International Journal for Multidisciplinary Research (IJFMR)
E-ISSN: 2582-2160 ● Website: www.ijfmr.com ● Email: editor@ijfmr.com

Customer Perception of Financial Performance of the State Bank of India and its Associate Banks Before and After the Merger

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Abstract

This study explores customer perceptions of the financial performance of the State Bank of India (SBI) and its associate banks before and after their merger. The primary objective is to evaluate the financial performance of SBI and its associates, comparing pre- and post-merger scenarios. The study hypothesizes that customers perceive the performance of SBI post-merger to be significantly better than before the merger. A descriptive and analytical approach was employed, utilizing primary and secondary data. Primary data was collected through a structured questionnaire distributed among bank employees across various SBI branches in Karnataka. The data was analyzed using SPSS software, employing descriptive statistics such as mean, standard deviation, and percentage to assess the impact of the merger on SBI's performance. Advanced statistical methods were also applied to test the hypotheses, including Factor Analysis, Linear Regression, Pearson Correlation, Chi-Square Test, and One-way ANOVA. The results indicate significant improvements in customer perceptions of SBI's performance post-merger, affirming the hypothesis. This study provides a comprehensive analysis of the effects of the merger on SBI's financial performance, highlighting the importance of customer perception in evaluating the success of such corporate restructuring efforts.

Keywords: Customer Perception, State Bank of India (SBI), Financial Performance, Merger, Banking Sector and Associate Banks.

Introduction

Generally, a bank is a financial institute or a corporation that the state or central government authorizes to deal with money by accepting deposits, giving out loans, and investing in securities. The primary role of banks is to grow the economy by providing funds for investment. In recent times, the banking sector has been undergoing a lot of changes in terms of regulations and the effects of globalization. These changes have affected this sector both structurally and strategically. This sector has adopted many strategies to remain efficient and surge ahead globally with the changing environment. One such profitable strategy is the consolidation of banks. There are several ways to consolidate the banking industry; the most commonly adopted by banks is mergers. The merger of two weaker banks or one healthy Bank with one weak Bank can be treated as the faster and less costly way to improve profitability than spurring internal growth. The main motive behind mergers and acquisitions in the banking industry is to achieve economies of scale and scope. Mergers also help diversify the products, which helps reduce risk.

The genesis of the Indian banking system can be traced back to the late 18th century with the establishment of the Bank of Calcutta in 1806, which later became the Bank of Bengal. The years that followed saw the emergence of the Bank of Bombay and the Bank of Madras, leading to the creation of the "Presidency Banks." These banks laid the groundwork for modern banking in India (Das, 2004). The first half of the 20th century witnessed the birth of the Reserve Bank of India (RBI) in 1935, which today serves as the nation's central banking institution. Following independence in 1947, the Indian government took significant steps, such as nationalizing banks in 1969 and 1980, to align the sector more closely with the country's developmental goals.

The Indian banking sector can be divided into the pre- and post-in liberalization eras. In the pre-liberalization era, the Government of India nationalized 14 banks on July 19, 1965, and 6 more commercial banks were nationalized on April 15, 1980. In 1993, the government merged the New Bank of India and Punjab National Bank, and this was the only merger between nationalized banks. After that, the number of nationalized banks decreased from 20 to 19. In the post-liberalization regime, the government initiated the liberalization policy, and licenses were issued to the private banks, which led to the growth of the Indian banking sector. The Indian banking industry has shown a sign of improvement in performance and efficiency after the global crises in 2008-2009. The Indian banking industry is in a far better position than it was during the crises. The government has taken various initiatives to strengthen the financial system. The economic recovery gained strength from the Bank of different monetary policy initiatives the RBI took.

The Government of India has adopted the route of mergers, among others, to restructure the banking system. Many small and weak banks have been merged with other banks mainly to protect depositors' interests. These may be classified as forced mergers. When a specific bank shows severe symptoms of sickness, such as huge Non-Performing Assets (NPAs), erosion in net worth, or substantial decline in capital adequacy ratio, RBI imposes a moratorium under section 45(1) of the Banking Regulation Act 1949 for a specific period on the activities of a sick bank. In the moratorium period, RBI identifies strong banks and asks them to prepare a merger scheme. In the merger scheme, the acquirer typically takes up all assets and liabilities of the weak Bank and ensures payment to all depositors if they wish to withdraw their claims.

Merger of SBI and its Associates (Mega Merging)

State Bank of India, initially founded as the Bank of Calcutta in 1806, underwent a metamorphosis to become the Bank of Bengal in 1809 (Roy, 2012). In the early 1920s, the prevailing colonial rulers amalgamated the three Presidency Banks—Bank of Bengal, Bank of Bombay, and Bank of Madras—into the Imperial Bank of India. It wasn't until 1955 that the Imperial Bank of India was nationalized to form the State Bank of India through the SBI Act of 1955 (Chakrabarty, 2006). India's post-independence banking sector comprised many small banks with limited capital, rendering them vulnerable to financial instability. This landscape posed challenges in meeting the nation's broader economic objectives. The government began emphasizing consolidation by recognizing the potential threats and the need for a more robust banking framework (Srinivas, 2010). In this context, the role of SBI became even more significant, both as a catalyst for economic growth and as a benchmark for other banks.

