CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

A merger is the combination of businesses which occurs when two companies, more or less on equal footing decide to join forces. On the other hand acquisitions are business combinations which occur when one company takes over another company. For the entire Mergers and acquisition (M&A) process to be a success, there must be a transfer of the capabilities and knowledge for cost effective synergies to become a reality.

Mergers and acquisitions as an external growth strategy has gained surge because of increase deregulation, privatization, globalization and liberalization adopted by several countries. Mergers and acquisitions have become an important medium to expand product portfolios, enter new markets and acquire technology gain access to research and development and gain access to resources which would enable the company to compete on a global scale. There are many reasons to merge with or to acquire another company: greater market share, diversification into a related group of product or services, expansion up or down the supply chain, new product development.

Berger et al (1999) identified five changes in these environments that are partly responsible for M&A activities in the financial sector. They are: (a) technological progress (e.g., the introduction of ATM machines and online banking); (b) improvement in financial conditions (e.g., low interest rates); (c) accumulation of excess capacity (e.g., efficiency problems); or financial distress (e.g., under-performing investment); (d) competition, both domestically and internationally, due to globalization of markets; and (e) deregulation in the markets or products (e.g., financial reforms). Furthermore, there is empirical evidence that suggests merged banks reduce their expenses (chehab, 2002). Merger and acquisition fall in to four main types: (a) vertical, (b) conglomerate, (c) concentric, and (d) horizontal. The vertical type is the combination of two or more organizations from successive processes within the same industry, for example, a manufacturer merging with or acquiring a series of retail outlets. The conglomerate type refers to the combination of two or more completely unrelated fields of business activity. An example of this was the merger between Philips Morris, a tobacco company, and General Foods in 1985. The concentric M&As are organizations in unfamiliar but related business fields into which the acquirer wishes to expand.

The United States of America banking industry epitomizes the global rapid raise in mergers and acquisitions. In 1984, there were 15,084 banking institutions in USA, by the year 2005, that number had fallen to 6,500; a decline of 57 per cent (Janicki and Prescott, 2006). In the last two decades, most of the decline in the number of established banking organization in the USA was due to mergers and acquisitions (Janicki and Prescott, 2006). In the same period, 8,122 banks and financial institutions disappeared through mergers and holding company purchases the majority of these banks being domestic financial institutions (Berger, Saunders, Scalise and Udell 1998).

Particularlyin transactional processing, and increased competition. At the microeconomic level, factors such as regulations, competition and CBK legislation influence M&A projects Mergers have become a common phenomenon in Kenya over the recent past. In 2008, the then Finance Minister Amos Kimunya proposed to raise the minimum core capital for banks to 1 billion shillings from 250 million shillings, giving 2012 as the deadline for all banks to comply (Kenyan banks consolidation, 2010). Subsequently, Kenyan banks are set for consolidation to meet the deadline to boost minimum core capital. In the case of ECB and SCBC the main reason behinds the merger was to meet the Central Bank of Kenya (CBK) requirement that was set by end of June 2010. The local implications on banks of enhanced capital rules abroad following the 2008 global financial crisis mayalso encourage mergers and acquisitions in the sector. Increased competition and capital adequacy requirements under Basel III are likely to be the key drivers behind sector consolidation. Among the recent mergers are CFC/Stanbic Bank mergers, EABS-AkibaBank merger, EABS/Ecobank.

The concept of M&A was an entirely new thing to the Banking and Financial Institutions (BANKs) of Nepal when the Nepal Rastra Bank, supervisory and regulatory body of all the BANKs has issued merger by-laws in may 2011. The objective of the merger by-laws is to strengthen the BANKs position and performance by reducing the number of institutions. Merger and acquisition necessarily involve-organization change, integrating some or all parts of the previous organization functions and or activities which may greatly hamper employee's satisfaction. Merger activity may also be a mechanism to replace inefficient management. Also it affect in high turnover, decrease involvement, motivation and lack of commitment and consequently, merger failure. Each organization has a different set of believe and value system, which may be clash owing to merger activity. The employees of the merged organization not only need to abandon their culture, values and belief but also have to accept an entirely different culture. M&A, employees of the affect banks are facing a lot of challenges. Therefore, the main thrust of this study is to assess the effect of merger and acquisition on the employee's satisfaction commercial banks of Nepal.

1.2 Statement of the Problems

The incidence of M&A has continued to increase significantly during the last decade, both domestically and internationally. The sectors most affected by M&A activity have been service- and knowledge-based industries such as banking. Employees of BANKs are recently facing frequent M&A, two or more financial institution with different culture merger together to form one. Employees have to work in entirely new environment hence become difficult to adjust. The fear of downsizing, role conflict and insecurity increase the stress level of employees which cause dissatisfaction, lack of involvement and commitment and poor performance. Hence, this study will make the efforts to contribute in the study of merger and acquisition and its impact on the employee's satisfaction. Therefore, the problem statement of this research can be stated as: identifying the impact of merger and acquisition on employee's satisfaction of commercial bank of Nepal.

This study aimed at answering the following basic questions:

1. What is the level of satisfaction in terms of job security among the employees of merged and acquired?
2. What the level of satisfaction in terms of pay among the employees is of merged and acquired?
3. What the level of satisfaction in terms of organization among the employees is of merged and acquired?

4. What is the level of satisfaction in terms of working condition among the employees of merged and acquired?

1.3 Purposes of the Study

The main purpose of the study is to find out the impact employees of merger and acquisition on employee's satisfaction on Nepalese commercial bank. The specific objectives are as follows:

1. To examine the level of satisfaction in terms of job security among the employees of merged and acquired.
2. To examine the level of satisfaction in terms of pay among the employees of merged and acquired.
3. To examine the level of satisfaction in terms of organization among the employees of merged and acquired.
4. To examine the level of satisfaction in terms of working condition among the employees of merged and acquired.

1.4 Significance of the Study

The potential shareholders would always want to invest in a company whose objective is to maximize their wealth and therefore they will need adequate information before making investment decisions in the merger company. It is thus hope that the information in this study will help the current shareholders make informed decisions since they would be able to predict the trends in share price as well as dividends of merged companies.

This will be involved looking at the human side of mergers and acquisitions to enhance employee performance and satisfaction during mergers and acquisitions. It is also hope that investment consultants would benefit specifically in advising their firm whether the employee's satisfaction aspects are addressed in the mergers and acquisitions and the appropriate type of merging. On the other hand management consultant would benefit from the study findings hence equip them with the relevant advice for already merged firms on how to structure their management in order to enhance employee's satisfaction level. This information is critical to ensure success of the merger company if not it may perform poorly. It will be contribute to the broader realm of business and academic research in business through its recommendation, the study would add value to better academia, and the study would be of significance to the academic research in the broader area of management and planning and provide a foundation for future studies.

1.5 Limitations of the Study

The researcher will encounter various limitations that are likely to hinder access to information sought for the study.

1. The main limitation of this study is its inability to include more organizations in the country.

2. This was a study focusing only on Nepalese Commercial Bank.

3. The study will be covers more commercial banks that is undergone through mergers and acquisitions across country so as to provide a more broad base analysis.

4. The study is counter this problem by carrying a study across the departments and the four branches of merger Commercial Bank in Nepal.

5. The study will be handles the problem by carrying an introduction letter from the University.

1.6 Organization of the study

The study has been organized into five different chapters as follows:

Chapter 1: Introduction

This chapter has included introduction, general background of the study, statement of Problem, objectives of the study, significance of the study and limitations of the study.

Chapter 2: Literature Review

This chapter has included conceptual as well as theoretical review of the study. It includes various journals, books, published or unpublished articles, thesis and other materials linked with the study.

Chapter 3: Research Methodology

This chapter answers the question of how research is conducted. It has included Research design, population and sample, source and technique of data collection, data Analysis tools and limitations of the methodology.

Chapter 4: Result

In this chapter, collected data was tabulated with the help of SPSS software and were tabulated on excel It also Includes the majors' findings of the study.

Chapter 5: Conclusion

This is the last Chapter of the study covered the summary of the study. The main Conclusion was drawn on the basis of analysis of data and some recommendations as Well as suggestions were made on the basis of the study. Reference and Appendix have also been incorporated at the end of study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Mergers and acquisitions are increasing in the world as organizations try to expand their operations and increase their competitive advantage. Despite optimistic expectations, mergers and acquisitions frequently fail or succeed, in part because of the little attention given on the project planning and management part of it and the great neglect of human resource issues, which are rarely considered until serious problems arise. This is against the conception that the success of any merger or acquisition is as much about people and culture as it is about the financials. As such, organizations that recognize the link between people and performance make it their business to understand how to shape employee behavior during and after the mergers. However, there has been some attention in them management and finance literatures devoted to assessing the consequences of mergers and acquisitions, while there has been little analysis of the effects of such events one employees. Much of the empirical work on this topic of mergers and acquisitions has been based on non-representative samples of corporate control changes and companies .This chapter deals with the available literature that has been reviewed for the study. The literature is mainly on the influence of mergers and acquisitions on employee performance. The specific areas covered include concept of mergers and acquisitions, influence of mergers and acquisitions on employee satisfaction, pay, working condition, job security and organization, theoretical literature, conceptual framework and summary of literature review.

