

Effects of Merger and Acquisition on Employee Satisfaction in Nepalese Banking Sectors

Eliza Shrestha*, Niranjan Devkota**, Surendra Mahato#, Sahadeb Upretee+, Udaya Raj Paudel[†], Devid Kumar Basyal[†]

*Shangri-La Development Bank Ltd., Baluwatar, Kathmandu, Nepal

**Kathmandu Model College, Tribhuvan University, Kathmandu, Nepal

#Nepal Commerce Campus, Tribhuvan University, Minbhawan, Kathmandu, Nepal

+Central Washington University, USA

[†]Quest International College, Pokhara University, Gwarko, Lalitpur, Nepal

[†] Quest International College, Pokhara University, Gwarko, Lalitpur, Nepal

Abstract

Background: Mergers and acquisitions (M&A) are seen as effective strategies for business growth in the corporate sector. However, there are very little study on ‘merger and acquisition’ available in the context of Nepal.

Objectives: This study examines the effects of mergers and acquisitions on employees’ satisfaction in Nepalese Banking sectors.

Method: The study, which adopts the Job Characteristics Theory as its theoretical foundation, was conducted among employees from Nepalese banking sector that had undergone M&A. The study seeks cause and effects relationship amongst banking employees in Kathmandu valley due to merger and acquisition and adopts explanatory research design. Data were collected from 310 respondents and Structural Equation Modeling was used to analyze the data.

Results: The findings demonstrate that merger and acquisition have an influence on employees’ satisfaction, with just one out of every four employees reporting high levels of satisfaction following M&A. The results exhibit that organizational climate, recognition and nature of work remain significant to employees’ satisfaction and their motivation. Likewise, pay/remuneration is also statistically significant to employees’ motivation. Again, employees’ motivation also seems significant to employees’ satisfaction.

Conclusion: Therefore, this study offers practical insights to human resource managers in strengthening human resources of the organization as perceived by employees after an M&A by considering the crucial role of employees in organizational performance.

Keywords: Employee satisfaction; merger and acquisition; Nepalese banking sectors; Nepal

JEL Classification: G24, G35, O15, C5

Received: 15 December 2022

Reviewed: 18 March 2023

Accepted: 26 March 2023

Published: 31 March 2023

Correspondence:

Niranjan Devkota

niranjandevkota@gmail.com

Citation:

Shrestha, E., Devkota, N., Mahoto, S., Upretee, S., Paudel, U. R., & Basyal, D. K. (2023). Effects of merger and acquisition on employee satisfaction in Nepalese banking sectors. *The Journal of Business and Management*, 7(1), 28-47.

<https://doi.org/10.3126/jbm.v7i01.54543>

Introduction

Merger and acquisition are recurring global phenomena and considered as the useful strategies for the growth of the business in the corporate world (Rehman et al., 2017). Each organization embraces various methods and instruments to augment its benefit and can have the option to get by in the quickly developing business sector (Malik et al., 2014). At present days, mergers and acquisitions assist organizational growth considerably. For example, 30,000 M&A exchanges took place during the last couple of years (Tamosiuniene & Duksaite, 2009). The United States' banking industry witnessed a considerable M&A for last 3 decades. As a result, the total number (15,084) of financial institutions in 1984 had significantly dropped to 6, 500 in 2005 which accounted for a 57 percent decline (Lambkin & Muzellec, 2008). In the early 1990s, M&As were not still relatively common in Asia as these firms tend to emphasize internal development (Rao-Nicholson et al., 2016; Shrestha et al., 2021). Recently, the global financial crisis in banking sectors at 2008, that was greatly dominated by the sub-prime crisis and the liquidity issues gave raise to mergers and acquisitions (Lambkin & Muzellec, 2008).

Since the economic liberalization in Nepal in 1980, there has been an unexpected development of Bank and financial institutions (BAFIs) which prompted an extreme cutthroat competition among them (Shrestha et al., 2021). Mergers and acquisitions among banks and financial institutions have been more escalated after the introduction of merger by-law in May 2011 and capital upgrade through financial approach of Nepal Rastra Bank in 2015 (Gautam, 2016). Currently, the Nepalese banking sector is confronting an issue of liquidity, extra capital requirement according to NRB guidelines and open money related market for the challenge. Along these lines, so as to adapt to this issue Nepal Rastra Bank (NRB) has guided the Banking Institutions to go through the process of mergers and acquisitions (Gurung, 2013; Shrestha et al., 2021).

Besides above mentioned issues, human resource issues is also equally important to study whether or not M&A is working in the organization (Soundarya et al., 2018). The decades of 1980s and 1990s were described with M&A waves that have changed banking industries worldwide and have influenced the careers of millions of employees (Iankova, 2014). Most of the employees' experience loss of sentiments, resentment, and decrease in work satisfaction that led to distress because of M&A process. HR planning, remuneration, turnover, performance, employees' relation are some human resource issues after M&A (Sambu et al., 2018). Further, when merger fails, administrative productivity founds to be decreased, work processes steadily, employee satisfaction drops workers start to feel that top administration thinks more about financials than employees, HR issues like planning of execution groups, making of new structure, holding of key employees and persuading them, change in the executive positions and communication with stakeholders get arise (Soundarya et al., 2018).

Although previous literatures show that the M&A system improves the funds of banks through cooperative energy, there are inadequate examinations which center around the mergers and acquisitions venture arranging and the executives segment, particularly in banking business

where the assurance and consequences of workers are affected by debates brought about by varieties in the way of life and developments of consolidated banks (Appelbaum et al., 2007). The vulnerability during the merger and procurement movement occupy the focal point of representatives from gainful work to issues (Sambu et al., 2018). Accordingly, despite the fact that NRB cleared a structure for M&A exercises, the purposes for the banks' choice to go for M&A have not been the subject of study. There are different issues looked by the banks of Nepal or different open doors that the BFIs see when converging with or gaining different banks (Shrestha et al., 2021). These reasons and opportunities have not been examined until now. Unintended negative results of M&As on worker conduct can't be envisioned or lightened without a reasonable comprehension of how workers are mentally influenced by M&As. At present, there is no sufficient data about the degree of job satisfaction among bank workers who have encountered an M&A to see how they influence representative psychology (Shrestha et al., 2021).