State Bank of India (SBI), often recognized as the premier banking institution in India, has experienced multiple transformations since its establishment. The story of SBI's mergers and acquisitions provides a compelling insight into the evolution of India's banking sector, characterized by the interplay of socio-

economic factors and state-led initiatives. The merger of SBI with its 5 associates, namely State Bank of Bikaner and Jaipur (SBBJ), State Bank of Mysore (SBM), State Bank of Travancore (SBT), State Bank of Hyderabad (SBH), State Bank of Patiala (SBP) and Bharatiya Mahila Bank took place on April 1, 2017. In the early stages of its evolution, SBI's primary strategy was the acquisition of its subsidiaries. This move aligned with the Government of India's vision to consolidate the banking sector (Sarkar, 2015). Between 1959 and 1960, the State Bank of India (Subsidiary Banks) Act was passed, taking eight state-associated banks as SBI subsidiaries.

In 2016, the State Bank of India announced its plans to merge the remaining five associate banks with itself. These banks were:

1. State Bank of Bikaner and Jaipur
2. State Bank of Mysore
3. State Bank of Travancore
4. State Bank of Hyderabad
5. State Bank of Patiala

Additionally, the Bharatiya Mahila Bank, which began operations in 2013 to predominantly serve the banking needs of women, was also slated for the merger. The cabinet, chaired by Prime Minister Narendra Modi, approved the merger in 2017 and became effective on April 1, 2017 (The Economic Times, 2017).

Review of Literature

Gayawala *et al.* (2023), in the study "Study on Impact of Merger and Acquisition of HDFC Bank and HDFC Ltd," investigated the numerous reasons why the Indian banking industry might merge. Financial indicators such as gross profit margin, net profit margin, operational profit margin, return on capital employed, return on equity, and debt-equity ratio are used to analyze merged institutions' pre- and post-merger financial performance. After reviewing the literature, it was discovered that most of the work was done to minimize the effects of mergers and acquisitions on various companies. Economic liberalization has gathered data on mergers and accusations for several financial metrics.

Devi *et al.* (2023) stated that for the rapidly expanding Indian banking industry, consolidation through mergers and acquisitions (M&A) is a critical strategy for achieving cost reduction and revenue growth. The necessity of banking consolidation in India, along with the challenges it presents, are central concerns. The role of the central government is significant in this process, as it is instrumental in formulating the policies that will drive the growth of the Indian banking sector. Some mergers and acquisitions have recently been observed as voluntary initiatives undertaken by banks. The first of these post-1991 financial sector reforms was the merger of Times Bank with HDFC Bank. Since then, banks have proactively sought consolidation and expansion through various mergers, such as the merger of Bank of Madura with ICICI Bank, the reverse merger of ICICI with ICICI Bank, the union of Centurion Bank and Bank of Punjab to form Centurion Bank of Punjab, and the recent decision of Lord Krishna Bank to merge with Federal Bank. Even the most prominent Indian banks are considered small by international standards in an industry where scale is crucial and national boundaries are increasingly irrelevant. India remains unbanked mainly, with its banking sector relatively small, even by Indian standards. The top 25 banks, 18 government-owned, control nearly 85% of banking assets. Studies on the Indian banking sector suggest that M&A is essential for stability, shareholder returns, and regulatory compliance. Moreover, M&A provides Indian banks with the opportunity to become universal banks and can be strategically employed to enhance their competitive standing.

Swarnakar and Sharma (2023) investigate mergers and acquisitions (M&A) within the Indian banking sector, focusing on such transactions' motivations, challenges, and outcomes. The study employs quantitative financial data analysis and qualitative insights to uncover key drivers behind M&A activities, including market consolidation and the need for expansion. The research identifies significant challenges in the integration process, such as cultural clashes and difficulties with IT system integration, and assesses the impact of M&A on financial performance. The findings offer valuable recommendations for banks, regulators, and policymakers, contributing to a deeper understanding of M&A dynamics in emerging markets. The study notes that the effects of M&A on financial performance are mixed, with some cases showing enhanced profitability and efficiency. In contrast, others experience declines due to integration challenges and associated costs. The impact on customer satisfaction also varies, with some evidence pointing to improved access to products and services, while other studies highlight potential disruptions and dissatisfaction during the integration phase. Additionally, M&A transactions can influence employee retention and morale, with successful integrations that focus on effective communication, engagement, and cultural alignment being more likely to retain key talent and maintain high morale among employees.
Jayadev and Sensarma (2022) examine key issues related to consolidation in Indian banking, focusing on the perspectives of two crucial stakeholders: shareholders and managers. The study first reviews global and Indian banking consolidation trends. The authors conduct an event study analysis of bank stock returns to understand shareholders' perspectives, indicating that both acquiring and target bank shareholders did not benefit from forced mergers. However, in voluntary mergers, the acquiring banks' shareholders experienced more significant gains than the target banks. Despite the lack of substantial gains for acquiring banks' shareholders, a survey of bank managers shows strong support for mergers, identifying key factors for a successful merger, such as the valuation of loan portfolios, the integration of IT systems, and human resource management issues. The study concludes by advocating for the need for larger banks, arguing that challenges like full convertibility, the Basel-II regulatory environment, financial inclusion, and the demand for large investment banks are key drivers for further consolidation in the banking sector in India and other Asian economies.