2.1.1 Concept of Mergers and Acquisitions

A major obstacle faced by organizations seeking to merge or acquire others has been that of identifying the business area in which a firm should participate in order to maximize its long-term profitability. A merger and acquisition is normally one of the most important strategies that a company will embark on. Mergers and acquisitions may lead to financial deficiency. For example, firms may diversify their earnings by acquiring other firms or their assets with dissimilar earning streams. Earnings diversification within firms may lessen the variation in their profitability, reducing the risk of bankruptcy and its attendant costs. Mergers and acquisitions are the modes of establishing inter organization all linkages whereby companies buy a part of or a controlling interest in another company (Harrison, 2002). A merger is the unification of two or more organizations into a single unit whilst an acquisition involves the purchase of one organization by another so that the buyer assumes control (Brouthers et al., 1998).M&A can be seen as means of accessing growth through two ways; firstly, developing the strengths that the organization currently posses and secondly, acquiring the strong points or competitive edge enjoyed by another organization.

This notion is supported by Salleo (2002), mergers & acquisitions (M&A) are a means of reinforcing existing capabilities and for accessing a new set of valuable capabilities, which are difficult to imitate not widely available and integrated in an indivisible part of another firm. This view on M&A's is similar to that put forward by Kang and Johansson (2000), as the two authors refer to strategy as a process that enables the organization achieve its goals in much shorter time once it harnesses the strengthens of the firm with which it engages in the strategic partnership. This perspective of business structures, there is a whole host of different mergers. Horizontal merger occur where two companies that are in direct competition and share the same product lines and markets.

Vertical merger are combinations that involve a customer and company or a supplier and company for instance a cone supplier merging with an ice cream maker. Market-extension merger are mergers where two companies that sell the same products in different markets merge .Product-extension merger occur when two companies selling different but related products in the same market. Conglomeration merger involves two companies that have no common business areas.

In addition there two types of mergers that are distinguished by how the merger is financed. Each has certain implications for the companies involved and for investors .Purchase Mergers is the kind of merger that occurs when one company purchases another. The purchase is made with cash or through the issue of some kind of debt instrument; the sale is taxable. Acquiring companies often prefer this type of merger because it can provide them with a tax benefit. Acquired assets can be written-up to the actual purchase price, and the difference between the book value and the purchase price of the assets can depreciate annually, reducing taxes payable by the acquiring company .Consolidation Mergers is a merger where a brand new company is formed and both companies are bought and combined under the new entity. The tax terms are the same as those of a purchase merger. ECB took a horizontal merger to combine the two banks that previously operated in the same industrial settings and competed for the same market. For the entire M&A process to be a success there must be a transfer of the capabilities and knowledge for cost effective synergies to become a reality. There are certain objectives and reasons for mergers and acquisitions that propel the increase in mergers and acquisitions (Hensmans et al., 2001). These include; desire to increase the size of the organization to ensure it reaps the benefits of enhances economies of scale, business combination also leads to risk diversification, particularly where the two companies have different income streams, increasing the company's market competitiveness; thus, being in a position to stay off competition. The strategy may also be used as a means of avoiding taxation, as a means of achieving the organizations' growth objectives bye expanding their existing markets or by entering in new markets, businesses with good potential may be poorly managed and the assets underutilized, thus resulting in a low return being achieved as a result such a business is likely to attract a takeover bid from a more successful company (Shimizu et al., 2004).

To achieve competitive advantage M&A's have become a strategic option for organizations. The process of M&A is rising without there being reason of economic performance to justify such action. The overall impact of M&A has been studied by a number of developed countries like USA, UK and EU countries. In the most recent development in banking sector the trend of M&A is more dominant. This process of M&A is still continued and resulting in consolidation and the employee's turnover(McGuckin and Nguyen, 2001). Apart from the increase in consciousness about the importance of people in merger synergy realization, there has been an explosive increase in the business press recently in executive literature and guideline proposals about how to successfully manage mergers and acquisitions. Mergers and acquisitions have become more often associated with lowered morale, job dissatisfaction, unproductive behavior, increased turnover and absenteeism, rather than with increased financial performance as expected.

An estimate by Davy et al. (1988), blames employee problems as being responsible for one-third to one-half of all merger failures. Therefore, the underlying causes of employee resistance need to be studied carefully because their understanding has the potential of improving merger planning and outcomes. As negative employee reactions are believed to account partially at least for unsuccessful M&As, the interesting question to answer is why mergers and acquisition stringer negative reactions in employees. Employee's performance means effective behaviors, actions, motivations, and decisions that capture the full spectrum of job activities. In the context of employees, the managerial performance means he/she is solving most day to day problems, monitoring competitive behavior, attempting to meet performance objectives and carrying out company policies. Organizational performance can be accessed on the bases of managerial performance, subordinates performance, strategy pursued by the organization and market conditions. In this study the influence of mergers and acquisitions one employee performance is investigated by looking at pay/remuneration, sense of ownership & belonging, job security and chain of command.

2.2 Theoretical Review

This study will majorly focus on three theories that lead to mergers and acquisitions revolve, they include free cash flow theory, oligopolistic reaction theory and size and return to scale theory. These theories are explained in detail below.

2.2.1 Free Cash Flow Theory

The free cash flow hypothesis is primarily based on the argument that there is a conflict of interest between managers and shareholders. That is, rather than act in shareholders' best interests; managers could allocate the firm's resources to benefit themselves (Thanatawee, 2011). An implication of the free cash flow hypothesis is that cash-rich firms that are mature with scarce investment opportunities tend to have overinvestment problem. Thus, a dividend increase announcement by these firms should be accompanied with a positive stock market reaction since it is a signal to shareholders that management will not wastefully use corporate cash flows **(**Buusa, 2015**)**. One way managers can divert free cash flows from dividends is by issuing debt and thus binding themselves to pay out future cash. This theory prompts the need to improve financial performance of firms through mergers and acquisitions. Return on shareholder themselves (Knickerbocker, 1973). Thus, if two firms in an oligopolistic industry merge, others might react by merging in turn (Cantwell, 1992), independently of whether shareholders will gain or lose as a result. This behavior of oligopolistic reaction could cause a chain of mergers to take place, and therefore can then help explaining the empirical evidence that seem to show that mergers happen in waves. In the case of petroleum firms in Kenya, various industry players are engaging in mergers and acquisition in a bid to improve financial performance. Consequently, rival firms are engaging in mergers and acquisition deals as their competitors in order to realize these oligopolistic goals (Mboroto 2012).

2.2.2 Resource Based Firm Theory

Beena (2011) acknowledges that the resource based firm theory is perhaps the most important theory that looks into why firms go for mergers or acquisitions. The theory states that firm's effectiveness is usually measured based on the superior performance by specific resources owned by the firm. Barney (1991) presented a concrete and comprehensive framework to identify the needed characteristics of firm resources in order to generate sustainable competitive advantage. These characteristics include whether resources are: valuable (in the sense that they exploit opportunities and/or neutralize threats in a firm's environment), rare among a firm's current and potential competitors, inimitable, and non-substitutable. Barney defines these resources as the specific assets, firm attributes, organizational processes, capabilities, information, knowledge etc. These resources enable organizations to create strategies for superior performance and hence need to have four specific attributes- rarity, imperfect limitability, value and in substitutability. This resource is mostly the reason why firms go for acquisition or merger as it is very difficult to get these resources in parts and hence they go for whole acquisition. Extent of integration required can directly affect the time taken and cost savings for the integration activity. If the differences between the two firms were too large then time taken and cost will be high. If the extent of integration can be brought down by adapting processes and systems of one firm then it will be much easier, but sometimes the resistance from the other firm could be too high too. This extent of integration can be reduced by taking the best of both worlds in integration process.

2.2.3 Agency Theory

One important perspective of research on acquisitions and mergers is financial economics. Financial economics objective is to enhance wealth for the general economy and shareholders. The theoretical background of this is the agency theory.

An agency relationship arises when one or more principals (e.g. an owner) engage another person as their agent (or steward) to perform a service on their behalf. Performance of this service results in the delegation of some decision-making authority to the agent. This delegation of responsibility by the principal and the resulting division of labor are helpful in promoting an efficient and productive economy. However, such delegation also means that the principal needs to place trust in an agent to act in the principal's best interests.

A simple agency model suggests that, as a result of information asymmetries and self-interest, principals lack reasons to trust their agents and will seek to resolve these concerns by putting in place mechanisms to align the interests of agents with principals and to reduce the scope for information asymmetries and opportunistic behavior. Agents are likely to have different motives to principals. They may be influenced by factors such as financial rewards, labor market opportunities, and relationships with other parties that are not directly relevant to principals. This can, for example, result in a tendency for agents to be more optimistic about the economic performance of an entity or their performance under a contract than the reality would suggest. Agents may also be more risk averse than principals. As a result of these differing interests, agents may have an incentive to bias information flows. Principals may also express concerns about information asymmetries where agents are in possession of information to which principals do not have access.

2.2.4 Transaction Cost Theory

Transaction costs applies to vertical merger and acquisition aimed at reducing uncertainty or the cost of procuring a particular factors of production. Following the transaction cost theory Coase (1937), firms evaluate the relative costs of alternative governance structures (spot market transactions, short term contracts, long-term contracts, vertical integration) for managing transactions. Transaction costs could be defined as the costs of acquiring and handling the information about the quality of inputs, the relevant prices, the supplier's reputation, and so on. Contractual agreements are costly: costs have to be borne in order to negotiate and write the terms of the arrangements, to monitor the performance of the contracting party, to enforce the contracts. Firms merge as a way of economizing on transaction costs in a world of uncertainty, where contractual arrangements are too expensive.