Thus, this study examines job satisfaction just as various fulfillment segments in bank representatives who have encountered M&A. This study intends to focus on the effects of mergers and acquisitions on employees' satisfaction in the Nepalese Banking sector by using Structural Equation Modeling procedures. It will help to know about the present status of merger and acquisition in Nepalese Banking sectors because as of Newman & Krzystofiak (1993) most of other scholars found that more than half of the problems are related with the people and HR management issues because of the experiences of cultural shock.

The next section continues with conceptualizations of merger and acquisition, employees' satisfaction, and a discussion on the Job Characteristics Theory as the underlying theoretical foundation of the study. The paper proceeds with theoretical discussion, conceptual model, methods, hypotheses, results, and discussion. In conclusion, recommendations for practice and future research are highlighted.

Materials and Methods

The human resource structure issue that gets rampant in merger development are human resource arranging, compensation, turnover, performance evaluation system and employee relations (Sambu et al., 2018). M&A system improves the funds of banks through cooperative energy, there are inadequate examinations which centers around the mergers and acquisitions venture arranging and the executives segment, particularly in business banks where the assurance and consequences of workers are affected by debates brought about by varieties in the way of life and developments of consolidated banks (Appelbaum et al., 2007). Leepsa and Mishra (2016) suggest Efficiency theory, strategic realignment theory, social identity theory, synergy gain theory and role conflict theory.

As demonstrated by social identity theory of Ashforth and Mael (1989), there are some individuals' character that gets from participation in groups, for example, affiliations and professions. Social identity theory predicts that during this process employees will react by endeavoring to achieve an elevating position for their own special assembling in the new

association (Haunschild et al., 1994). Ahern and Weston (2007), Jensen (1986) said that effectiveness updates can come about due to joining firms of conflicting authoritative capacities. Role conflict theory suggests weakness about what is normal in a job. M&A process incorporates upsetting the current social, auxiliary, and job arrangements and creating new arrangements. However, the changes are ordinarily neither obvious nor present moment, regularly meaning an extensive stretch of authoritative float (Marks & Mirvis, 1998), which brings about job struggle what's more, uncertainty. This job uncertainty and conflict is another wellspring of stress, which may result lower work motivation and higher occupation dissatisfaction (Igbaria & Guimaraes, 1992).

As indicated by strategic realignment theory, M&A are a vital move to assist association with adjusting to changes in their outside condition with more solace. Development of any organization through merger is quicker than that any of other inward development procedure (Ahern & Weston, 2007). The significant target of merger and acquisition is to accomplish additional objective for an association. Likewise, synergy gain theory of M&A states that worth or the value of at least two associated firms is higher than that of the single running firm (Baldwin and Gorecki, 1998). It might occur because of the huge size of movement or it might occur by holding inventories or through specialization (Leepsa & Mishra, 2016). Taking everything into account, synergy gain theory in merger and obtaining is utilized to make cooperative energy with the view purpose of satisfying their goals and thus expected that M&As bring about making additional salary for both of the consolidated organizations.

The general idea of behavioral learning theory is the hierarchical day by day exercises that happen from the association's understanding or learning process (Levitt & March, 1988). The organization offers adequate evidence that the increasingly encountered an association's individuals become with a specific vital activity or bearing, they are to repeat it (Amburgey et al., 1984; Gulati, 1995; Shaver et al., 1997). From this perspective, it is not sufficient to inspect just the impacts of the presence of earlier procurement experience, on the grounds that the exhibition input from earlier acquisitions affect future obtaining practices (Haleblian et al., 2006).

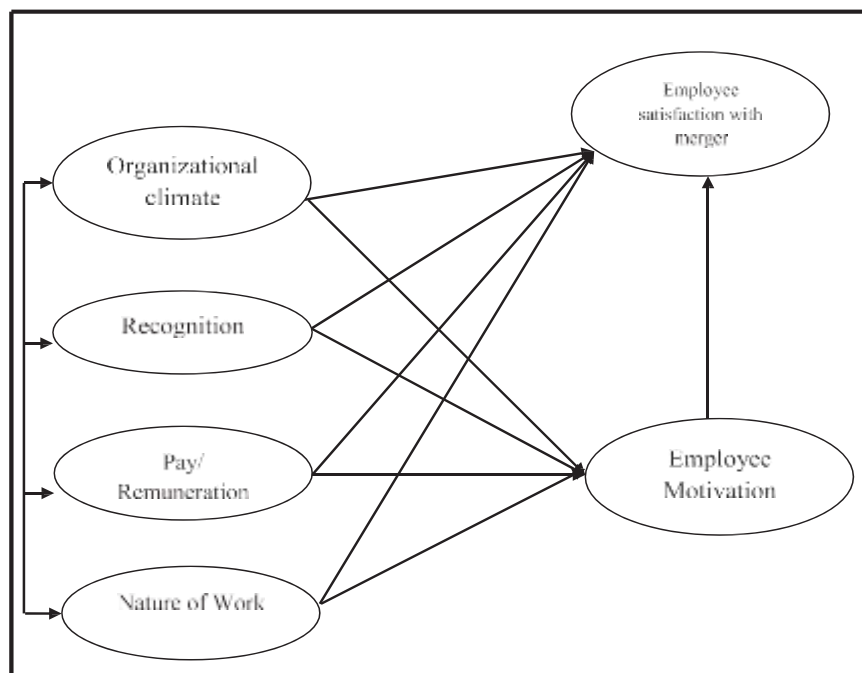
The essential destinations of Job Characteristics Theory (JCT) are to clarify how properties of the authoritative undertaking individuals perform influence their work dispositions and conduct, and to recognize the conditions under which these impacts are probably going to be most grounded. It explores that there are five core job characteristics as: skill variety, task identity, task significance, autonomy, and feedback that impact on three basic mental states: experienced meaningfulness, experienced responsibility for outcomes and knowledge of the actual results, and thus affecting work results (job satisfaction, absenteeism, work motivation, etc.). The five-core job characteristics can be consolidated to frame a motivating potential score (MPS) for an occupation, which can be utilized as a list of how likely a job is to influence employees' attitudes and behaviors.

A conceptual framework is a structure which the researcher accepts can best clarify the

characteristic movement of the phenomenon to be studied (Camp, 2001). It is connected with the ideas, experimental research about and significant speculations utilized in advancing and systematizing the information embraced by the researcher (Peshkin, 1993). For this study conceptual framework (see figure 1) based on above theoretical background can be portrayed as:

Figure 1

Conceptual Framework



Organizational Climate: Organizational climate is characterized from numerous points of view by a few authors and researchers as alluding to a lot of qualities, convictions and personal conduct standards that structure the center character of the association (Schultz et al., 2015). Organizational climate that effect employee satisfaction such as goal clarity, justice/ democracy, trust on co-worker, supervisor support, organizational image, career development program is some of the observed variables that are used in this study.