Objectives of the Study

The present study set forth the following objective:

1. To evaluate the financial performance of the State Bank of India and its associate banks before and after the merger.

Research Hypotheses

Hypothesis 1

H_{01}: Customers did not perceive the performance of SBI post-merger with its associates to be significantly better than pre-merger.

H_1: Customers perceive the performance of SBI post-merger with its associates to be significantly better than pre-merger.

Research Methodology

The study is descriptive, analytical, and based on primary and secondary data. It aims to study mergers' effect on the physical and financial performance of SBI. Primary data was collected through a questionnaire from bank employees working in various branches of SBI in Karnataka. Secondary data on

physical and financial performance was collected through annual reports and SBI's website. The collected data through a questionnaire was analyzed using SPSS. Descriptive statistics such as mean, standard deviation, and percentage were used to test the effect of the merger on the performance of SBI. Linear Regression, Pearson Correlation, and Chi-Square Test were used.
Primary data was collected using a structured questionnaire method. 1780 questionnaires were distributed to respondents, of which only 1545 were suitable for the study. During data entry, some questionnaires were rejected as they were incomplete. Hence, the total respondents considered for the study were 1020 customers of SBI. SPSS software was used to analyze the data. Data was subjected to both descriptive and inferential statistics. Factor analysis was a statistical method used to describe variability among observed, correlated variables in terms of a potentially lower number of unobserved variables called factors. One-way ANOVA was used to test the hypotheses.

Data Analysis and Interpretation

Key Performance Ratios

Table 1: Key Performance Ratios

Key Performance Ratios	2023	2022	2021	2020	2019
ROCE (%)	1.59	1.42	1.64	1.79	0
CASA (%)	42.66	44.51	45.39	44.22	0
Net Profit Margin (%)	15.12	11.49	7.69	5.63	0.35
Operating Profit Margin (%)	4.1	-3.22	-8.7	-11.94	-14.14
Return on Assets (%)	0.91	0.63	0.45	0.36	0.02
Return on Equity / Networth (%)	16.75	12.33	8.86	6.95	0.39
Net Interest Margin (X)	2.62	2.42	2.44	2.48	2.4
Cost to Income (%)	53.86	41	43.34	42.57	44.68
Interest Income/Total Assets (%)	6.01	5.52	5.84	6.51	6.59
Non-Interest Income/Total Assets (%)	0.66	0.81	0.95	1.14	0.95
Operating Profit/Total Assets (%)	0.24	-0.17	-0.5	-0.77	-0.93
Operating Expenses/Total Assets (%)	1.77	1.87	1.82	1.9	1.89
Interest Expenses/Total Assets (%)	3.39	3.1	3.4	4.02	4.19

Source: Annual Report of State Bank of India, 2019-2023

This table presents key performance ratios for a company over five years from 2019 to 2023, showcasing trends in profitability, efficiency, and financial stability. Analyzing each ratio over time reveals insights into the company's operational and financial performance. ROCE measures a company's profitability from its overall capital. The increase from 0% in 2019 to 1.59% in 2023, with minor fluctuations, indicates an improving efficiency in generating profits from its capital employed despite a slight decrease from the peak in 2020. CASA ratio shows the proportion of deposits in current and savings accounts to total deposits. A higher CASA ratio indicates lower funds costs. The increase from 0% in 2019 to a peak in

2021, followed by a slight decrease, suggests initially improved efficiency in maintaining a lower cost of funds. However, this efficiency has been slightly reduced in the last two years.
This ratio measures how much net profit is generated as a percentage of revenues. The steady increase from nearly 0% in 2019 to 15.12% in 2023 indicates a significant improvement in profitability, highlighting an increasing proportion of Income retained as net profit. The operating profit margin shows the percentage of revenue that remains after paying for variable production costs. The improvement from a negative in 2019 to a positive 4.1% in 2023 signifies a turnaround in operational efficiency, moving from operating losses to generating profits from core operations. ROA indicates how efficiently a company can manage its assets to produce profits. The increase from nearly zero in 2019 to 0.91% in 2023 reflects better asset utilization and profitability.
ROE measures the profitability generated with shareholders' equity. The substantial increase from 0.39% in 2019 to 16.75% in 2023 demonstrates a significant improvement in generating earnings from equity, indicating greater value creation for shareholders. Net Interest Margin increased from 2.4 in 2019 to 2.62 in 2023, showing a better margin on interest-earning activities, suggesting improved financial management. Interest Income/Total Assets measures the efficiency in generating interest income from assets. The decrease from 6.59% in 2019 to 6.01% in 2023, with fluctuations, indicates a slight reduction in efficiency in earning interest income relative to the total assets. Non-Interest Income/Total Assets assesses Income generated from non-interest sources as a percentage of total assets. The decrease from 2019 to 2023 suggests a reduction in the proportion of non-interest earning assets or possibly less effective management of these assets. Operating Profit/Total Assets indicates how much operating profit is generated from total assets. The shift from negative in 2019 to positive in 2023 marks a significant improvement in operational efficiency and asset utilization.

