

The Effect of Merger and Acquisition on Employee's Morale and Credit Performance in Nepalese Commercial Banks

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Abstract

This study examines the effect of mergers and acquisitions on employee's morale and credit performance in Nepalese commercial banks. Employee morale (EM) and credit to deposit ratio (CDR) are the selected dependent variables. The selected independent variables are employee remuneration, job security, employee responsibility, chain of command, employee social status, and sense of belongingness. The study is based on primary and secondary data of 18 commercial banks with 122 respondents. To achieve the purpose of the study, structured questionnaire is prepared. Secondary data were collected from Banking and Financial Statistics published by Nepal Rastra Bank and annual reports of the selected commercial banks. The correlation coefficients and regression models are estimated to test the significance and importance of the effect of mergers and acquisitions on employee's morale and credit performance in Nepalese commercial banks.

The study showed that job security has a positive impact on employee morale and credit to deposit ratio. It indicates that an increase in job security leads to an increase in employee morale and credit to deposit ratio. Similarly, employee remuneration has a positive impact on employee morale. It indicates that an increase in employee remuneration leads to an increase in employee morale. In contrast, employee remuneration has a negative impact on credit to deposit ratio. It indicates that an increase in employee remuneration leads to decrease in credit to deposit ratio. Likewise, employee sense of belongingness has a positive impact on employee morale and credit to deposit ratio. It indicates that higher the employee sense of belongingness, higher would be the employee morale and credit to deposit ratio. Further, chain of command has a positive impact on employee morale and credit to deposit ratio. It indicates higher the chain of command, higher would be the employee morale and credit to deposit ratio. In addition, employee responsibility has a positive impact on employee morale and credit to deposit ratio. It indicates that an increase in employee responsibility leads to an increase in employee morale and credit to deposit ratio. Moreover, employee social status has a positive impact on employee morale and credit to deposit ratio. It indicates that higher the employee social status, higher would be the employee morale and credit to deposit ratio. *Keywords:* employee remuneration, job security, employee responsibility, chain of command, employee social status, sense of belongingness, credit to deposit ratio, employee morale

1. Introduction

A bank merger is the combination of two or more banks, resulting in the formation of a single, larger entity. The primary goals include achieving economies of scale, expanding market presence, and enhancing operational efficiency. Likewise, bank acquisition involves one bank buying the majority or entirety of another bank's shares or assets. The acquiring bank

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aims to gain strategic advantages such as entering new markets, acquiring customer bases, or achieving synergies for increased profitability. Singh and Das (2018) explained that a particular activity is called a merger when corporations come together to combine and share their resources to achieve common objectives whereas an acquisition is an activity where a firm takes a controlling ownership interest in another firm, a legal subsidiary of another firm or selected assets of another firm. Employee morale is a state of mind that reflects enthusiasm, zeal, satisfaction, contentment and overall attitude at one's work (Mishra and Jena, 2020). Similarly, Sania *et al.* (2015) explained that employee morale is the job satisfaction, outlook, feelings of well-being of an employee which reflects his/her attitude, satisfaction during their time in a workplace environment. The study also explained that employees who are dissatisfied with work and negative about their workplace environment are said to have low employee morale. Likewise, Berger *et al.* (2004) stated that new business partner entry may be part of an external effect of merger and acquisition that helps supply loan to some relationship dependent small business borrowers. Further, Hyginus *et al.* (2021) argued that conducive work environment should be provided for employees and managers should positively reinforce their employees by appreciating them as it boosts their morale while management should take cognizance of the employee morale when embarking on a merger and acquisition. In addition, Shleifer and Summers (1988) argued that the presence of extra marginal remuneration payments act as an incentive for merger and such payments manifest themselves in the variation in remuneration payment across apparently observationally equivalent employee. Furthermore, Sharma and Singh (2023) found that there is a significant impact of mergers and acquisitions on job security of employees in Indian banks.