2.2.5 Modigliani – Miller Theorem

According to Modigliani – Miller Theorem, with perfect capital markets, value can neither be created nor destroyed by repackaging a firm's securities as long as the repackaging leaves the total cash flows of the firms unchanged. Similarly, any merger or acquisition that has no effect on the after cash flow of the firm will not create or destroy value. This means that in order for a merger or acquisition to create value, the after cash flows of the combined firm must exceed the sum of the after tax cash flows of the individual firms before the merger.

2.2.6 Managerial Hubris Theory

According to the managerial hubris theory, even if managers try to maximize the value of the firm, they might overestimate the value of what they buy because of hubris (Roll, 1986) as a result of overconfidence by the managers. This is particularly true in waves of consolidation, when managers blindly follow the markets and change their beliefs on conglomeration versus strategic focus or when multiple bidders compete for the same target. Managers also could underestimate the cost of post-merger integration or overestimate their ability to control a larger institution. Thus, a transaction that is believed to benefit the acquirer could simply be a poor strategic decision where benefits are overestimated or costs are underestimated**.**

2.2.7 Financial synergy Theory

M&As also can be motivated by financial synergies. Financial synergy theory argues that, with asymmetric information in financial markets, a firm with insufficient liquid assets or financial slack may not undertake all valuable investment opportunities (Myers and Majluf, 1984). In this case, the firm can increase its value by merging with a slack-rich firm if the information asymmetry between the two firms is smaller than that between the slack-poor firm and outside investors. Thus, takeover may be an efficient means to alleviate information asymmetries and achieve financial synergies. This theory predicts that firms in financial distress but with good investment opportunities are more likely to be involved in M&A activities, either as targets or as acquirers

2.3 Bank merger and employees' satisfaction

Employee's satisfaction is another concept that seems easy to understand, but difficult to explain. Gregson (1987) defines employee's satisfaction as the positive emotional state resulting from the individual appraisal of one's job or experience. Too few growth and advancement opportunities are an obvious determinant influencing employee job satisfaction which was topic of numerous researches. Employee attitudes toward a merger cannot be explained without understanding attitudes in general. Much power has been ascribed to attitudes because it accomplishes a great deal for an individual. Armenakis and Bedeian (1999) argued that employee attitude could also indicate or serve as "markers" for tracking the likelihood of employees enacting behaviors necessary for achieving desired changes. Extending this logic to the present study, it is likely that employees with positive attitude would tend to be more supportive of their newly merged organization, while those with less positive attitudes would be more likely to be dissatisfied with the merger. This study assesses the emotional dimension of attitudes after the merger has occurred, also known as employee satisfaction with merger.

Employee attitudes toward a merger cannot be explained without understanding attitudes in general. Much power has been ascribed to attitudes because it accomplishes a great deal for an individual. It guides perception, information processing, and behavior (Pratkanis, 1989). Eagly and Chaiken (1993) defined attitude as "a psychological tendency that is expressed by evaluating a particular entity with some degree of favor or disfavor". Extending this logic to the present study, it is likely that employees with positive attitudes would tend to be more supportive of their newly merged organization, while those with less positive attitudes would be more likely to be dissatisfied with the merger.

2.4 Mergers and acquisitions link to human issues

Research shows that M&As have a negative human impact, largely in the form of attitudinal declines, such as lowered commitment. Davy et al. (1988) stated that M&As represent change, and expectations associated with M&As are vague and often based on rumors. If expectations and attitudes are negative, the employees may engage in unproductive behavior that may lead to significantly lower levels of job satisfaction and job security, and less favorable attitudes toward management (Covin, Sightler, Kolenko, & Tudor, 1996).

One key employee concern after a merger is a loss of identity (Cartwright & Cooper, 1992; Covin et al., 1996). Employees attach themselves to their jobs, coworkers, work routines, the application of personal skills, performance, and career goals (Covin et al., 1996). After a merger or an acquisition, however, new roles and responsibilities, new supervisors, and new peer relationships develop. Many employees experience a powerful sense of loss when these strong attachments are changed or destroyed, even for those who do not change jobs. As a result, role expectations may change (Covin et al., 1996). One might understand the extent to which employees feel about their experiences after a merger, by assessing their attitudes toward or satisfaction with the merger.

2.5 Influence of Mergers and Acquisitions on Job Security

Employees who work at pre and post-mergers and acquisitions environment feel a strong threat to their job security while working in such environment. Workers may have skills and traits that are well suited to other jobs and or/firms, but not to their present job or employer. (Ashford, Lee and Bobko) (1989) found empirically that the greater the number of changes in an organization, the greater the perceived job insecurity by the employees and in turn, this perceived job insecurity is negatively related to organizational commitment, trust in organization, job satisfaction and ultimately, job performance. A merger or acquisition provides an impetus for employees whose matches are poor to seek out (by their own volition or after being laid off) appropriate work elsewhere. The opportunity to find a better match leads to a rise in the average quality of the match among departing employees. In a competitive labor market, the quality of the match is reflected in the worker's earnings.

Negative reactions may lead to significantly lower levels of job satisfaction and job security and less favorable attitudes toward management. Employees often cope with the uncertainty surrounding a merger by reducing levels of commitment and instead use energy either to cope with anxiety and confusion or to try to find new employment opportunities. Another noticeable analysis by Davy et al. (1988) involves a field study in a large firm aiming to determine the direct impact on employee's attitudes, performance and behavioral intentions over time. Their participants (216 employees) completed survey questionnaires on 2 separate occasions: less than a month after the completion of the sale and the second one three months later. Their findings suggest that employee's attitudes and intentions to leave or be absent deteriorate between the first and the second survey. The feelings of job insecurity significantly increase, which is consistent with the fact that layoffs indeed did occur during the three-month period between the surveys. Also, organizational commitment significantly decrease, while intentions to leave and be absent increase.As organizational commitment declines, workers tend to look for new jobs, which distracts them from their current work, thus, there seems to be a direct connection between changes in attitudes and intentions. Moreover, employee’s evaluations of their performance changed, as respondents reported that their performance over the last three months was lower than in all their years of service.

Davy et al (1988) found that employees evaluated the communication program positively and, as expected, these evaluations correlated significantly with perceptions of personal control, organizational commitment and job satisfaction. Interestingly, job security, intention to quit and intention to be absent and performance were not significantly correlated with the program evaluations. These results indicate that positive reactions to the communication program engender higher perceptions of control, organizational commitment, job satisfaction and lower intentions to quit and be absent. Performance, similar to the previous studies mentioned in this review did not seem to be affected bye employee’s attitudes and intentions. It is also plausible to conjecture that a change in ownership provides an opportunity to implement key organizational changes. That is, the acquisition may be a catalyst that enables managers to undertake tough business decisions, such as firing unproductive workers or hiring better ones .Employees’ feelings of insecurity and loss may cascade downward through the organization. Anxiety and insecurity will divert the employee’s attention away from business needs and focus on negative aspects, such as why the merger won’t work. Thus, it is imperative to conduct a ‘talent audit’ before the acquisition, to ascertain the managerial and personnel talent which the acquiring organization wants to or must retainfor future success. Managers may have held off making such decisions, yet are compelled to implement workforce reduction programs due to financially-induced stress associated with the new ownership regime (i.e., a mandate to cut costs and increase performance).These pressures should also result in an improvement in the average quality of the workforce. Therefore, given the magnitude and importance of the employees ‘psychological reactions on the merger outcome, it is very important to understand the sources of this stress and the way it affects the organization in order to be able to reduce employee resistance as a way to maximize synergy realization.

2.6 Influence of Mergers and Acquisitions on Pay/Remuneration

Financial remuneration in the form of retention incentives has long been considered an antidote for potential employee attrition during a merger or acquisition. Most M&A financial models include a retention plan line item, and the amount of money that is added for employee retention is often considered part of the cost of the deal. Companies want to believe that providing retention incentives to stay with the combined organization is sufficient to cause employees to stay. However, the retention incentives can only begin to build a bridge to restoring employee trust by buying time. (Shellfire and Summers 1988) conjectured that mergers and acquisitions constitute a transfer of wealth from workers to shareholders. According to the authors, this occurs because acquirers do not honor implicit contracts with employees concerning wages and benefits. The abrogation/abolition of these commitments enables the new owners of the companyto use the deal as a mechanism for enhancing the profitability of the firm, and ultimately, shareholder wealth, at the expense of workers. Several authors have examined the employment and wage effects of mergers and acquisitions (McGuckin and Nguyen(2001), Conyon et al. (2004), and (Gugler and Yurtoglu (2004). However, the unit of observation in such studies is typically the plant or firm. In contrast, the unit of analysis in this study is the individual worker, which allows us to provide direct, systematic empirical evidence on the effects of ownership change on worker outcomes.

The use of data on individual workers is quite useful, since an ability to track workers who areinvolved in a merger or acquisition might allow us to discriminate between the alternative theories mentioned earlier .While there has been some attention in the management and finance literatures devoted to assessing the consequences of mergers and acquisitions for top-level managers (e.g.,CEOs), there has been little analysis of the effects of such events on other types of employees. It is also important to note that much of the empirical work on this topic has been based on non-representative samples of corporate control changes and companies, typically, full-firm mergers and acquisitions of publicly-traded companies (McGuckinand Nguyen, 2001). This is unfortunate, since it is well known that most ownership changes involve privately-held companies and that these transactions occur below the firm level (e.g., the sale of an individual plant or division of a company).Mergers and acquisitions lead to substantial downsizing or even mass layoffs, usually basing their conclusions on data from a small number of large, publicly-traded corporations. Such layoffs have been alleged to have a traumatic, lasting negative impacton workers who are fired and also on survivors, or those who remain with the firm in the aftermath of the layoff (Brockner et al. (1987), Brockner (1988).