Analysis of Customer Perception

Opinion about the Performance of the Bank Post-Merger

Table 2: Opinion about the Performance of the Bank Post-Merger

	SA	A	N	D	SD
I had my bank account with SBI before the merger	28 (2.7%)	27 (3.6%)	345 (33.8%)	371 (36.3%)	239 (23.4%)
The merger of SBI with its associates has improved the financialcondition of the Bank	50 (4.9%)	62 (6.0%)	272 (26.6%)	353 (34.6%)	283 (27.7%)
The working conditions for the employees of SBI have improved after the merger with associates	40 (3.9%)	65 (6.3%)	246 (24.1%)	318 (31.1%)	351 34.4(%)
The position of the shareholders has improved upon the SBI merger	50 (4.9%)	84 (8.2%)	294 (28.8%)	362 (35.4%)	230 (22.5%)
The service provided by the Bank has improved after the merger with associates	40 (3.9%)	51 (5.0%)	273 (26.7%)	561 (55.0%)	95 (9.3%)
The Bank has resorted to better technology after the merger with associates	28 (2.7%)	28 (2.7%)	415 (40.6%)	354 (24.7%)	195 (19.1%)
The work culture of the Bank has improved after the SBI merger	50 (4.9%)	91 (8.9%)	304 (29.8%)	286 (28.0%)	289 (28.3%)

The salaries of the existing bank staff have been affected positivelyafter the merger	40 (3.9%)	59 (5.7%)	200 (19.6%)	347 (34.0%)	374 (36.6%)
After the merger, the change in the management policies has abetter and more positive impact on the business of the Bank	50 (4.9%)	104 (10.1%)	276 (27.0%)	460 (45.0%)	130 (12.7%)
The shareholders and the depositors have shown a betterresponse in terms of trust growth after the merger	40 (3.9%)	110 (10.7%)	342 (33.5%)	446 (43.7%)	82 (8.0%)
The shareholders and the depositors have shown a betterresponse in terms of return on investment after the merger	28 (2.7%)	100 (9.8%)	309 (30.2%)	396 (38.8%)	187 (18.3%)
There has been a positive impact on the share value of the bankpost-merger	50 (4.9%)	83 (8.1%)	359 (35.1%)	314 (30.7%)	214 (20.9%)
There has been a positive impact on the dividend paid by the bank post-merger	40 (3.9%)	103 (10.0%)	255 (25.0%)	371 (36.3%)	251 (24.6%)
The post-merger management policies are favorable for the growth of the money invested by the shareholders	40 (3.9%)	59 (5.7%)	200 (19.6%)	347 (34.0%)	374 (36.6%)
The lending procedure for the per-merger clients has becomelengthy and time-consuming post-merger	40 (3.9%)	112 (10.9%)	328 (32.1%)	429 (42.0%)	111 (10.8%)

Source: Primary Data

Combining the responses provides an aggregated perspective on positive sentiments towards the performance of the SBI post-merger with its associate banks. This perspective highlights areas where stakeholders have observed less favorable improvements and perceptions. A small percentage (6.3%) of respondents felt positively about their bank account with SBI before the merger, indicating a relatively neutral stance towards pre-merger experiences. 10.9% of respondents believe the merger improved the Bank's financial condition, suggesting modest confidence in the Bank's enhanced financial stability post-merger. About 10.2% view that working conditions for employees have improved, pointing towards perceived benefits of the merger for internal operations and employee satisfaction. 13.1% perceive that the position of shareholders has improved, indicating some optimism about the merger's impact on shareholder value.

A combined 8.9% agree that the service quality has improved post-merger, though this is overshadowed by a significant majority who disagree, highlighting service quality as a critical area for improvement. Only 5.4% agree that the Bank has adopted better technology after the merger, suggesting a perceived gap in technological advancements or their implementation effectiveness. 13.8% feel the work culture has improved, indicating positive organizational culture changes post-merger. Overall, the aggregated positive responses highlight areas of perceived improvement post-merger, such as shareholder position, management policies, and dividend payments, indicating some optimism about the merger's strategic benefits. However, areas like service improvement, technology adoption, and lending procedures show significant room for enhancement, reflecting stakeholder concerns that need addressing to realize the merger's potential benefits fully.

Opinion about the Performance of the Bank Post-Merger (Pre-Merger)
Confirmatory Factor Analysis

Table 3: Chi-Square Test

Model	X^2	df	p
Baseline model	1109.667	105	
Factor model	797.541	90	< .001
Note. The estimator is ML.			