Mylonakis (2006) stated that bank employees feel personally threatened by mergers and acquisitions, which are not considered to be justified and necessary entrepreneurial activities conducive to enhanced, quality banking services. Similarly, Ott *et al.* (2017) identified that four main areas of merger and acquisitions affect employees which are strategic fit, communication, cultural differences, and organizational structure. The study also found that merger and acquisition have adversely impact on duplication of work and confusion in the workplace. However, mergers and acquisition have positive impact on paid up capital and loan bearing capacity of banks. Likewise, Stahl *et al.* (2013) analyzed the psychological effects of mergers and acquisitions on employees in terms of increased stress and anxiety. The study revealed that as a result of changes in environment, co-workers

decision making routines and chain of command affected employee psychological health. Further, Ullah *et al.* (2021) examined the impact of mergers and acquisitions on operational performance of Islamic banking sector. The study revealed that after a bank merger and acquisition its size has a negative impact on operational performance. In addition, Aljadani and Toumi (2019) concluded that merger and acquisitions help to remuneration system implemented to motivate employees so that the banks perform better quality, are more productive, are not easily moved to other companies, establish a service-oriented behavior, and avoid corruption. Furthermore, Kivuti-Bitok *et al.* (2013) claimed that mergers and acquisitions have been linked to lowered morale, unproductive behavior, job dissatisfaction, increased turnover, and absenteeism, instead of with assumed increased financial performance. The study also claimed that the initiatives by the new leadership have a positive impact on morale and have significantly reduced the intentions of employees to leave their organization. The study also concluded that most importantly credit and deposit ratio has very important to have strong financial system, which acts as an engine of growth and development for fast developing nations.

Ngambi (2011) identified that leadership approaches can influence staff morale. Similarly, Block and Sandner (2009) noted that the financial motives of acquisitions include the acquisition of a desirable portfolio or investment. The study also noted that the risks are well managed and minimized after merger and acquisition of banks and merger and acquisition can be driven by the need for higher rates of returns by investors. Non-financial motives for acquisitions, on the other hand, include the desires to build synergies in two companies (Munge *et al.*, 2016). Likewise, Nanda *et al.* (1999) noted that lack of working capital is the major reason cited as a reason for the failure of small businesses, the real reason for which is the attitude of banks towards small entrepreneurs. The study also stated that certain bank groups may be averse to lending to certain specific unattractive sectors or it can be simply risking adverse policy that is reflected in low credit and deposit ratio. Further, Sufian (2004) found that the bank merger has benefited mostly for the small and medium size bank from economies of scale because it maximizes efficiency and profit in banks. The study also found that there is a positive relationship between acquisition and employee performance. In addition, Goyal and Joshi (2011) concluded that acquisitions have negative impact on employee behavior that resulting in counterproductive practices, low morale, absenteeism, and job dissatisfaction. Moreover, Marimuthu and Ibrahim (2013) concluded that there is no significant differences between the

pre-merger and post-merger periods and hence, on average total shareholder value is not really affected by the announcement of the merger and acquisitions. The study also conclude that acquiring firms are bound to experience positive returns in the long run, not in the short run.

In the context of Nepal, Sharma (2018) stated that the merger program is successful from customers' point of view in Nepal because it has benefited them through economies of scale, expansion of working area and advancement in technology. The study found that customers are enjoying competitive interest rates due to the enhanced capital base. Similarly, Acharya (2020) argued that Nepal Rastra bank merger policy has seen many positive signs after the banks merger such as employee benefits and security, investment opportunities, change in interest rates and the size of credit flows. Likewise, Dwa and Shah (2017) observed that largely the merger can't produce positive results for the merged entities. The study also showed that merger is somewhat act as a solution for the current problems of Nepalese and be a wise option to bring banks and financial institutions in strong and growing position and to meet the requirement of current paid up capital as per the latest Nepal Rastra bank directive. The study also considered that a merger in itself is not the ultimate solution to strengthen the financial position of a bank. Further, Bhatta (2016) found that new capital brought in by shareholders of the merged banks increase the bank's operation, revenue, size of the bank and reduction of cost of operation. In addition, Chhetri and Baral (2018) showed that the motives of mergers and acquisitions in the Nepalese financial sector is to build up lending capacity. The study also revealed that the main cause behind the encouragement for merger by the Nepal Rastra Bank has resulted in an overwhelming growth in the merger activities. Likewise, the merger has been used to address cost efficiency, economies of scale and scope of activities (Pathak, 2016).