H_{01} : Organizational climate has not significant relationship between employee satisfactions after merger and acquisition.

H_{02} : Organizational climate does not have a significant relationship between employees' motivation.

Recognition: Recognition at the workplace has to do with increasing value in employees' effort. It is recognizing of employees' achievement (Ogonda et al., 2015). Akali (2010) discovered that factors that influence employee's satisfaction and performance included compensation, promotion recognition and work conditions. Recognition such as Praise, promotion opportunity, gifts, benefits packages and awards and rewards are used for this study.

H_{03} : Recognition has no significant relationship between employee satisfaction after merger and acquisition.

H₀₄: Recognition has no significant relationship between employee’s motivation.

Pay/Remuneration: Remuneration is the pay or other financial compensation provided in exchange for an employee's services performed (not to be confused with giving (away), or donating, or the act of providing to). A number of complementary benefits in addition to pay are increasingly popular remuneration mechanisms. Remuneration is one component of reward management.

H₀₅: Pay/Remuneration does not have a significant relationship between employee satisfactions after merger and acquisition.

H₀₆: Pay/Remuneration has not significant relationship between employee’s motivation.

Nature of Work: The nature of an employee’s work is best defined as the type of work that he/she does. This can refer to the basic daily tasks carried out as part of a job and can refer to other non-routine tasks that may be required (Devkota et al., 2022). Added together, the characteristics of the tasks comprise the nature of an employee’s work. The nature of the work may be summed up in the employee’s title.

H₀₇: Nature of work has not significant relationship between employee satisfactions after merger and acquisition.

H₀₈: Nature of work has not significant relationship between employee motivation.

Employee Satisfaction with Merger: Employment satisfaction is an aftereffect of a person's observation and assessment of her/his activity affected by a kind need, qualities and desires, which people see as essential to them (Bekenova, 2015). Merger exercises to present an alternate arrangement of challenges for the human resource managers in both acquired and acquiring organizations. Pay, supportive supervisor, work, co- worker relation and career advancement opportunity are those factors that are taken into consideration for identifying employee satisfaction after merger.

H₀₉: Employees’ motivation has no significant relationship between employee satisfaction after merger and acquisition.

Constructs and Variables

The study has identified six major constructs and their 28 relatives observed variables (see table 1).

Table 1:

Constructs and Variables

Construct	Observed Variables	Description
Employee Motivation	Working Condition	Safe/secure working environment
	Non- monetary Benefits	Non-financial rewards given to employees to feel them valued
	Training and development	Advancement opportunities in order to enhance their skills
	Co- worker attitude	Relationship with co-worker and their attitude

Organizational Climate	Goal Clarity	Goal/ Work is clear
	Justice/Democracy	Get justice and democracy from management
	Trust	Trust on management
	Supervisor	Supervisor has excellent leadership skills
	Support	Support from co – worker
	Organizational image	Good organizational image in the market
	Program	Career Development Program
Recognition	Praise	Praise received from management
	Promotion opportunity	Promotion opportunity is good
	Gifts	Receiving of gifts for performing best
	Benefit packages	Benefits packages received at work
	Awards and rewards	Awards and rewards for best performance
Pay/ Remuneration	Wages and Benefits	
	Terms of employment	Responsibility and benefits that employees get for job
	Performance based pay	Payment made to employees on the basis of their performance
	Allowance/bonuses	Extra bonuses for performing well
Nature of Work	Work-life Balance	Support for work life balance
	Autonomy	Responsibilities offered to use one's own skills to perform tasks
	Workload	Time given to perform the task
	Feedback	Level of feedback provided on job performance
Employee Satisfaction with merger	Commitment	Commitment of organization on your job security
	Punctuality	On time on work
	Work suits	Works suits employees' professional skills
	Performance	Perform well on job
	Company growth and development	Company long term growth

Study Area, Population and Sample Size

Banking sector in Nepal has seen more M&A agreements than any other service sectors, hence it was chosen for the current study (Shrestha et al., 2021). To determine the reality of the effects of M&A on employee satisfaction in the Nepalese banking sector, an exploratory study method was used as the primary research paradigm. Employees from 27 Nepalese commercial banks were chosen to help us achieve the study's objectives. This study adopts probability sampling to choose sample population. Following convenience sampling technique, a total of 310 bank employees from various management cadres were taken as the sample. Because some

small banks do not have a branch network in local cities, we chose three major cities in the Kathmandu Valley (Kathmandu, Lalitpur and Bhaktapur) to conduct this survey. These three cities are also considered Nepal's main economic, business and densely populated social zones (Paudel et al., 2020).

Instrument and Procedure for Data Collection

For this study, numerous specialists' opinions were considered, as well as a structured questionnaire that was modified from several sources was taken into consideration. Considering the difficulties and contingencies surrounding M&A as well as employees, satisfaction, we created a quantitative methodology employing semi-structured interviews to collect data from banking employees. It consists of six sections: (i) Personal and Socio-economic Information, (ii) Background of M&A, (iii) Employee Satisfaction Index, (iv) Research variables, (v) Challenges after M&A and (vi) Managerial Solution. The questionnaire employed a 5-point likert scale ranging from 'Strongly Disagree' (=1) to 'Strongly Agree' (=5). Both primary and secondary data were used for the study. KOBO toolbox was used for collecting responses from the surveyed employees of the banks. After the preparation of the questionnaire, pretest was done on 5% of the total sample size. Among all the validity methods in this study, we had considered only two validities i.e., convergent validity and discriminant validity in order to assess the measurement instruments.

Result and Discussion

Data Presentation and Analysis

Data analysis was performed with the help of descriptive analysis and inferential analysis. In first segment descriptive analysis where socio-demographic, employee satisfaction after merger and acquisition, factors influencing employee's satisfaction after merger and acquisition in Kathmandu valley were investigated. It used measures of frequency, central tendency, dispersion/variation and position as well as including types of variables for understanding the characteristics of the population. It provided a comprehensive picture of the responses of respondents to all the study's questions and variables. Descriptive analysis was used to summarize and interpret data in a concise way in order to understand the patterns that can emerge from the data.