This table presents the results of two Chi-Square tests applied to two different models: a Baseline model and a Factor model. For the Baseline model, the Chi-Square value is 1109.667. For the Factor model, it's 797.541. This lower value suggests that the Factor model better fits the observed data than the Baseline model. The Factor model shows a p-value of < .001, indicating strong evidence against the null hypothesis. This suggests that the model's factors significantly affect the variables being tested. In summary, comparing these two models, the Factor model shows a much better fit to the data than the Baseline model, as indicated by its lower Chi-Square value and highly significant p-value. This suggests that including the factors in the Factor model helps explain the observed data far better than the simpler Baseline model.

Table 4: Kaiser-Meyer-Olkin (KMO) Test

Indicator	MSA
I had my bank account with SBI before the merger	0.618
The merger of SBI with its associates has improved the financialcondition of the Bank	0.577
The working conditions for the employees of SBI have improved after the merger with associates	0.511
The position of the shareholders has improved upon the SBI merger	0.54
The service provided by the Bank has improved after the merger with associates	0.52
The Bank has resorted to better technology after the merger with associates	0.49
The work culture of the Bank has improved after the SBI merger	0.551
The salaries of the existing bank staff have been affected positivelyafter the merger	0.517
After the merger, the change in the management policies has abetter and positive impact on the business of the Bank	0.473
The shareholders and the depositors have shown a betterresponse in terms of trust growth after the merger	0.446
The shareholders and the depositors have shown a betterresponse in terms of return on investment after the merger	0.487
There has been a positive impact on the share value of the bankpost-merger	0.486
There has been a positive impact on the dividend paid by the bank post-merger	0.538
The post-merger management policies are favorable for the growth of the money invested by the shareholders	0.465
The lending procedure for the per-merger clients has becomelengthy and time-consuming post-merger	0.423
Overall	0.506

Source: Primary Data output of SPSS

The table represents the results of a Kaiser-Meyer-Olkin (KMO) Test, which measures the suitability of data for factor analysis. My bank account with SBI before the merger (0.618) has a moderately high MSA, suggesting that the responses to this statement are relatively suitable for factor analysis. It indicates that the experiences of customers who had accounts before the merger share some common factors with other variables in the analysis. The merger of SBI with its associates has improved the financial condition of the Bank (0.577). It has a moderate MSA, indicating a fairly good fit for factor analysis, suggesting that opinions on the Bank's financial improvement post-merger share commonalities with other aspects.

The working conditions for the employees of SBI have improved after the merger with associates (0.511), and the salaries of the existing bank staff have been affected positively after the merger (0.517) have MSAs just above the acceptable limit, implying that the responses are marginally suitable for factor analysis. They suggest that perceptions of employee conditions and salaries post-merger have some underlying commonalities with other factors. After the merger, the change in management policies positively impacted the Bank's business (0.473). The lending procedure for the per-merger clients has become lengthy and time-consuming post-merger (0.423), and they have the lowest MSA values, with the latter being below the acceptable threshold. This suggests that opinions on the impact of management policies and lending procedures post-merger are less suitable for factor analysis, possibly indicating that these aspects share fewer common factors with the rest of the dataset or are perceived more variably by respondents.

The overall MSA (0.506) is just above the acceptable limit, indicating that, on the whole, the dataset is marginally suitable for factor analysis. It suggests that while there are common factors among the responses, some variables or statements might be less cohesive with the rest and could potentially be reviewed or excluded for more robust factor analysis outcomes. The table shows that while most statements about the SBI merger with its associates are suitable for factor analysis, indicating shared underlying factors among the responses, some statements related to management policies and lending procedures post-merger are less cohesive. This could influence decisions on whether to include all variables in the analysis or to focus on those with higher MSA values for more meaningful insights.

Table 5: Bartlett's Test of Sphericity

X^2	df	p
1102.233	105	$< .001$

The table pertains to Bartlett's Test of Sphericity, a statistical test used to assess the appropriateness of factor analysis. Chi-square is the test statistic for Bartlett's Test of Sphericity. In the table, it is 1102.233. This value measures the difference between the observed correlation matrix and the identity matrix (which would suggest that variables do not correlate at all). A higher value indicates a more significant difference, suggesting that the variables are related and suitable for factor analysis. The result is statistically significant given a Chi-Square value of 1102.233, with 105 degrees of freedom and a p-value of $< .001$. This suggests that the observed correlation matrix significantly differs from the identity matrix. In practical terms, it means there's enough evidence to reject the null hypothesis that the variables are uncorrelated.