The above discussion shows that empirical evidence vary greatly across the studies on the effect of mergers and acquisitions on employees' morale and credit performance of commercial banks. Though there are above mentioned empirical evidences in the context of other countries and in Nepal, no such findings using more recent data exist in the context of Nepal. Therefore, to support one view or the other, this study has been conducted.

The major objective of the study is to examine the effect of mergers and acquisitions on employees' morale and credit performance in Nepalese commercial banks. Specifically, it examines the relationship of employee remuneration, job security, employee responsibility, chain of command, employee social status, and sense of belongingness with

the effect of mergers and acquisitions on employees' morale and credit performance in Nepalese commercial banks.

The remainder of this study is organized as follows: Section two describes the sample, data and methodology. Section three presents the empirical results and the final section draws the conclusion.

2. Methodological aspects

The study is based on primary data where 122 respondents have been taken and secondary data which were gathered from 18 Nepalese commercial banks for the study period from 2017/18 to 2021/22, leading to a total of 122 respondents. The main source of data includes Banking and Financial statistics published by Nepal Rastra Bank, and the annual report of respective banks. The study is based on descriptive as well as casual comparative research designs. Table 1 shows the list of commercial banks for the study along with the study period and number of observations.

Table 1

List of commercial banks selected for the study along with the study period and number of observations

S. N.	Name of the banks	Study period	Observations
1	Bank of Kathmandu Limited	2017/18 - 2021/22	10
2	Century Commercial Bank Limited	2017/18 - 2021/22	10
3	Citizens Bank International Limited	2017/18 - 2021/22	2
4	Everest Bank Limited	2017/18 - 2021/22	10
5	Global IME Bank Limited	2017/18 - 2021/22	1
6	Himalayan Bank Limited	2017/18 - 2021/22	10
7	Kumari Bank Limited	2017/18 - 2021/22	10
8	Machhapuchchhre Bank Limited	2017/18 - 2021/22	10
9	Mega Bank Nepal Limited	2017/18 - 2021/22	10
10	Nabil Bank Limited	2017/18 - 2021/22	9
11	Nepal Bangladesh Bank Limited	2017/18 - 2021/22	10
12	Nepal Investment Bank Limited	2017/18 - 2021/22	2
13	NMB Bank Limited	2017/18 - 2021/22	10
14	Prabhu Bank Limited	2017/18 - 2021/22	11
15	Prime Commercial Bank Limited	2017/18 - 2021/22	1
16	Sanima Bank Limited	2017/18 - 2021/22	2
17	Siddhartha Bank Limited	2017/18 - 2021/22	2
18	Sunrise Bank Limited	2017/18 - 2021/22	2
Total number of observations			122

Thus, the study is based on 122 observations.

The model

The model used in this study assumes that employee's morale and credit performance of commercial banks depends upon mergers and acquisitions. The dependent variables selected for the study are Employee morale and credit to deposit ratio. Similarly, the selected independent variables are employee remuneration, job security, employee responsibility, chain of command, employee social status, and sense of belongingness. Therefore, the model takes the following form:

$$EM = \beta_0 + \beta_1 JS + \beta_2 ERM + \beta_3 ESNB + \beta_4 CC + \beta_5 ERS + \beta_6 ESS + \varepsilon$$

$$CDR = \beta_0 + \beta_1 JS + \beta_2 ERM + \beta_3 ESNB + \beta_4 CC + \beta_5 ERS + \beta_6 ESS + \varepsilon$$

Where,

EM = Employee morale

CDR = Credit to deposit ratio as measured by ratio of total credit to total deposit, in percentage.

JS = Job security

ERM = Employee remuneration

ESNB = Employee sense of belongingness

CC = Chain of command

ERS = Employee responsibility

ESS = Employee social status

Job securities were measured using a 5-point Likert scale where respondents were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 5 items and sample items include "Even after merger, the level of security is high in the bank", "My current skills are matched with current requirement of the bank" and so on. The reliability of the items was measured by computing the Cronbach's alpha ($\alpha = 0.749$).

Remunerations were measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 5 items and sample items include "My remuneration is fair and competitive for my position and experience", "I feel motivated to work hard and exceed expectations because my remuneration is tied to my performance" and so on. The reliability of the items was measured

by computing the Cronbach's alpha ($\alpha = 0.766$).