Financial remuneration alone will not rebuild long-term employee trust. The company must regain employee trust. Otherwise, once the retention incentives are paid, employees may be more likely to consider other employment opportunities. Subsequently, the amount of money paid to them as retention incentives, if not extended or renewed, might have only created a temporary stability.

2.7 Influence of Mergers and Acquisitions on Organizational

The perceived organizational support perspective is guided by the principle that most employees need to feel that their organization respects and supports them in order to remain committed and loyal, satisfied with their jobs, and willing to work hard. Accordingly, employees develop global beliefs concerning the extent to which their organizations value their contributions and care about their well-being. Organizations should evaluate their performance management processes to determine whether they provide a rigorous identification of talent, effectively evaluate behavioral and professional competency development, and appropriately recognize achievements (McWilliams, Siegel and Van Fleet, 2005). In addition, organizations should require managers to provide individualized, formal feedback to employees.

Managers should been courage to view the performance management process as a priority, investing time and energy in mentoring and developmental feedback discussions. Shareholders as a group and policy analysts should focus more on what happens to the combined value. The empirical evidence in the financial economics literature does not support a more aggressive antitrust policy towards mergers. If anything, the evidence supports a less aggressive merger policy (Jovanovich and Rousseau, 2014). A case for more aggressive merger policy presumably could be made if mergers systematically lead to increased prices, less innovation, lower quality and other harm to consumers.

Existing merger policy is successful on average in deterring antitrust-related problems. Thus, there is no case for a more aggressive merger enforcement policy. At the same time, the results do raise the possibility that a less aggressive merger policy would be desirable. Companies merge to save on operational expenses and control a bigger market share. Some acquisitions are considered hostile takeovers because one company acquires another company against its will. The merger and acquisition process is complicated and requires each company involved to perform due diligence (Harris, Siegel and Wright,2005).

Before the merger or acquisition is complete, the due diligence process should show all parties involved if completing the transaction will yield positive results. A less aggressive merger policy would lead to more mergers with clear efficiency gains at the possible, but not clear expense of some increase in market power. To the extent that advances in information technology and globalization have increased the extent of competition today relative to the previous two decades, a less aggressive merger policy would be appropriate. Mergers and acquisitions in banking sector are forms of horizontal merger because the merging entities are involved in the same kind of business or commercial activities. Sometimes, non-banking financial institutions are also merged with other banks if they provide similar type of services.

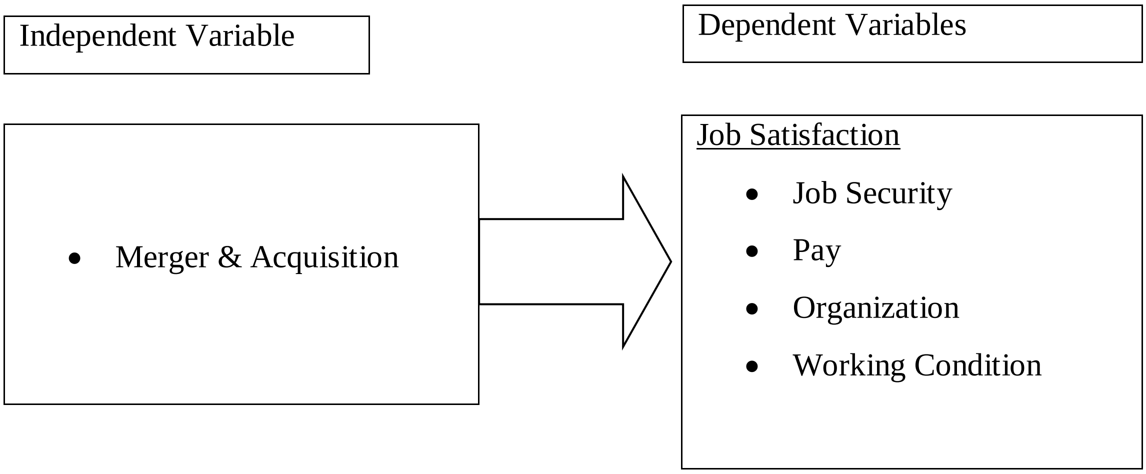
Through mergers and acquisitions in the banking sector, the banks look for strategic benefits in the banking sector. They also try to enhance their customer base. In the context of mergers and acquisitions in the banking sector, it can be reckoned that size does matter and growth in size can be achieved through mergers and acquisitions quite easily (Coff, 2002). Growth achieved by taking assistance of the mergers and acquisitions in the banking sector may be described as inorganic growth. Banks are adopting policies for mergers and acquisitions.

2.8 Conceptual Framework

The theoretical framework is the structure that can hold or support a theory of a research study. The theoretical framework introduces and describes the theory which explains why the research problem under study exists. It is logically developed and elaborated network of associations among the variables that have identified through processes such as interviews, observations and literature survey. It refers to how the researcher or writer of the report not only questions, but ponders and develops thoughts or theories on what the possible answers could be, then this thoughts and theories are grouped together into themes that frame the subject. It is the process of identifying a core set of connectors within a topic and showing how they fit together.

This research study is guided by the following theoretical framework in Impact of Merger and acquisition on Employees Satisfaction of Nepalese Commercial Bank.

Fig.2.1 Conceptual framework



2.9 Merger by Laws of NRB 2011

2.9.1 Introduction

By 2010, the Nepalese banking and financial sectors have been passing a through a very crucial period. The International Monetary Fund (2008) states that in its research paper almost one third percentage level of bad loans was growing. The ongoing political instability and uncertainty over the future has not only decreased the income of banks, but also discourages the investor's confidence to invest in any projects. It has caused a low demand of loans for big projects. Therefore, banks are facing increasing pressure of either investing in volatile housing and real estate business where there is maximum risk, or by failing to utilize the capital to generate more cash by not managing the capital (New Spotlight News Magazine, 2011).

The Nepal Rastra Bank, as the main principal body of all the BFIs was becoming concerned with the unfortunate state of the BFIs. The Central Bank planned to improve the health of the financial sector by introducing the Merger Bylaw 2011 grounded on the Company Act 2063 article 177, BAFIA 2063 article 68 and 69 that pressurize all the BFIs for immediate merger as a consolidation. A merger was not a choice of the Nepal Rastra bank but it was a compulsion strategy to increase the capital and strengthen their capacity to face the competitive market. Otherwise, many BFIs may have to die (Gautam,2012).

2.9.2 Guidelines and Conditions for Opting Merger Bylaws 2011

The Nepal Rastra Bank had identified three conditions based on which it can force the BFIs to for immediate merger. As per the first condition, the BFIs operated and owned by the same business family, relatives, and groups will be considered to amalgamate. The central bank will order to those BFIs to merge if they are owned by the same family, relatives and groups. The Merger Bylaws policy by the central bank also states that it can persuade the BFIs to merge if they are operated by a single family group. Similarly, as per the second condition, the central bank will force such BFIs to go for a merger if there is a shortfall of capital. As per NRB banking and financial institution regulations,- commercial banks are required to maintain a minimum capital adequacy ratio (CAR) of 10 percent and development banks a CAR of 11 percent. A CAR is required to determine the capacity of the bank in meeting time liabilities and other risks such as the credit risk and the operational risk. If the BFIs fail to maintain a CAR Imposed by the NRB, it will force them to merge which will help to strengthen their capital and increase competitive performance (Subedi,2012).

2.9.3 Major Provisions of Merger Bylaws 2011

States that the major provisions of Merger- Bylaws laid by the NRB are:

1. A, B, C, class financial institutions can merge with each other but the D class financial institutions can merge only with another same class financial institution.
2. BFIs that want to merge should delegate separate merger committees from their annual general meetings and sign a memorandum of understanding (MOU).
3. The due process including a MOU should be endorsed with an action plan before applying to the Nepal Rastra Bank for a Letter of Intent (LOI). The NRB should hold a meeting within 15 days of receiving the LOI application.
4. The NRB has a right to grant whether to approve the LOI or not after meeting discussion and detailed study of the concerned financial institution.
5. After receiving a LOI from the central bank a due diligence audit should be completed within six months.
6. The detailed evaluation comprising assets, liabilities and transactions of the concerned institutions should be submitted to the NRB.
7. An agreement copy of the final decision regarding name, address and share ratio of concerned the BFIs should be submitted to the NRB.

CHAPATER THREE
RESEARCH METHODOLOGY

3.1 Research design

The structure of this research is constructed by descriptive and analytical research design which is followed by review of past journals, books, and annual reports as well as related schedules and consultations from the qualitative and quantitative information of the stated objectives .To meet the objectives research focus on identifying the impact of merger and acquisition on employees satisfaction of Nepalese commercial banks.

3.2 Population and Sample

There are various financial variables representing the Nepalese economy but only limited is selected for the analysis due to the time and value constraints for the uniformity of the data using the purposive sampling technique which may not have cover all institutions. According to NRB 21 commercial banks are merged and acquired up-to2075/9/12.So for the study purpose four banks Global IME bank, investment bank limited, Rastriya banijya bank, NIC Asia bank limited were selected from merger and acquisitioned were approached. The total sample respondents are 50 from Nepalese's commercial banks. Further information has collected from the renowned personalities about M and A.

3.3 Nature and Sources of Data

The main source of data for the research work is primary data. To get a realistic outcome of the finding sources of data has taken with high precautions in order to get authentic results for the findings. The primary data questionnaires was developed for employees the study was carried out with the help of the employees of Global IME bank, investment bank limited, Rastriya banijya bank, NIC Asia bank limited.