Table 6: R-Squared Values

	R^2
I had my bank account with SBI before the merger	0.025
The merger of SBI with its associates has improved the financialcondition of the Bank	0.081
The working conditions for the employees of SBI have improved after the merger with associates	0.279
The position of the shareholders has improved upon the SBI merger	0.003
The service provided by the Bank has improved after the merger with associates	0.001
The Bank has resorted to better technology after the merger with associates	0.02
The work culture of the Bank has improved after the SBI merger	0.111
The salaries of the existing bank staff have been affected positivelyafter the merger	0.353
After the merger, the change in the management policies has abetter and positive impact on the business of the Bank	0.006
The shareholders and the depositors have shown a betterresponse in terms of trust growth after the merger	0.004
The shareholders and the depositors have shown a betterresponse in terms of return on investment after the merger	0.031
There has been a positive impact on the share value of the bankpost-merger	0.026
There has been a positive impact on the dividend paid by the bank post-merger	0.073
The post-merger management policies are favorable for the growth of the money invested by the shareholders	0.004
The lending procedure for the per-merger clients has becomelengthy and time-consuming post-merger	0.003

The table presents R-squared (R^2) values for a series of statements regarding the effects of a merger involving the SBI and its associates. Statements such as "The service provided by the bank has improved after merger with associates" (0.001) and "The position of the shareholders has improved upon the SBI merger" (0.003) have shallow R^2 values. This suggests that the data has very little evidence to support these claims. Essentially, the merger does not explain these outcomes, indicating that other factors might be more influential in these areas.

Statements like "I had my bank account with SBI before the merger" (0.025) and "The merger of SBI with its associates has improved the financial condition of the bank" (0.081) have moderate R^2 values. These suggest some level of association between the merger and the outcomes described but still indicate that a large proportion of variance is unexplained by the merger alone. Statements such as "The work culture of the Bank has improved after the SBI merger" (0.111) and "The salaries of the existing bank staff have been affected positively after the merger" (0.353) have higher R^2 values. This indicates a stronger association between the merger and these specific outcomes. In particular, the statement about the positive effect on existing bank staff salaries (0.353) suggests that the merger may have had a significant and positive impact in this area, as a considerable portion of the variance in staff salary changes can be explained by the merger.

Overall, the variation in R^2 values across these statements indicates that the merger's impact on different aspects of the Bank and its stakeholders varies considerably. Some areas, like staff salaries and work culture, appear more positively associated with the merger, while others, such as service improvements and shareholder positions, seem less directly affected.

Parameter estimates

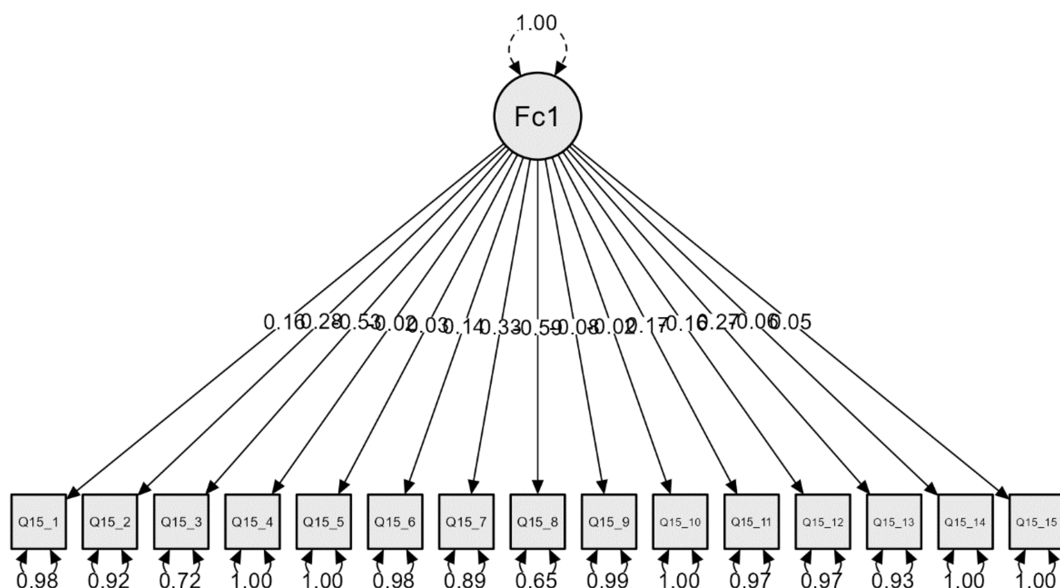
Table 7: Factor Loadings

						95% Confidence Interval	
Factor	**Indicator**	**Estimate**	**Std. Error**	**z-value**	**p**	**Lower**	**Upper**
Factor 1	I had my bank account with SBI before the merger	0.148	0.041	3.589	< .001	0.067	0.229
	The merger of SBI with its associates has improved the financialcondition of the Bank	0.307	0.049	6.307	< .001	0.211	0.402
	The working conditions for the employees of SBI have improved after the merger with associates	-0.572	0.053	-10.74	< .001	-0.676	-0.467
	The position of the shareholders has improved upon the SBI merger	-0.026	0.046	-0.553	0.58	-0.116	0.065
	The service provided by the Bank has improved after the merger with associates	0.03	0.039	0.781	0.435	-0.046	0.106
	The Bank has resorted to better technology after the merger with associates	0.13	0.041	3.163	0.002	0.049	0.21
	The work culture of the Bank has improved after the SBI merger	0.374	0.053	7.021	< .001	0.269	0.478
	The salaries of the existing bank staff have been affected positivelyafter the merger	-0.635	0.054	-11.675	< .001	-0.741	-0.528
	After the merger, the change in the management policies has a better and positive impact on the business of the Bank	-0.077	0.044	-1.774	0.076	-0.163	0.008
	The shareholders and the depositors have shown a better response in terms of trust growth after the merger	-0.019	0.043	-0.433	0.665	-0.103	0.066
	The shareholders and the depositors have shown a better response in terms of return on investment after the merger	0.172	0.042	4.059	< .001	0.089	0.255

