



A REVIEW PAPER ON PERCEPTION OF CUSTOMERS TOWARDS BANK MERGERS AND ACQUISITIONS

Mrs. Poojari Jayashree Muddu¹, Dr. C. K. Hebbar²

¹Research Scholar, Department of Management & Commerce, Srinivas University, India.

²Research Professor, Srinivas University, India.

ABSTRACT

Purpose: Bank mergers and acquisitions are the outcome of numerous discussions, plans, and visions. They affect different stakeholders both favorably and unfavorably. Bank clients are among the stakeholders that mergers and acquisitions may impact. Acquisitions and mergers will have an impact on client loyalty, contentment, and perception of the services provided. The purpose of the paper is to review papers to look into the perception of customers on bank mergers and acquisitions. The review will cover the body of research on the subject and offer an insight on how mergers and acquisitions impact on customers.

Design/Methodology/Approach: The study was carried out via secondary sources and is descriptive in nature. Through a variety of research papers and publications, data on many areas of customer perception and satisfaction with reference to bank mergers and acquisitions was acquired.

Findings/Result: The perception of customers can be affected by bank mergers and acquisitions in both positive and negative ways. Maintaining client satisfaction and loyalty can be facilitated by a bank through effective communication, integration, high-quality services, customer retention, and positive relationships.

Originality/Value: Customers are among the stakeholders affected by bank mergers. The study aims to analyze how mergers and acquisitions affect consumers' perceptions.

Paper Type: Descriptive study with Literature Review on perception of Customers towards Bank Mergers and Acquisitions

Keywords: Bank Mergers and Acquisitions, Customers, Perception, satisfaction

1.0 INTRODUCTION:

In order to compete with global banks, modernize services, boost the banking industry, combine banking services, and improve working conditions, mergers and acquisitions are necessary. Sharma, K. P. (2018)¹⁶

M&A deals are not just common in rich countries, but they are also becoming more likely to happen in underdeveloped countries. Before liberalization, corporate reorganizations were not unheard of in India, but they were also not common. In the early 1990s, business sector takeovers, mergers, acquisitions, and other strategic alliances necessitated a major restructure due to intense competition from foreign companies and all artificial bodies. Rajkumar, M. (2023)¹³

In this type of organization, customer satisfaction and positive comments are crucial to the success of the overall enterprise. Consumers are upbeat about the present merger and acquisition since it has expanded the capital base, which will eventually help them by bringing economies of scale. Sharma, K. P. (2018)¹⁶

Even if M&A has a poor success rate, it is the most significant form of corporate reorganization. Since customer retention is a crucial factor in the success of M&A transactions, post-merger integration must solve customer retention challenges. Marketing research should make a greater effort to address this issue. Alvarez-González, P., & Otero-Neira, C. (2023)³

Banks must capitalize on this rapidly evolving environment, where short product life cycles, important time to market, and the potential for first mover advantage can determine future winners. Theoretically, the merger gives the new business access to a larger client base. The marketing departments' combined abilities will then be able to promote these products more successfully. Increased shareholder value is the end result. Yeboah, J., Asirifi, E. K., & Ampadu, S. (2015)²⁰

1.1 OBJECTIVES:

- To conduct a review of literature on perception of Customers towards Bank Mergers and Acquisitions
- To explore the impact of Bank Mergers and Acquisitions on Customers
- To investigate the positive and negative implications of bank mergers and acquisitions on customers

1.2 METHODOLOGY:

The present study is descriptive. For this review paper, databases such as Google Scholar and Research Gate were searched to collect articles. Data is also collected from other secondary sources such as from journals, articles, and related websites.

1.3 LITERATURE REVIEW ON PERCEPTION OF CUSTOMERS TOWARDS M & As:

Marketing factors impact clients and their interactions with the bank, which in turn impacts the organization's core goals of survival, profitability, and expansion. The co-analysis of marketing, customers, and M&A is crucial since these three factors have the ability to impact how customers and corporations interact. Alvarez-González, P., & Otero-Neira, C. (2020)².

According to the findings of the authors, customers' perceptions of important factors like the link between them and the company and their loyalty following the M&A are influenced by M&A integration. The results emphasize the relative significance of these factors as well as the possible impact of a few moderators (communication,

integration speed, and customer orientation). In an M&A scenario, service quality is the most significant predictor of loyalty, followed by brand image, costs and offerings, sales channels, and sales personnel. Alvarez-González, P., & Otero-Neira, C. (2023)³

Customers are receiving higher-quality services thanks to technological advancements. Expanded branch network, competitive interest rates, and technology-related changes encompassing ATM service have all been made possible by an enhanced capital base. Sharma, K. P. (2018)¹⁶

Retaining employees of the company that the clients were satisfied with or had a long-standing relationship with indicates that the company is not just concerned with cutting expenses but also with preserving value following the merger or acquisition. Alvarez-González, P., & Otero-Neira, C. (2020)².