Sense of belongingness were measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 5 items and sample items include "I have developed positive relationships with my colleagues and feel supported by my superiors", "I feel a sense of pride and loyalty to the bank because of its values, culture, and mission, and the way it treats its employees" and so on. The reliability of the feature was measured by computing the Cronbach's alpha ($\alpha = 0.761$).

Chain of commands were measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 5 items and sample items include "I have developed positive relationships with my colleagues and feel supported by my superiors", "I feel a sense of pride and loyalty to the bank because of its values, culture, and mission, and the way it treats its employees" and so on. The reliability of the feature was measured by computing the Cronbach's alpha ($\alpha = 0.755$).

Employee responsibilities were measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 5 items and sample items include "I feel a sense of ownership and pride in my work and responsibilities", "I understand the impact my work has on the bank's success" and so on. The reliability of the items was measured by computing the Cronbach's alpha ($\alpha = 0.726$).

Employee social status was measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 5 items and sample items include "I feel appreciated and valued when my hard work is recognized by my manager or colleagues. "It's important for me to receive employee social value for my contributions to the bank, as it motivates me to continue performing at a high level" and so on. The reliability of the feature was measured by computing the Cronbach's alpha ($\alpha = 0.788$).

Employee morale was measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 5 items and sample items include "I feel that high employee morale is essential for a positive and productive workplace culture", "When employee morale is low, it can be difficult to stay

motivated and engaged in my work” and so on. The reliability of the feature was measured by computing the Cronbach’s alpha ($\alpha = 0.778$).

The following section describes the independent variables used in this study along with hypothesis formulation:

Employee remuneration

Spisakova (2019) identified that employee remuneration supports the achievement of strategic and short-term company objectives by helping to ensure the skilled and motivated workforce that is needed for each enterprise. The study concluded that an effective system of remuneration increases employee loyalty and performance quality and in consequence, enhances company competitiveness. Similarly, Teja (2017) revealed that there is a positive and significant relationship between remuneration and employee morale. Likewise, Ogedegbe and Bashiru (2014) found that there is a significant relationship between employee morale and wages and salaries. Further, Capuano (2022) found that the data analysis makes it possible to highlight the existence of a significant link between the remuneration policies adopted by banks concerning the corporate results obtained in terms of profitability. In addition, Narwal and Jindal (2015) revealed that there is a strong positive association between director’s remuneration and profitability. Moreover, Ghosh and Aggarwal (2011) concluded that the asset and revenue individually have a significant positive impact on the executive remuneration, while net profit does not have a significant positive impact. Similarly, Prihono *et al.* (2016) found that remuneration can be a motivation for the employees to improve their capability and to achieve performance quality. Likewise, remuneration can improve the employee’s motivation and there is a significant relationship between remuneration and employee morale (Sancoko, 2015). Based on it, this study develops the following hypothesis:

H₁: There is a positive relationship between employee remuneration and employee morale.

H₂: There is a positive relationship between employee remuneration and credit to deposit ratio.

Sense of belongingness

Sense of belonging is defined as the experience of personal involvement in a system or environment so that persons feel themselves to be an integral part of that system or environment (Hagerty *et al.*, 1992). Similarly, Lambert *et al.* (2013) showed that priming belongingness increased meaningfulness,

even compared with participants primed with social support and social value. Likewise, Bollen and Medrano (1998) found that there is a positive relationship between a sense of belonging and feelings of morale. Further, Cockshaw and Shochet (2010) indicated that the importance of having a sense of belongingness in the workplace directly affects the profitability of the organization and employee engagement. The study also showed that the sense of belongingness is directly related to themes of acceptance, support, respect, and inclusion. In addition, Tekleab *et al.* (2009) concluded that there is a discrepancy between the values and expectations of employees and the organizational culture and this leads to impediments in identifying with the employee morale and the sense of belonging. Likewise, Mazin (2010) indicated that a high employee sense of belonging leads to on-time reporting of employees for work, and improving communication, recruitment, and creativity of employees. The study also indicated that high employee morale keeps sense of belongingness of employees in the organization. Similarly, Illeris (2014) identified that the absence of a sense of belonging for learners may lead to feelings of anxiety, frustration, and boredom, impacting negatively on employee morale. Based on it, this study develops the following hypothesis

H₃: There is a positive relationship between sense of belongingness and employee morale.

