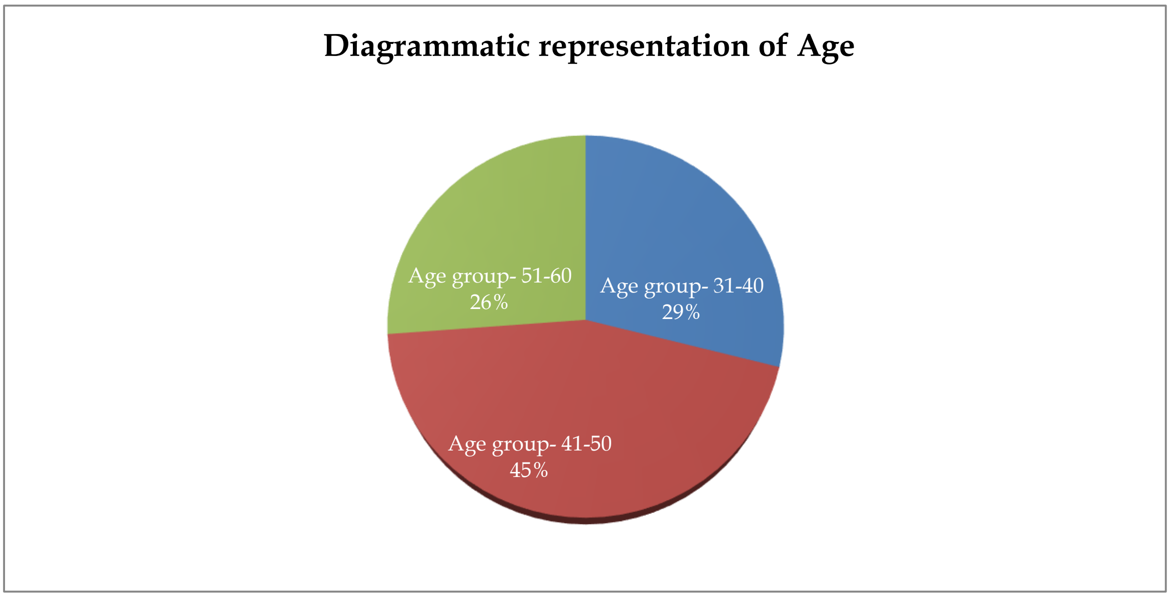
Sample of Bank Officers and its employees

Sample design: Sample design is prepared to cover our sample of bank employees across Rajasthan including both present and former employees

Scope of the Study: Present study empathizing the impact of merging of bank on its employees (with special reference to ICICI & Bank of Rajasthan). The scope of the findings revealed that the difference between pre and post merger on employees effectiveness level with merger, organizational commitment of officers and employees. The data for this study were collected from Ajmer branches like (Kutchery Road,Branch,Station Road Branch Vaishali Nagar branch) also from various others branches near Ajmer and sources across Rajasthan.