3.4 Data Collection

To identify the impact of M&A on employees satisfaction of Nepalese commercial banks entity survey questions has designed which contains a rating options ,multiple choice questions as well as open ended questions and had distributed to the employees of the merged and acquired banks through the various ways by which the employees can freelyexpress their ideas and opinions. Participation on the process of the respondents was with consent. One type of questionnaire was developed for the purpose of the study. This was questionnaire for the employees' survey. For this type of questionnaire was distributed with the help of human resources department of related banks. Altogether 50 questionnaire were filled up with the employees of the banks. participation of the respondents was voluntary. Among the respondents the number of the participations from each bank in details is on the table below.

BFI's Name	Participation for the employees survey
Global IME bank limited	9
NIC Asia bank limited	8
Nepal investment bank limited	13
Rastriyabanijya bank limited	20
Total	50

(Sources: field survey, 2018)

3.5 Data Processing Technique

Various information and data are collected from field workwhich used for interpretation. The collected data had been coded, tabulated, and analyzed in systematic way to meet the research objectives and various statistical and financial tools used to make the analysis more clear. Collected data was tabulated with the help of SPSS software and were tabulated on excel.

3.6 Limitation and challenges

The survey was conducted among the employees and customer of Global IME bank, investment bank limited, Rastriya banijya bank, NIC Asia bank limited only due to the time constraints. The opinions expressed by the employees and the customers of banks may not necessarily carry the sentiments of entire financial institutions.

CHAPTER FOUR

RESULT

4.1 Background

Analysis of data is a process of inspecting, transforming and modeling data with the goal of discovering useful information, conclusions and for supporting decision making process. In other words, data analysis is the process of developing answer to question through the examination and interpretation of data. The basic steps in the analytical process consist of identifying issues, determining the availability of suitable interest, applying the methods and evaluating, summarizing and communicating the results.

This chapter deals with the analysis, presentation and interpretation of relevant data of selected bank in order to fulfill the objective of the study. With the help of this analysis, efforts have been made to highlight the present condition of employee's satisfaction of Nepalese commercial bank after merger and acquisition. Analysis is based on the data obtained from primary source. Primary source includes mainly the responses to questionnaires. The primary data collected 50 respondents have been used to measure the employee's satisfaction of Nepalese selected commercial bank after merger and acquisition.

4.2 Presentation and analysis of data

This section reports the result of questionnaire survey conducted among individual employees in selected Nepalese commercial bank. Questionnaire survey was designed to understand the view of respondent after merger and acquisition. A set of questionnaire with different section was prepared and distributed to employees of Global IME Bank, Investment Bank, NIC Asia Bank and RastriyaBanijya Bank.

The analysis of data was performed with the help of SPSS and MS-Excel. This analysis part consists of details of the respondents' profile, descriptive analysis of respondents' answers on employee's satisfaction after merger and acquisition. This section is further sub-divided into two sub-sections. The first part deals with the respondents' profile and their demographic characteristics. The second part is descriptive analysis, which analyzes the collected data through frequency analysis and measures of central tendency.

4.2.1 General Demographic Analysis

Demographics are the quantifiable statistics of a given population. The Demographic variable of this study includes Gender, position, and district and office name. In this study the demographic characteristic of survey are analyzed.

4.2.2 Gender wise Distribution of Respondents

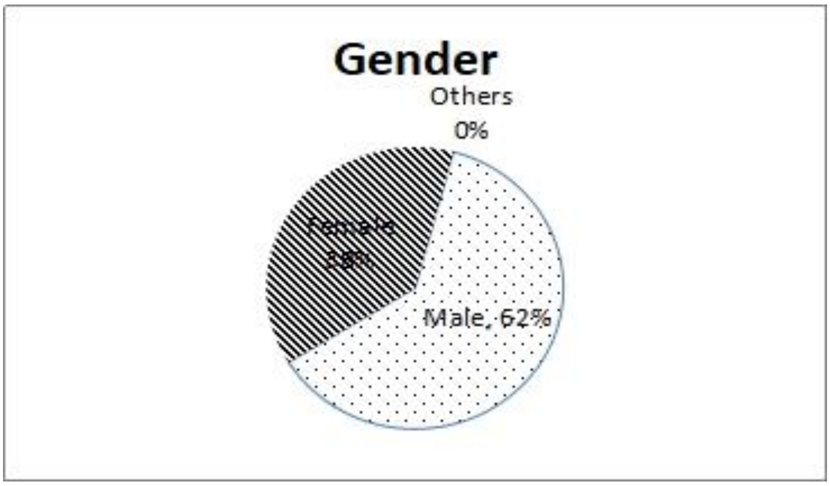
The gender of the respondents consists of male and female. The frequency and percentage of gender of respondents are depicted in Table 4.1 and figure 4.1 below.

Table 4.1: Gender of the Respondents

Gender	Frequency	Percent
Male	31	62.00
Female	19	38.00
Others	0	0
Total	50	100%

Source: Field survey, 2018

Fig.4.1: Gender wise Distribution of Respondents



Above table number 4.1 and the figure 4.1 shows that gender distribution among 50 respondents, it is clear that out of total respondents there are 31 male respondents

(62%) and 19 female respondents (38%). This shows that majority of respondents were male.

4.2.3 Education wise distribution of Respondents

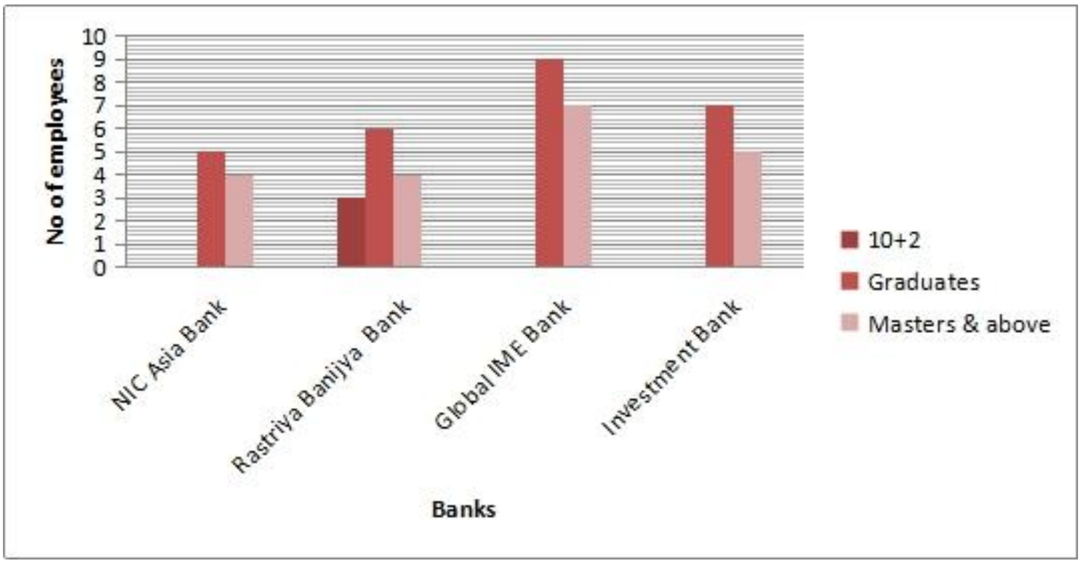
The education status of the respondents are categorized into three groups i.e. simple 10+2, Bachelors, masters degree and above. The frequency distribution and percent composition of respondents' education is depicted in Table 4.3 and figure 4.3.

Table 4.2: Education wise distribution of Respondents

Bank	10+2	Graduates	Masters & above	Total	Percentage
NIC Asia Bank	-	5	4	9	18%
RastriyaBanijya Bank	3	6	4	13	26%
Global IME Bank	-	9	7	16	32%
Investment Bank	-	7	5	12	24%
Total	3	27	20	**50**	**100%**
Percentage	6%	54%	40%	**100%**	

Source: Field survey, 2018

Figure 4.2: Education wise distribution of Respondents



Above figure number 4.2 and table 4.2 shows that qualification of the employees of Global IME Bank, Investment Bank, NIC Asia Bank and RastriyaBanijya Bank. The table and figure describes majority of graduated employees then having master's degree an above and 10+2 respectively.

4.2.4 Age wise distribution of Respondent

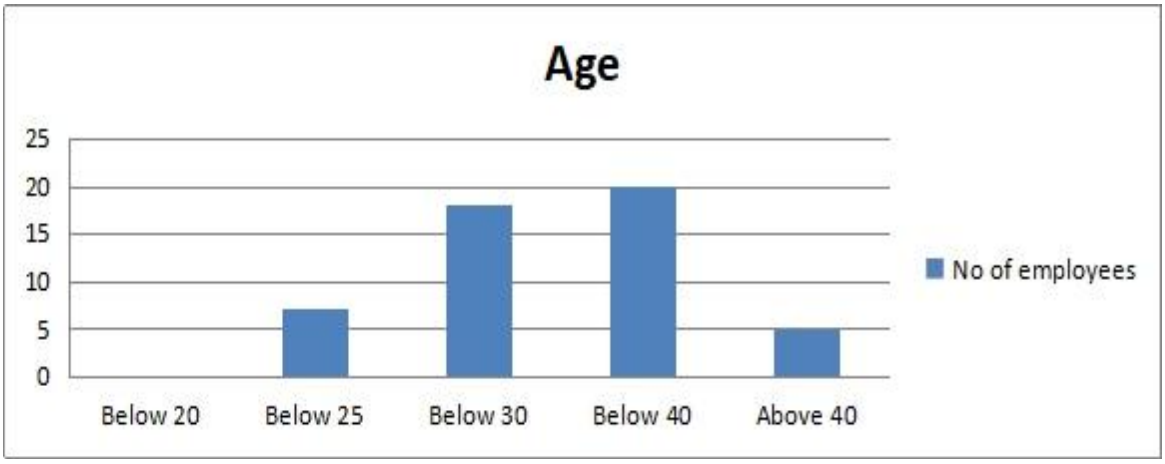
The age status of the respondents is categorized into five groups i.e. below 20, below 25, below 30, below 40, above 40. The frequency distribution and percent composition of respondents' age is depicted in Table 4.3 and figure 4.3.