In order to analyze statistical relationship model, SPSS and Structural Equation Modeling (SEM) using Analysis of Moment Structures (AMOS) was utilized. SPSS 22 was used to analyze EFA. In EFA, KMO & Bartlett's test, Communalities, CMB and component analysis was taken into consideration for determining relationship among various variables The SEM analysis was carried out in three stages: Confirmatory Factor Analysis (CFA), measurement model, and structural model analysis. Model fit, convergent validity, and concept validity are all evaluated by a CFA. The measurement model was then used to test the model, as well as

to test for discriminant validity, normalcy, and outliers. Some items were excluded from the final structural model analysis because they did not match the criteria of the above test due to low factor loading. The structural model was then assessed for model fit and the links between independent, dependent, and mediating variables were identified in the final process.

Descriptive Analysis

In the first phase, descriptive analysis was used to describe the most important characteristics of the data in the study. Our study exposes the current status of employee satisfaction after merger and acquisition on Nepalese banking sectors. Rosecrance (2005) three times more money than they made from selling cars. This spawned the popular joke that Porsche is “an investment bank with a car showroom attached” 2 . A lacuna in the German laws on disclosure allowed Porsche to build up a secret options stake in Volkswagen of which the investment market was not aware. The result was a grand squeeze on hedge funds and exogenous profits for Porsche. Since these events the hedge funds have complained bitterly about the inadequacy of the disclosure rules in Germany and are demanding reform. The disclosure regime in any jurisdiction is vital as it allows parties to contract on a more equal footing. More specifically in investment markets, it allows for a better appreciation of risk. An adequate understanding of risk in finance is conducive of stability and efficiency. The hedge fund industry is a particularly innovative and dynamic field, exaggerating the requirement. The current economic situation has led to a more fragile financial system, resulting in dynamism of a different nature. The risk elasticity of stability is increasingly elastic, giving a more dynamic market which responds very differently. This is evidenced not just in theory, but it is also observable practically. The central point of this article is to assess the importance of a disclosure regime in the light of what happened with Porsche. This episode provides a good example to highlight the importance and impact of the disclosure regime and also allows for an adequate comparative outlook. The facts of the situation will be analysed from various perspectives: (i suggested that the degree of employee performance in the organization since the M&A changed fundamentally with dominant part of the perspectives showing that there was normal change and expansion in the employee performance. From our study we found that most of the respondents feels that merger and acquisition has influenced their work performance. 77.42% of the respondents argued that M&A has influenced their work performance however 21.94% argued that their work performance has not been influenced by M&A.

Du and Sim (2016) bank mergers and acquisitions (M&A argued that most of the employees feel dissatisfaction in job either they may be on the basis of pay or may be on career development opportunities. In our study 44.58% of respondents agreed on the fact that M&A has influenced their level of job satisfaction whereas the remaining respondents denied that their level of satisfaction has not been influenced by M&A. It is also revealed most of the employees who were treated fairly during M&A which means favoritism concept does prevail that much in the organization. The study also revealed that if there are any changes in responsibility of employees after M&A, it also affects job dynamics and satisfaction. In our study the majority

of the respondents, i.e., 58.71% denied that their responsibilities do not change whereas 41.29% respondents agreed that their responsibilities were changed after M&A. In order to have a healthy environment in the organization, management must be supportive to employees. This study shows that a smaller number of respondents, i.e., 18%, feel that because of M&A they receive less support from their management.

Inferential Analysis

The second phase was used to confirm the validity of the generated scale. In addition to content validity, construct validity is recognized as a method of determining content validity, which is overly reliant on personal judgment. Because the factors are interdependent, a principal component factor analysis with varimax rotation, a form of exploratory factor analysis, was used to assess the validity using SPSS 22. The results were analyzed using confirmatory factor analysis, which was performed using the AMOS 22 software; the identified variables of M&A effects on employee satisfaction were grouped into a six-factor model.

Summary Statistics: Table 1 shows the mean, standard deviation, minimum and maximum values, skewness, and kurtosis for the factors of the revised CFA model. A total 310 number of respondents were collected from Kathmandu, Lalitpur and Bhaktapur. All of the mean scores are higher than the midpoint of 2.83, ranging from 2.83 to 3.87, indicating overall positive responses to the research parameters. The standard deviation figures indicate that the spread around the mean is quite narrow. The Skew index (SI) and the Kurtosis index (KI) were used to determine univariate normalcy, with critical values of less than 3.0 and 10 indicating adequate normality, respectively (Wong et al., 2012). These tests can determine how far the distribution's Skewness and Peakedness deviate from the normal distribution. In the study, the calculated value of Skewness and Kurtosis for all the constructs lie between -2 and +2 respectively (see table 2), which manifest that all the data present suitable for analysis and there is no any issues of normality.

Table 2:

Descriptive Statistics

Descriptive Statistics									
	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
OC3	310	1.00	5.00	3.8032	.70824	-1.019	.138	1.942	.276
OC5	310	1.00	5.00	3.6161	.75753	-.264	.138	.271	.276
OC6	310	2.00	5.00	3.7710	.81399	-.136	.138	-.572	.276
RG3	310	1.00	5.00	2.8323	.83855	.557	.138	.045	.276
RG4	310	1.00	5.00	2.8677	.90946	.239	.138	-.313	.276
RG5	310	1.00	5.00	2.9000	.95175	.201	.138	-.619	.276
PR1	310	1.00	5.00	3.1097	.96252	-.309	.138	-.283	.276
PR2	310	1.00	5.00	3.1258	.76343	-.304	.138	-.496	.276
PR3	310	1.00	5.00	2.8645	.90004	-.051	.138	-.344	.276
NW2	310	1.00	5.00	3.0839	.89555	-.220	.138	-.732	.276

NW3	310	1.00	5.00	2.9742	.92396	-.073	.138	-.815	.276
NW4	310	1.00	5.00	3.1290	.94310	-.307	.138	-.805	.276
ES3	310	2.00	5.00	3.8710	.74356	-.596	.138	.469	.276
ES4	310	2.00	5.00	3.8452	.70726	-.157	.138	-.220	.276
ES5	310	1.00	5.00	3.8387	.76733	-.409	.138	.215	.276
EM2	310	1.00	5.00	3.3129	.82173	-.354	.138	.249	.276
EM3	310	1.00	5.00	3.3742	.83335	-.592	.138	.179	.276
EM4	310	1.00	5.00	3.5129	.88029	-.512	.138	.387	.276
Valid N(list- wise)	310								