Because merging marketing efforts is far more difficult in practice than it is in theory, integration risk is a significant factor in explaining why M&A does not meet its stated objectives. Businesses engaged in M&A procedures ought to evaluate how this process would alter aspects of their relationships with their customers that they deem important, as this may cause them to respond negatively to the M&A. Alvarez-González, P., & Otero-Neira, C. (2023)³



Table 1: List of Research Papers on Bank Mergers and Acquisitions and Customer Perception

| Sl.No. | Area and Focus of the Research | Outcome of the Research | Reference |
|--------|--|--|---|
| 1. | Mergers and acquisitions success: examining customer loyalty | It is imperative that banks involve their consumers in the merger process and provide them with a means of influencing the final result. For instance, by gathering customer testimonials, figuring out how they feel about the merger and acquisition (approval or disapproval), and including them in the creation of the new identity. | Alvarez-González, P., & Otero-Neira, C. (2023) ³ |
| 2. | A study on impact of mergers and acquisition of banks on perception of customers of banks | Mergers and acquisitions will benefit the company and the industry overall, even though they may cause challenges including shifts in management styles, problems with HRM, and disparities in employee and consumer views. The banking industry may operate more effectively as a result of bank and financial institution mergers and acquisitions, both qualitatively and quantitatively. | Rajkumar, M. (2023) ¹³ |
| 3. | The effect of mergers and acquisitions on customer-company relationships: Exploring employees' perceptions in the Spanish banking sector | Employee perceptions regarding the effect of the M&A on the development of customer relationships indicate that financial M&A has a positive impact on products and services provided after the M&A, while having a negative impact on prices, branch locations and proximity, and financial activity routines. | Alvarez-González, P., & Otero-Neira, C. (2020) ² |
| 4. | Service Quality Perception in Banks Post | The survey reveals that men are more confident than women in the quality of service that amalgamated banks will provide. This | Neena, S., Kaushik, K.P. & Timcy, C. |

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| | Mergers and Acquisitions: An Empirical Study | observation makes it necessary to reevaluate the necessity of implementing policy statements as part of corporate campaigns, promotional messaging, and other types of marketing communications regarding the merger in order to better understand how customers perceive it in terms of "demographic variables." | (2009) ¹¹ |
| 5. | An Analytical Study on Customer Awareness, Perceptions and Satisfaction towards Quality of Banking Services after Merger and Acquisitions of Public Sector Banks in India. | According to their research, client perceptions and satisfaction levels regarding the specified criteria following the merger are satisfactory and unquestionably have a beneficial consequence. It is also clear that, when it comes to other factors, the majority of clients choose to use online and mobile platforms for their banking needs during the COVID pandemic and are satisfied with these channels. This study makes the case that banks still need to increase operational excellence, offer better customer service, lower customer prices, respond to customer complaints, increase the effectiveness of ATM services, deliver services on time, etc. | Sangiseti, M. M. (2022) ¹⁴ |
| 6. | Customer knowledge sharing in cross-border mergers and acquisitions: The role of customer motivation and promise management | The study's conclusions emphasize the necessity for managers of both acquired and acquirer companies to give close consideration to customer knowledge sharing and its upkeep as a crucial means of preserving the merging parties' access to and upgrades of their knowledge and, ultimately, enhancing their competitive advantage. | Degbey, W. Y., & Pelto, E. (2021) ⁵ |
| 7. | Customer and competitor | Key customer relationship factors may shift as a result of post-acquisition integration efforts, | Kato, J., & Schoenberg, R. |