Table 4.3: Education wise distribution of Respondents

Age Category	Frequency	Percent
Below 20	-	-
Below 25	7	14%
Below 30	18	36%
Below 40	20	40%
Above 40	5	10%
Total	50	100%

Source: Field survey, 2018

Figure 4.2:3 Education wise distribution of Respondents



Above figure number 4.3 and table 4.3 shows that age of the employees of Global IME Bank, Investment Bank, NIC Asia Bank and RastriyaBanijya Bank. The table and figure describes that majority of employees is age having below 40 and others.

4.3 Descriptive Analysis of Research Variables

Descriptive analysis of this research includes the basic explanation of central tendency, particularly mean and variation of variables of the study. The main aim of this analysis is to describe the importance of each variable in order of importance given to it by the survey respondents.

Descriptive statistics summarizes the sample and observations that have been made. In this study, descriptive analysis incorporates the calculation of statistical measures such as mean and standard deviation and coefficient of variations. These variables are further divided into 17 measurable questions while collecting responses. In addition, the descriptive central tendency and variation of the 5-subscale is calculated in order to find employees satisfaction after merger and acquisition. A total of 17 items (questions) with particular mean score were obtained from the MS excel and SPSS output. A five-point Likert scale was used for each question ranging from ‘Strongly Disagree’ to ‘Strongly Agree’; coded by 5 representing ‘Strongly Agree’’, 4 representing ‘Agree’’; 3 representing ‘Neutral’, 2 representing ‘Disagree’ and 1 representing ‘Strongly Disagree’. Thus, this section consists of descriptive analysis performed to analyze measurable questions as well as study variables.

4.3.1 Job Security

Job Security is an assurance that an individual will keep his or her job without the risk of becoming unemployed. S/he will have continuity in employment and it may be from the terms of a contract of employment, collective bargaining agreement, or labor legislation that prevents arbitrary termination. Lack of job security refers to a situation where a person with a job would have a high chance of becoming unemployed.

Table 4.4Bank provides enough time for me

Level of State	Frequency	Percent	Cumulative Percent
Disagree	4	8.0	8.0
Neutral	16	32.0	40.0
Agree	22	60.0	100.0
Total	50	100.0	

Source: Field survey, 2018

The above table no. 4.4 ‘Bank provides enough time for me shows’ that there is majority of employees are satisfied that mean percentage of employees whose are agree about bank is providing them enough time after merger and acquisition is 60%, neutral is 32% and disagree is only 4%.

Table 4.5 I feel secured in this bank after merger and acquisition

Level of State	Frequency	Percent	Cumulative Percent
Disagree	6	12.0	12.0
Neutral	10	20.0	32.0
Agree	34	68.0	100.0
Total	50	100.0	

Source: Field survey, 2018

The above table no. 4.5 'I feel secured in this bank after merger and acquisition' that there is majority of employees feels secured after merger and acquisition. The table shows that Disagree, Neutral and Agree are 12%, 20%, 68% respectively.

Table 4.6Bank has made appropriate carrier plan for me

Level of State	Frequency	Percent	Cumulative Percent
Disagree	5	10.0	10.0
Neutral	18	36.0	46.0
Agree	27	54.0	100.0
Total	50	100.0	

Source: Field survey, 2018

The above table no. 4.6 'Bank has made appropriate carrier plan for me' that there is majority of employees feels there is appropriate carrier plan after merger and acquisition. The table shows that Disagree, Neutral and Agree are 10%, 36%, 54% respectively.

Table No. 4.7I feel proud to be an employee of this bank

Level of State	Frequency	Percent	Cumulative Percent
Disagree	1	2.0	2.0
Neutral	10	20.0	22.0
Agree	39	78.0	100.0
Total	50	100.0	

Source: Field survey, 2018

The above table no. 4.7 'I feel proud to be an employee of this bank' that there is majority of employees feels proud to be an employee of mentioned after merger and acquisition. The table shows that Disagree, Neutral and Agree are 2%, 20%, 78% respectively.

Table No. 4.8 Responses Regarding Job Security

SN	**Statement**	**N**	**Min**	**Max**	**Mean**	**Std. Deviation**
JS1	Bank provides enough time for me	50	1.00	5.00	3.66	.89
JS2	I feel secured in this bank after merger and acquisition	50	1.00	5.00	3.76	.98
JS3	Bank has made appropriate carrier plan for me	50	2.00	5.00	3.60	.88
JS4	I feel proud to be an employee of this bank	50	2.00	5.00	4.06	.76

Source: Field survey, 2018

The survey shows that there is job security in Nepalese banking sector after merger and acquisition. The average or mean from 'Bank provide enough time for me' shows that, bank are providing moderate level of time for their employees because the average is 3.66. In same way, other statement JS2, JS3, JS4 have mean of 3.76, 3.60 and 4.06 respectively. Also mean value of peer relations ranges from 3.60 to 4.06 where highest mean is shown by JS4 whereas lowest mean is shown by JS3.

Additionally, the table shows that JS2 has the highest standard deviation of 0.98 whereas JS4 has the lowest standard deviation of 0.76. This means respondents have more deviation with the statement “I feel secured in this bank after merger and acquisition” i.e. the values in the data set are farther away from the mean, on average.

Table No. 4.9The bank has appropriate job design after merger and acquisition

Level of State	Frequency	Percent	Cumulative Percent
Disagree	7	14.0	14.0
Neutral	15	30.0	44.0
Agree	28	56.0	100.0
Total	50	100.0	

Source: Field survey, 2018

The above table no. 4.9 ‘The bank has appropriate job design after merger and acquisition’ that there is majority of employees who feel there is appropriate level of job design after merger and acquisition. The table shows that Disagree, Neutral and Agree are 14%, 30%, 56% respectively.

Table No. 4.10I like plan, policy and strategy of this bank after merger and acquisition

Level of State	Frequency	Percent	Cumulative Percent
Disagree	3	6.0	6.0
Neutral	13	26.0	32.0
Agree	34	68.0	100.0
Total	50	100.0	

Source: Field survey, 2018

The above table no. 4.10 ‘I like plan, policy and strategy of this bank after merger and acquisition’ that there is majority of employees who feel there is appropriate plan policy and strategy after merger and acquisition. The table shows that Disagree, Neutral and Agree level are 6%, 26%, and 68% respectively.

Table No. 4.11There is positive impact on leadership style after merger and acquisition

Level of State	Frequency	Percent	Cumulative Percent
Disagree	5	10.0	10.0
Neutral	18	36.0	46.0
Agree	27	54.0	100.0
Total	50	100.0	

Source: Field survey, 2018

The above table no. 4.11 'There is positive impact on leadership style after merger and acquisition' that there is majority of employees who feel there is good leadership and positive impact on overall management of organization after merger and acquisition. The table shows that Disagree, Neutral and Agree level are 6%, 26%, and 68% respectively.

Table No. 4.12The efficiency of management is increased after merger and acquisition

Level of State	Frequency	Percent	Cumulative Percent
Disagree	4	8.0	8.0
Neutral	20	40.0	48.0
Agree	26	52.0	100.0
Total	50	100.0	

Source: Field survey, 2018

The above table no. 4.12 'The efficiency of management is increased after merger and acquisition' that there is majority of employees who respond that there increase the level of efficacy of management after merger and acquisition. The table shows that Disagree, Neutral and Agree level are 8%, 40%, and 52% respectively.

Table No. 4.13Management communication and listens well after merger and Acquisition

Level of State	Frequency	Percent	Cumulative Percent
Disagree	3	6.0	6.0
Neutral	14	28.0	34.0
Agree	33	66.0	100.0
Total	50	100.0	

Source: Field survey, 2018

The above table no. 4.13 ‘Management communication and listens well after merger and acquisition’ shows that there is majority of employees who respond, exchange of information and management listen well after merger and acquisition is at appropriate level. The table shows that Disagree, Neutral and Agree level are 8%, 40%, and 52% respectively.

Table No. 4.14Response Regarding Organization

SN	Statement	N	Min	Max	Mean	SD
OR1	The bank has appropriate job design after merger and acquisition	50	1.00	5.00	3.50	.97
OR2	I like plan, policy and strategy of this bank after merger and acquisition	50	2.00	5.00	3.72	.72
OR3	There is positive impact on leadership style on after merger and acquisition	50	2.00	5.00	3.56	.83
OR4	The efficiency of management is increased after merger and acquisition	50	2.00	5.00	3.50	.73
OR5	Management communities and listens well after merger and acquisition	50	2.00	5.00	3.74	.77

Source: Field survey, 2018

The survey shows that there is good management style (job design, plan and policy, efficiency, leadership communication) in Nepalese banking sector after merger and acquisition. The average or mean from 'The bank has appropriate job design after merger and acquisition' shows that, bank are providing moderate level of time for their employees because the average is 3.50. In same way, other statement OR2, OR3, OR4 and OR4 have mean of 3.72, 3.56, 3.50 and 3.74 respectively. Also mean value of peer relations ranges from 3.50 to 3.76 where highest mean is shown by OR5 whereas lowest mean is shown by OR1 and OR4.