	There has been a positive impact on the share value of the bank post-merger	-0.172	0.052	-3.288	0.001	-0.275	-0.07
	There has been a positive impact on the dividend paid by the bank post-merger	0.289	0.049	5.943	< .001	0.194	0.384
	The post-merger management policies are favorable for the growth of the money invested by the shareholders	-0.065	0.043	-1.487	0.137	-0.15	0.021
	The lending procedure for the per-merger clients has become lengthy and time-consuming post-merger	0.052	0.044	1.184	0.237	-0.034	0.138

This table presents the results of a factor analysis on various indicators related to the merger of SBI with its associates. Positive and Significant Loadings (p < .05) suggest that indicators like the improvement in financial condition, better technology usage, improved work culture, and positive impacts on return on investment and dividends are significantly associated with the underlying factor in a positive way. Negative and Significant Loadings (p < .05) indicate that indicators such as worsened working conditions for employees negatively affected the salaries of existing staff, and a negative impact on share value is significantly associated with the underlying factor but in an adverse manner. Non-significant Loadings (p > .05) for some indicators (e.g., the position of shareholders, service quality improvements, and management policies' impact on business) suggest that these aspects might not have a statistically significant association with the underlying factor being studied. Overall, this analysis helps to understand the multifaceted impacts of the SBI merger, identifying areas of improvement and concern from a statistical perspective.

Plots



Testing of Hypothesis 1

H_1: Customers perceive the performance of SBI post-merger with its associates to be significantly better than pre-merger.

Table 8: Results of One-Way ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
I had my bank account with SBI before the merger	Between Groups	6.181	4	1.545	3.458	.008
	Within Groups	370.928	830	.447		
	Total	377.109	834			
The merger of SBI with its associates has improved the financialcondition of the Bank	Between Groups	3.401	4	.850	1.643	.161
	Within Groups	429.354	830	.517		
	Total	432.754	834			
The working conditions for the employees of SBI have improved after the merger with associates	Between Groups	64.867	4	16.217	21.560	.000
	Within Groups	624.312	830	.752		
	Total	689.178	834			
The position of the shareholders has improved upon the SBI merger	Between Groups	27.295	4	6.824	8.804	.000
	Within Groups	643.273	830	.775		
	Total	670.568	834			
The service provided by the Bank has improved after the merger with associates	Between Groups	3.551	4	.888	3.189	.013
	Within Groups	231.067	830	.278		
	Total	234.618	834			
The Bank has resorted to better technology after the merger with associates	Between Groups	5.140	4	1.285	3.363	.010
	Within Groups	317.200	830	.382		
	Total	322.340	834			
The work culture of the Bank has improved after the SBI merger	Between Groups	42.850	4	10.712	15.335	.000
	Within Groups	579.814	830	.699		
	Total	622.663	834			
The salaries of the existing bank staff have been affected	Between Groups	17.360	4	4.340	5.968	.000
	Within Groups	603.603	830	.727		

positivelyafter the merger	Total	620.963	834			
After the merger, the change in the management policies has abetter and positive impact on the business of the Bank	Between Groups	24.603	4	6.151	9.536	.000
	Within Groups	535.380	830	.645		
	Total	559.983	834			
The shareholders and the depositors have shown a better response in terms of trust growth after the merger	Between Groups	45.799	4	11.450	17.503	.000
	Within Groups	542.951	830	.654		
	Total	588.750	834			
The shareholders and the depositors have shown a better response in terms of return on investment after the merger	Between Groups	36.685	4	9.171	14.546	.000
	Within Groups	523.310	830	.630		
	Total	559.995	834			
There has been a positive impact on the share value of the bank post-merger	Between Groups	5.091	4	1.273	2.513	.040
	Within Groups	420.470	830	.507		
	Total	425.562	834			
There has been a positive impact on the dividend paid by the bank post-merger	Between Groups	23.845	4	5.961	7.875	.000
	Within Groups	628.282	830	.757		
	Total	652.127	834			
The post-merger management policies are favorable for the growthof the money invested by the shareholders	Between Groups	19.423	4	4.856	7.545	.000
	Within Groups	521.928	811	.644		
	Total	541.352	815			
The lending procedure for the per-merger clients has become lengthy and time-consuming post-merger	Between Groups	26.865	4	6.716	9.642	.000
	Within Groups	541.943	778	.697		
	Total	568.807	782			

Source: Output from SPSS

This table presents the results of a series of One-Way ANOVA conducted to assess various perceptions and outcomes following the merger of the SBI with its associates. Each statement below corresponds to a different aspect of the merger's impact, analyzed in terms of differences between groups (possibly representing different stakeholders or periods), within groups (variation within each group), and total variation.