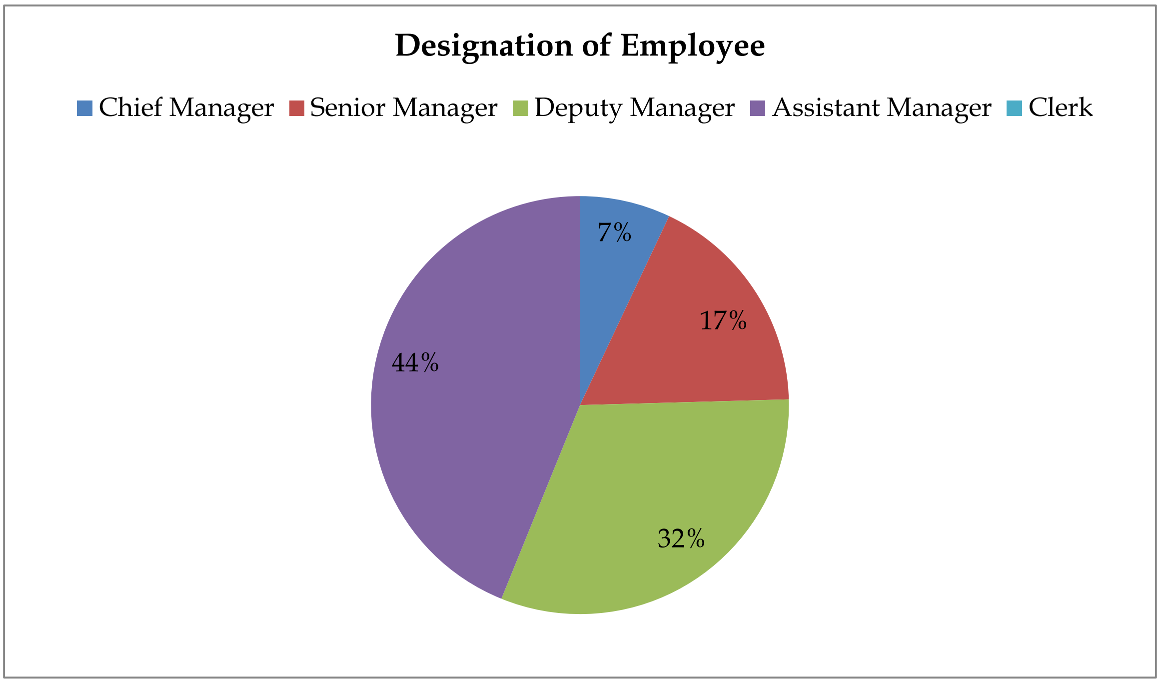
Statistical Technique:

1. Presentation of data: Through pie chart, Diagrams, Charts and Table
2. Technique if required for the study would be as follows:Mean, Standard deviation, Chi square, Correlation, Anova, T-Test



While we received 78 responses

The above pie-chart shows the employees of different age group who are working with ICICI bank and these are our respondents for research work.



While we received 78 responses from employees working at different post

The above pie-chart shows the employees working in ICICI Bank at different post and these are our respondents for research work and sample had been fetched from these respondents working across different branches of Ajmer and nearby area and in some parts of Rajasthan

Conclusion

Merger and Acquisition is the helpful tool for expansion and growth in the Indian banking sector. Weak banks can survive by merging into larger bank. Indian economy has witnessed fast pace of growth post liberalization era and banking is one of them. There is great potential in rural markets of India, which is not yet explored by the major banks. Therefore ICICI Bank Ltd. has used mergers as their expansion strategy in rural market. They are successful in making their presence in rural India. It strengthens their networks across geographical boundary, improves customer base and market share. There is a significant difference between impacts of merger on employees. As employees of ICICI bank ltd were seems to be satisfied after merger as they got new dimensions and growth in their career and job security and higher pay and also there were some employees who were not satisfied with the current scenario of bank after merger especially those who are working at the clerical level as it was difficult for them to cope up with the environment what bank had provided them nor they were satisfied with their pay grades. Future of the merged entity seems to be good going by the trends but one has to wait and see if the same level performance can be continued. The most important key after merger is to generate higher net profits in order to justify the decision of merger undertaken by the management to the shareholders.

Suggestions

Performance appraisal, planning and methods used are rightly available on papers. Regular appraisals are not carried out. The improper appraisal is creating problems for further actions. HR Department of ICICI bank should look into these matters and take the help of experts and implement the performance appraisal strongly.

Motivation, behaviour, willingness to shoulder responsibility, convincing customers, initiative to solve problems and satisfaction are the required qualities for achieving the positive development. A big gap is found between employee and management should gear up and specially cooperative and public banks to plan and act smart to improve these categories. Employees are the most important resource of any bank. They contribute more in achieving higher profitability, business, competitive advantage and goodwill of the banks.

Management should treat them as business partners. The mindset of past is not going to work out in present scenario. They should be discussed, consulted, motivated and participate to accomplish tasks and meet performance standards. The impact of employees is very good on performance, profitability, progress and goodwill of banks. In future it can be improved more, because there is a scope for further improvement. With higher productivity and performance of employees the future of banks is going to be bright definitely.

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