Additionally, the table shows that OR1 has the highest standard deviation of 0.97 whereas OR2 has the lowest standard deviation of 0.72. This means respondents have more deviation with the statement "the bank has appropriate job design after merger and acquisition" i.e. the values in the data set are farther away from the mean, on average.

Table No. 4.15I am satisfied with salary of this bank after merger and acquisition

Level of State	Frequency	Percent	Cumulative Percent
Disagree	12	24.0	24.0
Neutral	10	20.0	44.0
Agree	28	56.0	100.0
Total	50	100.0	

Source: Field survey, 2018

The above table no. 4.15 'I am satisfied with salary of this bank after merger and acquisition' shows that there is majority of employees who told they are satisfied with their salary after merger and acquisition. The table shows that Disagree, Neutral and Agree level are 24%, 20%, and 56% respectively.

Table No. 1.16Bank has made appropriate carrier growth plan after merger and

acquisition

Level of State	Frequency	Percent	Cumulative Percent
Disagree	2	4.0	4.0
Neutral	24	48.0	52.0
Agree	24	48.0	100.0
Total	50	100.0	

Source: Field survey, 2018

The above table no. 4.16 ‘Bank has made appropriate carrier growth plan after merger and acquisition’ shows that there is majority of employees who told the organization currently have appropriate carrier plan and they are satisfied with organizations carrier plan after merger and acquisition. The table shows that Disagree, Neutral and Agree level are 4%, 48%, and 48% respectively.

Table No. 1.17There is positive impact on bonus after merger and acquisitions

Level of State	Frequency	Percent	Cumulative Percent
Disagree	5	10.0	10.0
Neutral	22	44.0	54.0
Agree	23	46.0	100.0
Total	50	100.0	

Source: Field survey, 2018

The above table no. 4.17 ‘There is positive impact on bonus after merger and acquisition’ show that there is majority of employees who told the organization currently have appropriate bonus and incentive plans and they are satisfied with organizations bonus system after merger and acquisition. The table shows that Disagree, Neutral and Agree level are 10%, 44%, and 46% respectively.

Table No. 1.18The bank is providing more non-monetary benefits after merger and acquisition

Level of State	Frequency	Percent	Cumulative Percent
Disagree	8	16.0	16.0
Neutral	12	24.0	40.0
Agree	30	60.0	100.0
Total	50	100.0	

Source: Field survey, 2018

The above table no. 4.18 ‘The bank is providing more non-monetary benefits after merger and acquisition’ shows that there is majority of employees who told the organization is currently providing appropriate non-monetary benefits and they are satisfied with organizations non monetary benefit system after merger and acquisition. The table shows that Disagree, Neutral and Agree level are 16%, 24%, and 60% respectively.

Table No. 4.19Response Regarding Pay

SN	Statement	N	Min	Max	Mean	SD
PAY1	I am satisfied with salary of this bank after merger and acquisition	50	1.00	5.00	3.36	.96
PAY2	There is positive impact on bonus after merger and acquisition	50	2.00	5.00	3.44	.78
PAY3	Bank has made appropriate carrier growth plan after merger and acquisition	50	1.00	5.00	3.54	.81
PAY4	The bank is providing more non-monetary benefits after merger and acquisition	50	2.00	5.00	3.52	.86

Source: Field survey, 2018

The survey shows that there is appropriate pay mechanism (salary, bonus, carrier growth plan, non-monetary benefits etc) in Nepalese banking sector after merger and acquisition. The average or mean from ‘I am satisfied with salary of this bank after merger and acquisition’ shows that, bank are providing satisfied level of salary to their employees because the average is 3.36. In same way, other statement PAY2, PAY3, and PAY4 have mean of 3.44, 3.54 and 3.52 respectively. Also mean value of peer relations ranges from 3.36 to 3.54 where highest mean is shown by PAY3 whereas lowest mean is shown by PAY1.

Additionally, the table shows that PAY1 has the highest standard deviation of 0.96 whereas PAY2 has the lowest standard deviation of 0.78. This means respondents have more deviation with the statement "There is positive impact on bonus after merger and acquisition" i.e. the values in the data set are farther away from the mean, on average.

Table No. 4.20The bank is using advance technology after merger and acquisition

Level of State	Frequency	Percent	Cumulative Percent
Disagree	8	16	16.0
Neutral	21	42.0	58.0
Agree	21	42.0	100.0
Total	50	100.0	

Source: Field survey, 2018

The above table no. 4.20 'The bank is using advance technology after merger and acquisition' shows that there is majority of employees who told the organization is currently acquiring the advance technology and create easiness on bank operation after merger and acquisition. The table shows that Disagree, Neutral and Agree level are 16%, 24%, and 60% the respectively.

Table No. 4.21Working culture of this bank is improved after merger and acquisition

Level of State	Frequency	Percen t	Cumulative Percent
Disagree	5	10.0	10.0
Neutral	17	34.0	44.0
Agree	28	56.0	100.0
Total	50	100.0	

Source: Field survey, 2018

The above table no. 4.21 ‘Working culture of this bank is improved after merger and acquisition’ shows that there is majority of employees who told the organization is currently have good organizational culture after merger and acquisition. The table shows that Disagree, Neutral and Agree level are 10%, 34%, and 56% the respectively.

Table No. 4.22The bank is providing more training and development opportunity after merger and acquisition

Level of State	Frequency	Percent	Cumulative Percent
Disagree	3	6.0	6.0
Neutral	15	30.0	36.0
Agree	32	64.0	100.0
Total	50	100.0	

Source: Field survey, 2018

The above table No. 4.22 ‘The bank is providing more training and development opportunity after merger and acquisition’ shows that there is majority of employees who told the organization is currently providing training and developmental opportunity for employees currier growth and making organizational productivity well after merger and acquisition. The table shows that Disagree, Neutral and Agree level are 6%, 30%, and 64% the respectively.

Table No. 4.23The bank has more availability of equipment and devices to carry out the work after merger and acquisition

Level of State	Frequency	Percen t	Cumulative Percent
Disagree	2	4.0	4.0
Neutral	20	40.0	44.0
Agree	28	56.0	100.0
Total	50	100.0	

Source: Field survey, 2018

The above table No. 4.23 ‘The bank has more availability of equipment and devices to carry out the work after merger and acquisition’ shows that there is majority of employees who told organization has currently new more advanced equipments and devices to carry out the work fast as well as delivering better service to their customer after merger and acquisition. The table shows that Disagree, Neutral and Agree level are 4%, 40%, and 56% the respectively.

Table No. 4.24Response Regarding Working Condition

SN	Statement	N	Min	Max	Mean	SD
WC1	The bank is using advance technology after merger and acquisition	50	1.00	5.00	3.38	.96
WC2	Working culture of this bank is improved after merger and acquisition	50	2.00	5.00	3.56	.81
WC3	The bank is providing more training and development opportunity after merger and acquisition	50	2.00	5.00	3.70	.76
WC4	The bank has more availability of equipment and devices to carry out the work after merger and acquisition	50	2.00	5.00	3.74	.85

Source: Field survey, 2018

The survey shows that there is appropriate working condition (advance technology, working culture, training and developmental opportunity, availability of advance equipment and devisees etc) in Nepalese banking sector after merger and acquisition. The average or mean from 'The bank is using advance technology after merger and acquisition' shows that, bank has currently acquiring advance technology because the average is 3.38. In same way, other statement WC2, WC3 and WC4 have mean of 3.56, 3.70 and 3.74 respectively. Also mean value of peer relations ranges from 3.38 to 3.54 where highest mean is shown by WC4 whereas lowest mean is shown by WC1.

Additionally, the table shows that WC1 has the highest standard deviation of 0.96 whereas WC3 has the lowest standard deviation of 0.765. This means respondents have more deviation with the statement "The bank is providing more training and development opportunity after merger and acquisition" i.e. the values in the data set are farther away from the mean, on average.

4.2 Major Findings

The major finding of this research is to find out Impact of Merger and acquisition on Employees Satisfaction of Nepalese Commercial Bank. The research is entirely focused on Employees Satisfaction of Nepalese Commercial Bank. The research has been done with the sample size of 50 representing the population size. The research is based on the descriptive analysis.

1. Regarding the demographic profile as the variable in the study, study focused on four major demographic components as gender, education, age. Out of 50 respondents, 38.00% are female and remaining 62.00% are male. There is majority of male employee in the in the commercial bank. That mean participation of female employee is less in organizational activity.
2. Samples banksare Global IME bank, investment bank, NIC Asia and Rastriyabanijya bank employees with 16, 12, 9, 13, comprising the 32.00%, 24.00%, 18.00%, 26% respectively. Also, 06% have higher secondary level education, 54% employees are graduates and 40% are masters and above.
3. The average mean from job securityis 3.77. The measuring scale 4 means “agree” which means provided enough time and secured carrier growth plan by commercial banks. Additionally standard deviation is 0.8775.
4. The average mean from organization is 3.60. The measuring scale 4 means “Agree” which means job design, plan policy leadership style efficiency of management and communication was very well.
5. The average mean from pay is 3.465. This means employee satisfied from salary, bonus, and non monetary benefit.
6. Working condition refers to to the working environment and all existing circumstances affecting labor in the workplace, including job hours, physical aspects, legal rights and responsibilities. Because mean is 3.595.
7. The study shows that overall employee satisfaction at “Agree” level. No dimensions of employee satisfaction mean bellow 3 point. Which shows that employee satisfaction that delivered by commercial banks is appropriate for those sample commercial bank in Global IME bank, NIC Asia ,Nepal investment bank and Rastriya banijya bank .