Exploratory Factor Analysis (EFA): With 29 variables, an EFA was conducted to examine the underlying fundamental premise of the influence of M&A on employee satisfaction, as shown in Appendix 1. Varimax rotation was used to determine the true structure of the scale and to generate a reduced number of coherent subscales, and principal components factor analysis was performed to the derived scores from the 310 respondents' responses. To determine the factorability of the data and assure adequate sampling, Bartlett's test of sphericity and Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy were used. According to Gholami et al. (2016), a successful factor analysis requires a minimum KMO index of 0.6, and Bartlett's test of sphericity should be significant at (P<0.05). Bartlett's test of sphericity was significant (P=0.000) in this study, and the KMO index was 0.804, indicating that the data is well-suited for EFA. Only those items meeting the criteria were recovered for analysis, and the communalities value was extracted with a minimum threshold of 0.50. By using EFA, 18 of the 27 initial variables with factor loading more than 0.7 and eigen values greater than 1.0 were retained. In addition, Harmon's Single Factor was used in this research to determine the impact of Common Method Bias (CMB). The proportion of explained variance by the first prime factor was 35.350 percent of the overall variance, which is satisfactory and does not indicate any threat of CMB, according to the results obtained from Harmon's test. Rotated component matrix, on the other hand, assisted in lowering the dataset's dimensionality.

The Measurement Model: CFA was used to confirm the generated scale's factorial structure, and AMOS was used to verify the fit between the hypothesized models with 6 constructs. Various fit indices were used to test the adequacy of the CFA model according to the researchers' requirements. The Confirmatory Factor Analysis came up with the following acceptable model fit: CMIN/DF= 2.531, RMR= 0.038, GFI= 0.901, CFI= 0.941, TLI= 0.925, IFI= 0.942 and RMSEA= 0.070 (see table 3). The model fit statistics showed that the variance-covariance matrix of research measures is reasonably well represented and is suitable for further analysis. The model's expectations and assumptions can be raised as a result of these findings, which can be used to test the relationship.

Table 3:

Reliability and validity

Construct	Indicator	Factor Loading	CRONBACH'S ALPHA	CR	AVE	MSV
Organizational Climate	OC3	0.810	0.754	0.765	0.526	0.157
	OC5	0.835				
	OC6	0.743				
Recognition	RG3	0.861	0.906	0.907	0.766	0.154
	RG4	0.905				
	RG5	0.869				
Pay/ Remuneration	PR1	0.895	0.850	0.856	0.665	0.117
	PR2	0.852				
	PR3	0.820				
Nature of Work	NW2	0.809	0.897	0.901	0.752	0.163
	NW3	0.881				
	NW4	0.910				
Employee Satisfaction with merger	ES3	0.857	0.848	0.848	0.651	0.154
	ES4	0.824				
	ES5	0.865				
Employee Motivation	EM2	0.851	0.868	0.870	0.691	0.163
	EM3	0.889				
	EM4	0.809				

Note: 9 items from 6 construct were deleted due to low factor loading

Table 4:

Latent Construct Correlation Matrix

	ES	OC	RG	PR	NW	EM
ES	0.807					
OC	0.299	0.725				
RG	0.392	0.234	0.875			
PR	0.106	0.211	0.342	0.816		
NW	0.334	0.257	0.342	0.289	0.867	
EM	0.264	0.396	0.325	0.310	0.404	0.831

Furthermore, the overall reliability of the 6 constructs was assessed using Croanbach's alpha, which revealed that all of the constructs possessed reliability greater than 0.75, indicating good internal consistency among variables. The components' composite factor reliability coefficients ranged from 0.765 to 0.907, meeting the criterion of 0.70 as specified by (Hamid et al., 2017; Rajbhandari et al., 2022). The AVE for each construct was 0.526 or higher, well above the 0.5 threshold, indicating adequate convergent validity.

The variance extracted estimates for the constructs making up each potential pair were compared with the pairwise correlations between factors obtained for CFA and SEM analyses to assess discriminant validity. If the diagonal elements in the relevant rows and columns are

significantly greater than off-diagonal values, discriminant validity is proven. As illustrated in Table 3 the diagonal elements reflect the square root of the AVE score for each construct, whereas Table 4 represents inter-construct correlation.

Test of Hypothesis

To evaluate the presented hypotheses, structural equation modeling was used in conjunction with a maximum likelihood estimation approach. The resolution to accept the hypothesis was established on the p value, with confidence interval bias corrected, using the bootstrapping technique with a resampling of 5,000 for hypothesis testing. The significance of the hypotheses was tested using the critical ratio (C.R.) and the p-value.

Figure 3:

Structural Model

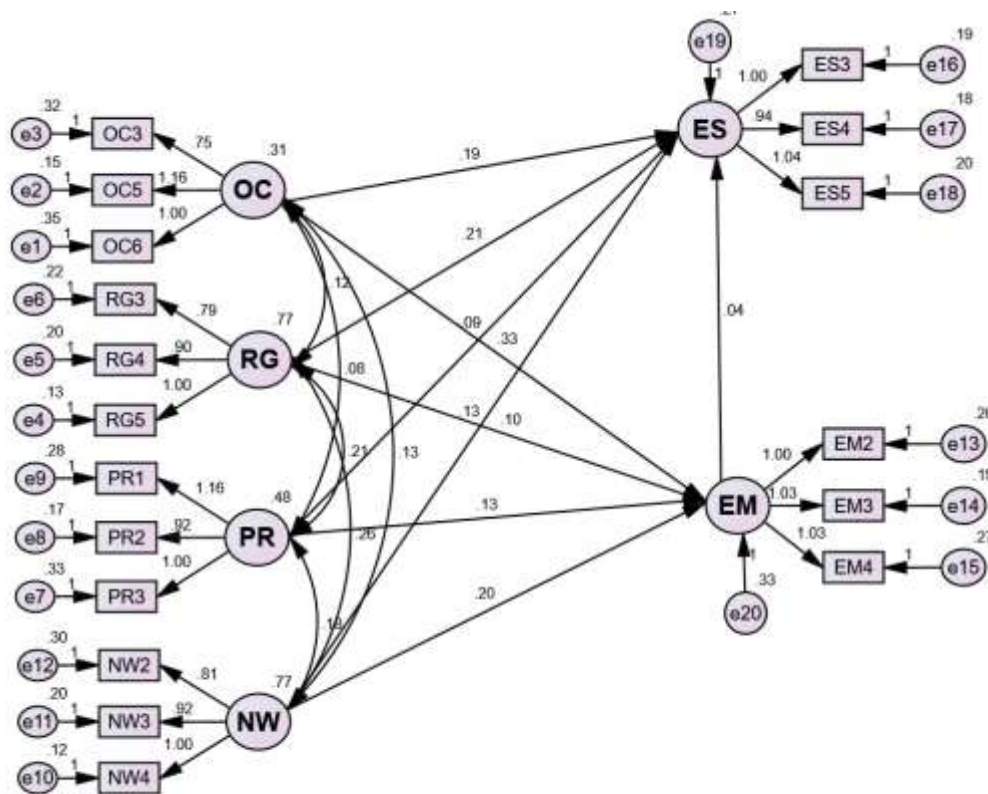


Table 5 shows, only one of the nine hypotheses developed was not supported by the analysis. Surprisingly, the result showed that Pay/Remuneration was not positively related to Employee Motivation ($\beta = 0.051, P > 0.01$). Large value impacts are thought to be standardized route coefficients with values close to one. Each residual is split by an estimate of its standard error in the Path analysis, and all of them have a standard normal distribution with an absolute value smaller than two. The mediation analysis is done by SOBEL test which suggests that the P value should be less than 0.05 for the relation to be accepted (Sobel, 2014). In our study both PR → EM → ES ($a = 0.365, b = 0.183$ & $p\text{-value} = 0.002$) and RG → EM → ES ($a = 0.164, b = 0.468$ & $p\text{-value} = 0.01$) are accepted as the P-value is less than 0.05. Hence, it concludes that there is mediating effect of employee motivation in the relationship of Employee satisfaction (ES) with

Pay/remuneration (PR) and Recognition (RG).

Table 5:

Path Estimates for Structural Model

Hypothesis	Estimate	S.E.	C.R.	P	Hypothesis result
Organizational climate Employee satisfactions	.101	.025	3.983	***	Significant
Organizational climate Employee motivation	.153	.030	5.053	***	Significant
Recognition Employee satisfactions	.163	.030	5.477	***	Significant
Recognition Employee motivation	.154	.032	4.748	***	Significant
Pay/Remuneration Employee satisfactions	.051	.032	1.582	.114	Insignificant
Pay/Remuneration Employee motivation	.171	.039	4.436	***	Significant
Nature of work Employee satisfactions	.176	.036	4.856	***	Significant
Nature of work Employee motivation	.243	.042	5.816	***	Significant
Employee motivation Employee satisfactions	.109	.029	3.806	***	Significant

Mergers today are happening more regularly as a method of gaining competitive advantage (Sambu et al., 2018). M&A has been a kind of issue today because there are many organizations which are undergoing through merger and acquisition and the main reason behind why mergers are being occurred is still a controversy topic nowadays (Amel & Rhoades, 1989). This study tries to explore the scenario of employee satisfaction after merger and acquisition in Nepalese banking sectors. The thinking behind mergers and acquisitions (M&A) is that two organizations together are more important than two separate organizations and it creates synergy, growth and expansion of the business and these types of activities mostly occur in banking sectors (Madininos et al., 2009).

This study reveals that the majority of the respondents' work performance has been influenced by merger and acquisition as 44.58% of respondents agreed on the fact that M&A has influenced their level of job satisfaction. Likewise, it also reveals that merger and acquisition has influenced work performance as 77.42% of respondents stated. The study also stated that the employees were treated fairly during M&A process and around half of the respondents feel the present and past management is equally supportive. This research has also provided an overview of

relationships among several variables and employee satisfaction with merger so as to measure the satisfaction level of employees after the merger process. The results demonstrate the relationship between Organizational climate, Recognition, Pay/Remuneration, Nature of work and employee motivation with employee satisfaction after merger. The results presented here demonstrate that Organizational climate has significant impact on the employee satisfaction with merger. In overall perspective, the study indicates that employees are satisfied with the organizational climate of the organization after merger and acquisition and it also helps to keep the employees motivated. Castro and Martins (2010) also reported a solid positive connection between organizational climate and employee satisfaction. In the study conducted by Akali (2010) discovered that factors that influence employee's satisfaction and performance included compensation, promotion recognition and work conditions which is similar with the result of the study that there is significant relationship between recognition and employee satisfaction with merger.

The results of this study reveal that Nature of work and employee motivation impact employee satisfaction after merger and suggest that these factors should be a key consideration in planning for a merger so as to keep the employees motivated and satisfy them. Our study reveals Pay/Remuneration has no impact on employee satisfaction after merger but has impact on employee motivation which supports the finding of Herzberg, Mausner, & Snyderman, 1967. Herzberg, Mausner, & Snyderman, 1967 in their study stated that pay cannot create job satisfaction but it can lead to job dissatisfaction if not handled properly. At the end our study also revealed the presence of a positive relationship between employee motivation and employee satisfaction with merger. In exploring, employees' satisfaction after merger and acquisition in Nepalese banking sectors of Kathmandu valley which shows that there is partial mediation of employee motivation (EM) between pay/remuneration (PR) and employee satisfaction (ES) and also there is partial mediation of employee motivation (EM) between recognition (RG) and employee satisfaction (ES).

These results are relevant globally. From underdeveloped nations to the developed ones, employee satisfaction is core in any organization. Although findings from previous studies examining the interaction between merger and acquisition and job satisfaction have been mixed, it is important to study the relationship of job satisfaction and merger and acquisition to determine whether M&A has influenced employee satisfaction or whether the resulting positive or negative job satisfaction is related to the M&A (Stahl & Mendenhall, 2005). (Cartwright & Cooper, 1990; Newman & Krzystofiak, 1993) found that more than half of the problems are related with the people and HR management issues because they experience cultural shock. Thus, it shows that the results drawn in this research can serve great roles to transform the employee dissatisfaction related barriers for effective performing of the organizations.