H₄: There is a positive relationship between sense of belongingness and credit to deposit ratio.

Job security

Menke *et al.* (1994) acknowledged that job security is an important factor that affect job satisfaction for workers. Similarly, job security is ranked the third important factor that influences job satisfaction while job employment relates more to job performance in a significantly different manner. Obeng *et al.* (2020) found that job insecurity resulted in positively predicting employee morale. The study also showed that the incidence of employee morale reduced the employee's turnover intention. Similarly, Masad *et al.* (2023) found that there is a positive relationship between profitability and job security in Jordanian banks. Likewise, Green and Heywood (2008) found that performance pay such as profit sharing may increase job security others is increase earnings dispersion within the firm and may reduce perceptions of fairness or lower morale and motivation. Further, Frazier *et al.* (2014) argued that employees of the acquired firms experienced a threat to job security, changes in social groups, and loss of familiarity and security.

Furthermore, Kivuti-Bitok *et al.* (2013) investigated the effect of mergers and acquisitions in financial institutions on employee performance in terms of pay/remuneration, ownership, job security, chain of command, which are moderately influenced by merger and acquisitions. Similarly, Ashford *et al.* (1989) identified that the employees perceive negative relation with job security with a merger and acquisitions. Likewise, Ashford *et al.* (1989) showed that there is no relationship between job insecurity and job performance. In addition, Yousef (1998) found that satisfaction with job security is positively correlated with both organizational commitment and job performance. Similarly, Rosenblatt and Ruvio (1996) indicated that job insecurity has an adverse effect on employee morale and perceived performance. Based on it, this study develops the following hypothesis:

H₅: There is a positive relationship between job security and employee morale.

H₆: There is a positive relationship between job security and credit to deposit ratio.

Employee responsibility

Responsibility is an attitude that shows sincerity at work and this attitude has a major contribution to the suitability of task execution which in turn has an impact on performance (Hendra, 2020). Van Dyne (2004) emphasized that responsibility is identical to being brave, in this case it means admitting mistakes, making immediate improvements, totality in work, completing tasks, and so on that aim to manage certain behaviors. In addition, psychological ownership possesses a strong and absolute bond with affective responsibility to the bank after merger and acquisition. Increased employee responsibility in decision-making helps to improve employee morale in workplace (Jones and Tremblay, 2000). Pearce (1991) revealed that managers from profit-making companies expect all employees (and most especially their managers) have to take the initiative and assume responsibility. Based on it, this study develops the following hypothesis:

H₇: There is a positive relationship between employee responsibility and employee morale.

H₈: There is a positive relationship between employee responsibility and credit to deposit ratio.

Chain of command

The chain of command is a classic example of an organizational

structure in which the position of individual elements allows us to distinguish subordinate and superior entities. Socha (2019) concluded that the increase in the number of hierarchical levels result difficulty in transmitting information may appear in a linear arrangement, this is because of subsequent levels of hierarchy. Similarly, Troyer (1996) concluded that commercial companies have a chain of command and a business plan designed for profitability. Likewise, Kivuti-Bitok *et al.* (2013) found that employee morale depends on in terms of pay/remuneration, ownership, job security, chain of command, which are moderately influenced by mergers and acquisitions. Further, Stahl *et al.* (2013) found that mergers and acquisitions affect psychology on employees in terms of increased stress and anxiety because of changes in environment, co-workers, decision making routines, chain of command, etc. In addition, going around one's immediate supervisor to share concerns with someone higher in the chain of command will increase quality employee morale (Kassing, 2007). The study revealed that the employee involves going around one's immediate supervisor to share concerns with someone higher in the chain of command, can prove detrimental to superior-subordinate relationship quality (Kassing, 2009). Likewise, Robertson and Watson (2014) found that organizational success is achieved through the implementation of chain of command. Based on it, this study develops the following hypothesis:

H₉: There is a negative relationship between chain of command and employee morale.