Table 4.1Coefficient of Cronbach’s Alpha

S. No.	No. of Items	Cronbach's Alpha
1	Job Security	0.76
2	Organization	0.75
3	Pay	0.68
4	Working Condition	0.70

Source: Survey, 2018

Above mentioned Table 3.1 shows the Cronbach's alpha coefficients of independent variables-Merger & Acquisition. It is typically associated with internal consistency with values ranging from 0 to 1 Cronbach's Alpha coefficient more than 0.55 is considered as acceptable. Here, Cronbach's Alpha of job security, Organization, Pay and Working Condition is 0.76, 0.75 .68 and 0.70 respectively. So these all independent variables are reliable. Therefore, the instruments used in this research are considered to be reliable.

CHAPTER FIVE

CONCLUSION

5.1 Summary

The purpose of this research was to investigate impact of merger and acquisition on employees satisfaction of Nepalese commercial banks and to assess the results empirical whether the M&A's play an important role in strengthening the Nepalese banks and financial institutions. Questionnaire based survey tool had been used to identify the impact of M&A on the employees of merged entities. Sample banks are Global IME bank limited, Rastriya Banijya bank limited, NIC Asia bank limited and investment bank limited were approached for the survey purpose.

In the result obtained provides the evidences that BFIs have a significant influence on the working department of employees. Similarly, as shown on the result the employees working on surveyed banks were not feared of loosing a current job as well no remarkable shift of employees had been observed, however, employees were optimistic about the future on the new company and wish to continue their job in the concern BFIs.

Despite many setbacks, Nepal rastra bank finally successfully implemented the merger bylaws policy in Nepal BFIs and transformed the weak and unstable commercial banks into strong stable and credible financial institutions.

Most of the respondents argued that the current scenario of Nepalese banking sector is somewhat stable but decorating due to the unstable business environment and some were with the opinion of unstable with high risk of banking sector in your future. Among the 50 respondents surveyed most of them agreed that they fell they get new supervisor and colleagues after the merger and acquisition of the respective banks shows that the policy of merger and acquisition has worked positively in the eye of employee.

Respondents employee participated on the survey agreed that if they disagree anything, they can express their opinion freely to their senior management and are living up to the values, norms and principles of the company; their interest to remain in the same office and their satisfaction on the offer provided by the banks shows that the new management is gaining success in the new path of development of banks and financial sector. They are working positively from the eye of the of the employee is the good sign of the progress and prosperity of the BFIs.All the respondents participated on the survey feel the effect of merger acquisition on their working condition or environment so we can conclude that this has created the visual effect to the banking working environment.

On the response about the impact concerning the Merger and acquisition most of the respondents agreed that after the adoption of merger and acquisition by their banks they feel that their respective banks has built new name and image has been built, their company has a gone in the right path ,future of seem bright , their company rewards good work fairly, the changes in their company have been implemented well and company carries values and objectives after the adoption of merger and acquisition policy.

They also agreed that activities are complicated by too much bureaucracy and formality in their bank shows two things on the current scenario i.e they are not satisfied with the changing situation or the new policy is working on the favor of the bank and financial institution on the long term. If there lack of formality then there can be the chance of creating misusing loopholes by the management and staffs.

5.2 Conclusion

From the study findings, the study concludes that employee job security, pay and working condition affect employee satisfaction in the merged & acquired commercial banks. With this regard, wages and benefits, allowances/bonuses, as well as terms of employment and performance based pay affect. The study concludes that mergers affect the job security, working condition, and belonging among the employees in the Bank hence their satisfaction.

The study established that employee. Contributions, employee composition, employee's job security and merger satisfaction and communication affect employee performance in the commercial Bank. The study also concludes that employees understood the procedures, policies, and responsibilities that are part of their job in the merged bank setting and job security affects the employee performance in the Bank Nepal.

It was made clear that same job satisfaction, job skills and traits, employee retention and organizational commitment affects employee performance. The study finally deduces that working condition affects the employee's satisfaction in the Bank. It was also ascertained that personal relationship, task conflicts, coordination, workloads, cultural compatibility, management support, working conditions, employees' attitudes, strategic rational, non monetary, monetary benefits and employee commitment affects employee performance in the merged Bank.

Finally merger and acquisition makes the bank to have the ability to muscle out other international bank and withstand the ways of doing business on such side thus, benefiting Nepalese economy.

5.3 Recommendation

From the findings and conclusions, pay and working condition is a major factor of mergers that affect the employee satisfaction in Nepalese commercial bank. The management of the Bank should also check the quantity of work and compare with the salary given to the employees. Employees are highly motivated by monetary value which in turn affects their performance. The management should therefore increase the pay of employees for better performance. Promotions of the qualified employees should also be put into consideration. Performance appraisal exercise should be taken seriously in organizations to check the performance of employees hence take the necessary actions towards the strengths and weaknesses of employees in the merger setting.

This study recommends that bank increase formal and informal training programs to their staff so as to enhance their sense of ownership and hence performance through mergers and acquisitions. In this regard, communication should be enhanced and more structured approach to the process should be established. It will also enable them acquire relevant knowledge and skills that lead to increased efficiency of the staff working at the Bank. This will in turn impact the performance of commercial banks in Nepal.

Since job security depends on having the necessary skills and experience that are in demand by employers, which in turn depend on the prevailing economic condition and business environment, individuals whose services are in needed by employers tend will enjoy higher job security. Measures and strategies in order to enhance job security among employees in the merged banks should be achieved by creating environment that enhances their motivation level to satisfactory levels. Thus for the banks to become more competitive they must embrace mergers in the market which will lead to better working conditions and job security.

The positive employee satisfaction found can be ensured by streamlining the strategies in asset structure, diversity of loans or credit risk strategies as well as removal of cultural barriers, removing structural obstacles of coordination, personal relationship, as well as cultural compatibility, promoting competition and protecting consumers all without prejudicing outcomes. This would go a long way in ensuring service quality, creativity, consistency and efficiency among the employees. The research can be helpful for Nepal Rastra bank and Is of Nepal to develop new Policy and strategy in the future.

The researcher further suggests the following.

1. Related institutions should focus on developing strong controlling, regulating and evaluating policies and mechanism should be formed to all commercial bank.
2. Strategy should be guided towards the motivating and capacity building of the employees so that they can fully support the management.
3. Training and development should have to conduct by central bank.
4. Timely provided bonus and incentives.
5. Adopting the new technology and equipment and devices to carry out the work time.

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ABBREVIATIONS

ASEAN:	Association of south Asian
ATM:	Automated Teller Machine
BAFIA:	Bank and Financial institutions Act
BFIs:	Bank and Financial institutions
CB:	commercial Bank
JS:	Job security
LOI:	letter of content
MBS:	Master of Business Studies
M&A	merger and acquisition
MOU:	Memorandum of understanding
NRB:	Nepal Rastra Bank
OR:	Organization
RBB:	Rastriya banijya bank
WC:	Working conditions

ANNEX

Dear Respondent,

The questionnaire is designed to collect the information regarding **Impact of Merger and acquisition on Employees Satisfaction of Nepalese Commercial Bank**. Your information will be used for academic purpose to meet the partial fulfillment of the requirement for the Master's Degree in Business Studies (MBS) from Central Department of Management, Tribhuvan University.

Jeevan Prasad Awasthi
jeevanpdawasthi@gmail.com

Thanking You.

Please fill in the Questionnaire by ticking (√) anyone box.

Name (Optional): ………………….. …………………………
………………………………

Bank name:
……………………………………………………………………………………
……

Branch Name:
……………………………………………………………………………………...

Sex: (Male) (Female)

Qualification: (10+2) (Bachelors) (Masters & Above)

Age: (Below 20) (Below 25) (Below 30) (Below 40) (Above 40)

Please tick mark in the appropriate box as per following schemes. 1 = Bad, 2 = Satisfactory, 3 = Good, 4 = Very Good, 5 = Excellent.

Variable	Questions	1	2	3	4	5
Job Satisfaction	1. Bank provides enough time for me.					
	2. I feel secured in this bank after merger and acquisition.					
	3. Bank has made appropriate carrier plan for me.					
	4. I fell proud to be an employee of this bank.					

Variable	Questions	1	2	3	4	5
Organization	1. The bank has appropriate job design after merger and acquisition.					
	2. I like plan, policy and strategy of this bank after merger and acquisition.					
	3. There is positive impact on leadership style on after merger and acquisition.					
	4. The efficiency of management is increased after merger and acquisition.					
	5. Management communicates and listens well after merger and acquisition.					

Variable	Questions	1	2	3	4	5
	1. I am satisfied with salary of this bank after merger and acquisition.					

Pay						
	2. There is positive impact on bonus after merger and acquisition.					
	3. Bank has made appropriate carrier growth plan after merger and acquisition.					
	4. The bank is providing more non-monetary benefits after merger and acquisition.					

Variable	Questions	1	2	3	4	5
Working Condition	1. The bank is using advance technology after merger and acquisition .					
	2. Working culture of this bank is improved after merger and acquisition.					
	3. The bank is providing more training and devolvement opportunity after merger and acquisition.					
	4. The bank has more availability of equipment and devices to carry out the work after merger and acquisition.					

Your suggestions for making employees satisfied:

………
………
………
………
………
………
………………………………………………………………………………………………………

Thank You.