Conclusion and Recommendation

This study was an attempt to examine the effects of merger and acquisition on employees' satisfaction in Nepalese banking sectors of Kathmandu valley. The primary goal of the study

was to analyze the factors affecting employee satisfaction after merger and acquisition. This study finds that M&A has influenced the level of job satisfaction in banking sectors of Nepal. It also reveals that most of the employees were treated fairly during M&A process and around half of the respondents feels that the present and past management make equal supports. Correlation estimates and p-value indicate Organizational climate, Recognition and Nature of work have impacts on employee motivation and employee satisfactions after merger but it has stated that Pay/Remuneration can motivate employees but doesn't satisfy the employees. It is because all p-value is 0.00 except for the hypothesis that indicates relationship of employee satisfactions after merger with pay/remuneration. Furthermore, employee motivation has a significant relationship between employee satisfaction after a merger. This means that pay/remuneration can have an indirect impact on employee satisfaction after a merger. Thus, it shows that all variables should be a key consideration in planning for a merger as these have impacts on the satisfaction level of employees after the merger and acquisition in the banking sectors.

References

- Aaker, D. A., & Jones, J. M. (1971). Modeling store choice behavior. *Journal of Marketing Research*, 8(1), 38-42.
- Ab Hamid, M. R., Sami, W., & Sidek, M. M. (2017, September). Discriminant validity assessment: Use of Fornell & Larcker criterion versus HTMT criterion. *Journal of Physics: Conference Series*, 890(1), 012163. IOP Publishing.
- Aguirre-Urreta, M. I., & Hu, J. (2019). Detecting common method bias: Performance of the Harman's single-factor test. *ACM SIGMIS Database: the DATABASE for Advances in Information Systems*, 50(2), 45-70.
- Ahern, K. R., & Weston, J. F. (2007). M&As: The good, the bad, and the ugly. *Journal of Applied Finance*, 17(1), 5-20.
- Akali, S. (2010). An analysis of the factors affecting Motivation and Performance of Diploma Teacher Trainers in Kenya. *Unpublished MBA Project*. Kenyatta University. Moi Library.
- Amburgey, T. L., Kelly, D., & Barnett, W. P. (1990). Resetting the clock: The dynamics of organizational change and failure. *Academy of Management Proceedings* 1990(1), 160-164.
- Anupama, K. (2018). Hypothesis types and research. *International Journal of Nursing Science Practice and Research*, 4(2), 78-80.
- Appelbaum, S. H., Lefrancois, F., Tonna, R., & Shapiro, B. T. (2007). Mergers 101 (part two): Training managers for culture, stress, and change challenges. *Industrial and Commercial Training*, 39(4), 191-200.
- Ashforth, B. E., & Mael, F. A. (1989). Social Identity Theory and the Organization. *The Academy of Management Review*, 14(1), 20.
- Baldwin, J. R., & Gorecki, P. (1998). *The dynamics of industrial competition: A North American*

- perspective*. Cambridge University Press.
- Bekenova, M. (2015). The impact of merger on the employees satisfaction in the higher education institutions. *The Academy of Management Review*, 1(1), 71–75.
- Camp, W. G. (2001). Judgment of factors influencing interest: An Australian study. *Journal of Vocational Education Research*, 26(1), 4–25.
- Cartwright, Sue, & Cooper, C. L. (1990). The impact of mergers and acquisitions on people at work: Existing research and issues. *British Journal of Management*, 1(2), 65–76.
- Devkota, N., Shakya, R. M., Parajuli, S., & Paudel, U. R. (2022). Challenges of Work-Life Balance Faced by Working Fathers in Kathmandu Valley: Evidence from Cross-Sectional Data. *International Journal of Marketing & Human Resource Research*, 3(1), 27-37.
- Du, K., & Sim, N. (2016). Mergers, acquisitions, and bank efficiency: Cross-country evidence from emerging markets. *Research in International Business and Finance*, 36, 499–510.
- Gautam, C. M. (2016). Employees' job satisfaction and switching intention associated with mergers and acquisition of Nepalese Banks and Financial Institutions. *International Journal of Research in Business Studies and Management*, 3(2), 36-48.
- Gholami, H., Rezaei, G., Saman, M. Z. M., Sharif, S., & Zakuan, N. (2016). State-of-the-art Green HRM System: Sustainability in the sports center in Malaysia using a multi-methods approach and opportunities for future research. *Journal of Cleaner Production*, 124, 142-163.
- Gulati, R. (1995). Social structure and alliance formation patterns: A longitudinal analysis. *Administrative Science Quarterly*, 40(4), 619-652.
- Gurung, J. B. (2013). Banking merger in Nepal: Principles, policies and practices. *Reshaping Organizations*, 1(1), 285-304.
- Haleblian, J., Kim, J. Y., & Rajagopalan, N. (2006). The influence of acquisition experience and performance on acquisition behavior: Evidence from the US commercial banking industry. *Academy of management journal*, 49(2), 357-370.
- Haunschild, P. R., Moreland, R. L., & Murrell, A. J. (1994). Sources of resistance to mergers between groups. *Journal of Applied Social Psychology*, 24(13), 1150–1178.
- Hernando, I., Nieto, M. J., & Wall, L. D. (2009). Determinants of domestic and cross-border bank acquisitions in the European Union. *Journal of Banking & Finance*, 33(6), 1022-1032.
- House, R. J., & Wigdor, L. A. (1967). Herzberg's dual factor theory of job satisfaction and motivation: A review of the evidence and a criticism. *Personnel Psychology*, 20(4), 369-390.
- Igbaria, M., & Guimaraes, T. (1992). Antecedents and consequences of job satisfaction among information center employees. *Journal of Management Information Systems*, 9(3), 145–174.
- In'nami, Y., & Koizumi, R. I. E. (2013). Structural equation modeling in educational research. *Application of structural equation modeling in educational research and practice* (pp.