The analysis suggests a significant difference between groups in perceptions of bank account management with SBI before the merger, with a significance level of .008. The merger's impact on the Bank's financial condition was insignificant, with a significance level of .161, indicating no clear consensus on improvement. There was a highly significant improvement in working conditions for employees after the merger, with a significance level of .000.

The analysis shows a significant improvement in the position of shareholders following the merger, with a significance level of .000. There was a significant improvement in the service provided by the Bank after merging with associates, indicated by a significance level of .013. The adoption of better technology after the merger was significant, with a significance level of .010. The merger significantly improved the work culture at the Bank, with a significance level of .000.

The salaries of existing bank staff were positively affected after the merger, as shown by a significance level of .000. The change in management policies had a significantly positive impact on the business of the Bank, with a significance level of .000. The response of shareholders and depositors in terms of trust and growth was significantly better after the merger, with a significance level of .000. The return on investment for shareholders and depositors showed a significant improvement post-merger, with a significance level of .000.

The impact on the share value of the bank post-merger was significant, with a significance level of .040. There was a substantial impact on the dividend paid by the bank post-merger, with a significance level of .000. The post-merger management policies were favorable for the growth of money invested by the shareholders, showing a significance level of .000. The lending procedure for pre-merger clients became significantly more lengthy and time-consuming post-merger, with a significance level of .000.

These results collectively offer insights into various areas of improvement and challenges following the SBI merger. The significant findings indicate areas where stakeholders perceive positive changes, whereas non-significant results suggest areas where improvements may not be universally acknowledged or are less apparent.

Conclusion

The study illuminated the multifaceted impacts of the SBI merger with its associates, offering valuable insights into the complexities of M&A in the banking sector. The significant improvements in customer perceptions of performance post-merger provide a solid testament to bank consolidations' strategic and operational benefits. Equally, the positive shifts in employee perspectives regarding their work environment, job satisfaction, motivation, and work culture underscore the merger's success in managing human resources effectively during such transformative processes. These outcomes suggest that, with careful planning, clear communication, and strategic integration efforts, the potential disruptions of mergers can not only be mitigated but transformed into opportunities for growth, innovation, and enhanced performance. For SBI, the merger with its associates has catalyzed organizational renewal, enabling the Bank to solidify its market position, refine its service delivery, and foster a more engaged and motivated workforce. The merger's success in enhancing customer satisfaction levels and efficiencies underscored

SBI and its associates, aligning operational practices, technological platforms, and corporate cultures as key factors that drove positive outcomes. Future mergers could benefit from a focused strategy on identifying and leveraging such synergies early in the merger process. The significant improvement in the provision and utilization of e-banking and value-added services post-merger points to the pivotal role of technology integration in modern banking M&As. This aspect of the merger improved customer service and satisfaction and positioned SBI as a more competitive player in the digital banking space. Future research could explore the strategies that enable seamless technology integration, minimizing disruptions and maximizing the adoption of new services.

Suggestions

Based on the comprehensive analysis of the merger between the SBI and its associates, the following suggestions are offered to enhance the effectiveness, efficiency, and overall success of mergers and acquisitions (M&A) within the commercial banking sector:

1. **Strategic Alignment:** The goals of both entities involved in the merger must be thoroughly aligned before the integration process begins. This alignment should involve a deep understanding of each organization's long-term vision, mission, and core objectives. Ensuring that both entities share a common direction will facilitate a smoother integration process, minimize potential conflicts, and help the merged entity achieve its shared objectives more effectively. A unified strategic focus is crucial for maintaining momentum and achieving synergies in the post-merger period.
2. **Comprehensive Customer Retention Strategies:** To retain customers during the transition period, banks should develop and implement customer retention strategies that focus on minimizing service disruptions and maintaining high levels of customer satisfaction. These strategies could include personalized communication, enhanced customer support, and loyalty programs that reward customers for their continued patronage. It is crucial to reassure customers that the quality of services will not be compromised and that they will continue to receive the benefits they expect from the Bank. A proactive approach to customer concerns can prevent attrition and strengthen customer loyalty.
3. **Implementation of Customer Feedback Mechanisms:** Implementing mechanisms to collect and analyze customer feedback post-merger regularly is essential for continuously improving service quality and addressing customer concerns promptly. Feedback mechanisms could include surveys, focus groups, and digital platforms that allow customers to share their experiences and suggestions. By actively listening to customer input, the organization can make data-driven decisions that enhance customer satisfaction and loyalty, ultimately contributing to the long-term success of the merger.
4. **Effective Change Management Strategies:** Effective change management strategies are essential to smoothly managing the transformation process. This involves addressing resistance to change, fostering acceptance among employees and customers, and ensuring all stakeholders are engaged in the transition. Change management should include clear communication, training, and support systems that help individuals adapt to new processes, technologies, and organizational structures. By managing change effectively, the organization can reduce disruption, maintain productivity, and achieve its post-merger objectives.

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