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| | responses to mergers and acquisitions: | and these shifts may influence consumers' purchase intentions. Executives need to be aware of the relationship characteristics that customers consider important and make sure planned post-M&A integration efforts do not negatively affect them in order to prevent customer migration after an acquisition. | (2012) ⁷ |
| 8. | Towards a more inclusive notion of values in acquisition research | In addition to challenging the fundamental presumptions of the dominant view of value as acquiring shareholders' financial wealth, the author identified pertinent undervalued values, such as the natural environment, and non-economic marginalized values, such as justice or gender equality, that are only infrequently studied. They put forth a study plan centered on a wider variety of dynamic, complex values. | Meglio, O., & Schriber, S. (2023) ¹⁰ |
| 9. | The impact of mergers and acquisitions on service quality of banks in Ghana | The study's conclusions showed that mergers and acquisitions improved the general quality of services. The researchers' finding suggests that mergers and acquisitions provide banks with better growth and funding options. Consequently, this enhances economic efficiency by reducing expenses and improving the provision of services. | Yeboah, J., Asirifi, E. K., & Ampadu, S. (2015) ²⁰ |
| 10. | The impact of merger and acquisition on customer satisfaction in post-Merger Phase in Banking Sector of Nepal | The findings indicate that the merger program was beneficial to clients in Nepal due to the economies of scale, increased working space, and technological advancements. Customers are benefiting from competitive interest rates as a result of the strengthened capital base, according to an alternative viewpoint on the post-merger service quality of banks. | Sharma, K. P. (2018) ¹⁶ |
| 11. | Customer | To reduce customer attrition and guarantee | Thorbjørnsen, |

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| | reactions to acquirer-dominant mergers and acquisitions | M&A success, it's critical to understand the psychological processes at work in customers' heads both before and after the merger. Customers should be seen as active partners in brands, and brands should consider that their relationships with their brands may change even before the merger is put into effect. | H., & Dahlén, M. (2011) ¹⁸ |
| 12. | Despite efficiencies, mergers and acquisitions reduce firm value by hurting customer satisfaction | Their study shows how a shift in CEO focus from customers to financial concerns is the root of post-M&A customer unhappiness. They discover that marketing representation on a company's board of directors helps keep executives focused on consumers, which lessens the dysfunctional impact of M&As on customer satisfaction. This study finds a negative association between M&A and customer satisfaction and cites executive attention to customer issues and marketing leadership as elements that help to offset this relationship. | Umashankar, N., Bahadir, S. C., & Bharadwaj, S. (2022) ¹⁹ |

1.4 FINDINGS:

- Financial mergers and acquisitions have a favorable impact on the products and services offered following the mergers and acquisitions, but have a detrimental effect on pricing, branch locations and closeness, and financial activity routines. Alvarez-González, P., & Otero-Neira, C. (2020)²
- When it comes to demographics, males are more certain than women about the level of service that the combined banks will offer. Neena, S., Kaushik, K.P. & Timcy, C. (2009)¹¹
- Following the merger, client perceptions and satisfaction with the established criteria are positive and have a positive outcome. Banks still need to improve their operating efficiency, provide better customer service, reduce costs, address consumer concerns, make ATM services more effective, provide services on schedule, and so on. Sangiseti, M. M. (2022)¹⁴
- Managers of the acquired and acquirer companies must carefully examine how to maintain and share customer information as a critical way to protect access to and upgrades of the merging parties' expertise. Degbey, W. Y., & Pelto, E. (2021)⁵

- In order to retain customers following an acquisition, executives must understand the relationship attributes that customers value and ensure that planned post-M&A integration efforts do not negatively impact them. Kato, J., & Schoenberg, R. (2012)⁷
- The overall caliber of services was raised by mergers and acquisitions. Banks can have greater growth and finance choices through mergers and acquisitions. As a result, by cutting costs and raising service quality, economic efficiency can be improved. Yeboah, J., Asirifi, E. K., & Ampadu, S. (2015)²⁰
- Because of the economies of scale, more workspace, and technical developments, the merger program benefited the clients. The enhanced capital base enables customers to take advantage of competitive interest rates. Sharma, K. P. (2018)¹⁶
- Understanding the mental processes that customers go through both before and after the merger is essential to lowering customer attrition and ensuring M&A success. Consumers must to be viewed as engaged partners in brands. Thorbjørnsen, H., & Dahlén, M. (2011)¹⁸
- The cause of post-M&A customer dissatisfaction is a shift in the CEO's attention from customers to financial concerns. Strong marketing leadership and executive focus on customer issues contribute to the upkeep of positive customer relationships. Umashankar, N., Bahadir, S. C., & Bharadwaj, S. (2022)¹⁹

1.5 CONCLUSION:

Bank Mergers and Acquisitions pose various benefits, challenges and issues on merged entities. Understanding the perception of customers is essential for a banker to understand their role during merger and acquisition process. They need to carefully integrate various strategies before, during and after merger and acquisition periods in order to retain existing customers and to attract new customers. Positive feedback and client satisfaction are essential to the overall success. Effective Communication and maintaining a positive relationship with the customer is essential on the part of the executives.

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