- 23-51). SensePublishers, Rotterdam.
- Jensen, M. C. (1986). Communication, love an relationship satisfaction. *Journal of Social and Personal Relationship*, 15(6), 755–773.
- Jones, T. A. (1969). Skewness and kurtosis as criteria of normality in observed frequency distributions. *Journal of Sedimentary Research*, 39(4), 1622-1627.
- Kivuti, M. (2013). *The influence of mergers and acquisitions on employee performance: a case of Equatorial commercial Bank* (Doctoral dissertation, University of Nairobi).
- Kothari, C. (2004). *Research Methodology Methods and Techniques*. New age international.
- Lambkin, M., & Muzellec, L. (2008). Rebranding in the banking industry following mergers and acquisitions. *International Journal of Bank Marketing*, 26(5), 328–352.
- Leepsa, N. M., & Mishra, C. S. (2016). Theory and practice of mergers and acquisitions: Empirical evidence from Indian cases. *IIMS Journal of Management Science*, 7(2), 179.
- Levitt, B., & March, J. G. (1988). Organizational learning. *International Encyclopedia of Education*, 47–52.
- Maditinos, D., Theriou, N., & Demetriades, E. (2009). The effect of mergers and acquisitions on the performance of companies - The greek case of ioniki-laiki bank and pisteos bank. *European Research Studies Journal*, 12(2), 111–130.
- Madu, M. (2004). Doctor of Business Administration. *Training & Development*, 1(1), 3–75.
- Malik, M. F., Anuar, M. A., Khan, S., & Khan, F. (2014). Mergers and acquisitions: A conceptual review. *International Journal of Accounting and Financial Reporting*, 1(1), 520-533.
- Marks, M. L., & Mirvis, P. H. (1998). Genetic detection of lymph node micrometastases in patients with colorectal cancer. *British Journal of Surgery*, 85(1), 98–100.
- Murphy, K. D., & Zhang, Y. (2000). Vibration and stability of a cracked translating beam. *Journal of Sound and Vibration*, 237(2), 319-335.
- Nasution, M. I., Fahmi, M., & Prayogi, M. A. (2020). The quality of small and medium enterprises performance using the structural equation model-part least square (SEM-PLS). In *Journal of Physics: Conference Series*, 1477(5), 052052. IOP Publishing.
- Newman, J. M., & Krzystofiak, F. . (1993). Banks pledge to go undermerger. *The Annals of the American Academy of Political and Social Science*, 503(1), 122–136.
- Ogonda, F. O., Orwa, B. H., Peter, W. P., & Jedida, M. V. (2015). An analysis of work motivation and teacher job satisfaction in public secondary schools in Rarieda. *Journal of Investment and Management*, 4(6), 377–390.
- Paudel, U. R., Parajuli, S., Devkota, N., & Mahapatra, S. K. (2020). What determines customers' perception of banking communication? An empirical evidence from commercial banks of Nepal. *Global Economy Journal*, 20(4), 1-21.
- Peshkin, A. (1993). Peshkin -goodness of qualitative research. *Educational Researcher*, 22(1), 23–29.
- Rahman, Z., Ali, A., & Jebran, K. (2018). The effects of mergers and acquisitions on stock price behavior in banking sector of Pakistan. *The Journal of Finance and Data Science*, 4(1),

44-54.

- Rajbhandari, S., Devkota, N., Khanal, G., Mahato, S., & Paudel, U. R. (2022). Assessing the industrial readiness for adoption of industry 4.0 in Nepal: A structural equation model analysis. *Heliyon*, 8(2), e08919.
- Rao-Nicholson, R., Salaber, J., & Cao, T. H. (2016). Long-term performance of mergers and acquisitions in ASEAN countries. *Research in International Business and Finance*, 36(1), 373–387.
- Rosecrance, R. (2005). Mergers and acquisitions. *The National Interest*, (80), 65-73.
- Sambu, S. K., Wanza, L., & Campus, G. (2018). The influence of new management style following organizational merger on employees' job satisfaction in Almasi Beverages Limited in Eldoret, Kenya. *Journal of Management*, 3(4), 157–160.
- Schreiber, J. B. (2006). Modeling and confirmatory factor analysis results: A review. *The Journal of Finance*, 31(4), 1231–1232.
- Schwepker, C. H., & Schultz, R. J. (2015). Influence of the ethical servant leader and ethical climate on customer value enhancing sales performance. *Journal of Personal Selling & Sales Management*, 35(2), 93-107.
- Shaver, J. M., Mitchell, W., & Yeung, B. (1997). The effect of own-firm and other-firm experience on foreign direct investment survival in the United States, 1987-92. *Strategic Management Journal*, 18(10), 811–824.
- Shrestha, E., Devkota, N., Paudel, U. R., & Parajuli, S. (2021). Post-merger Employee Satisfaction in Commercial Banks of Nepal: Findings from Employee Satisfaction Index. *Journal of Business and Social Sciences Research*, 6(1), 45-62.
- Singh, A. S., & Masuku, M. B. (2014). Sampling techniques & determination of sample size in applied statistics research: An overview. *International Journal of Economics, Commerce and Management*, 2(11), 1-22.
- Sobel, K. (2014). The effect of occupational stressors on health and individual productivity: Assessments via Sobel test. *Jurnal Ekonomi Malaysia*, 48(1), 117-131.
- Soundarya, M. B., Lavanya, S. M., & Hemalatha, S. (2018). Merger and acquisition of business organization and its impact on human resources. *Journal of Business Strategy, Finance and Management*, 1(1), 69-72.
- Soundarya, M. B., Lavanya, S. M., & Hemalatha, S. (2018). Merger and Acquisition of Business Organization and its Impact on Human Resources. *Journal of Business Strategy*, 1(1), 69–72.
- Stahl, G. K., Mendenhall, M. E., & Weber, Y. (2005). Research on sociocultural integration in mergers and acquisitions: Points of agreement, paradoxes, and avenues for future research. *Mergers and acquisitions: Managing culture and human resources*, 401-411.
- Taber, K. S. (2018). The use of Cronbach's alpha when developing and reporting research instruments in science education. *Research in Science Education*, 48(6), 1273-1296.
- Tamosiuniene, R., & Duksaite, E. (2009). The importance of mergers and acquisitions in

- today's economy. *Journal KSI*, 4(3), 11–16.
- Vo, T. T., Superchi, C., Boutron, I., & Vansteelandt, S. (2020). The conduct and reporting of mediation analysis in recently published randomized controlled trials: results from a methodological systematic review. *Journal of Clinical Epidemiology*, 117(1), 78-88.
- Wong, A. (2002). The management of customer relationships in the retail industry. *Research in International Business and Finance*, 23, 62–76.
- Wong, K. T., Teo, T., & Russo, S. (2012). Influence of gender and computer teaching efficacy on computer acceptance among Malaysian student teachers: An extended technology acceptance model. *Australasian Journal of Educational Technology*, 28(7), 1190-1207.
- Yap, R. J. C., Komalasari, F., & Hadiansah, I. (2018). The effect of financial literacy and attitude on financial management behavior and satisfaction. *International Journal of Administrative Science & Organization*, 23(3), 140-146.