H₁₀: There is a negative relationship between chain of command and credit to deposit ratio.

Employee social status

Employee social status means the amount of prestige, respect and esteem that one has in the eyes of others in the organization (Blader and Chen, 2012). Hyginus *et al.* (2021) found that there is no relationship with employee morale viz social status of the employee. Similarly, Montgomery (1991) found that social structure in a stylized economic model of labor offers a framework for exploring the equilibrium relationship among social structure, wages, and profits. Social status is critical for the structure and stability of the networks of relationships that define societies (Barnston *et al.*, 1994). Likewise, Biron *et al.* (2016) revealed that a lack of social status constitutes the second-largest risk factor for psychological distress in the workplace. Further, Jones and Tremblay (2000) found that social status plays a key role in the success and continuity of organizational change. In addition, Bennet *et al.* (1999) found

that ranked social level of employee as the most important organizational practice. Based on it, this study develops the following hypothesis:

H_{11} : There is a positive relationship between employee social status and employee morale.

H_{12} : There is a positive relationship between employee social status and credit to deposit ratio.

3. Results and discussion

Correlation analysis

On analysis of data, correlation analysis has been undertaken first and for this purpose, Kendall's Tau correlation coefficients along with means and standard deviations have been computed, and the results are presented in Table 2.

Table 2

Kendall's Tau correlation coefficients matrix

This table presents Kendall's Tau coefficients between dependent variable and independent variables. The dependent variables are EM (Employee morale) and CDR (Credit to deposit ratio as measured by the ratio of total credit to total deposit, in percentage). The independent variables are JS (Job security), ERM (Employee remuneration), ESNB (Employee sense of belongingness), CC (Chain of command), ERS (Employee responsibility), and ESS (Employee social status).

Variables	EM	CDR	JS	ERM	ESNB	CC	ERS	ESS
EM	1							
CDR	0.046	1						
JS	0.329**	0.052	1					
ERM	0.351**	-0.009	0.446**	1				
ESNB	0.404**	0.125	0.247**	0.549**	1			
CC	0.263**	0.093	0.021	0.345**	0.562**	1		
ERS	0.631**	0.003	0.316**	0.393**	0.565**	0.481**	1	
ESS	0.784**	0.042	0.296**	0.332**	0.445**	0.408**	0.763**	1

Note: The asterisk signs (**) and (*) indicate that the results are significant at one percent and five percent levels respectively.

Table 2 shows that job security has a positive relationship with employee morale. It indicates that an increase in job security leads to an increase in employee morale. Similarly, employee remuneration has a positive relationship with employee morale. It indicates that an increase in employee

remuneration leads to an increase in employee morale. Likewise, employee sense of belongingness has a positive relationship with employee morale. It indicates that higher the employee sense of belongingness, higher would be the employee morale. Further, chain of command has a positive relationship with employee morale. It indicates that higher the chain of command, higher would be the employee morale. In addition, employee responsibility has a positive relationship with employee morale. It indicates that an increase in employee responsibility leads to an increase in employee morale. Moreover, employee social status has a positive relationship with employee morale. It indicates that higher the employee social status, higher would be the employee morale.

Similarly, job security has a positive relationship with credit to deposit ratio. It indicates that an increase in job security leads to an increase in credit to deposit ratio. Similarly, employee remuneration has a negative relationship with capital deposit ratio. It indicates that an increase in employee remuneration leads to decrease in credit to deposit ratio. Likewise, employee sense of belongingness has a positive relationship with credit to deposit ratio. It indicates that higher the employee sense of belongingness, higher would be the credit to deposit ratio. Further, chain of command has a positive relationship with credit to deposit ratio. It indicates that increased in chain of command leads to an increase in credit to deposit ratio. In addition, employee responsibility has a positive relationship with credit to deposit ratio. It indicates that an increase in employee responsibility leads to an increase in credit to deposit ratio. Moreover, employee social status has a positive relationship with credit to deposit ratio. It indicates that employee social status leads to an increase in credit to deposit ratio.

Regression analysis

Having indicated the Kendall's Tau correlation coefficients, the regression analysis has been carried out and the results are presented in Table 3. More specifically, it shows the regression results of employee remuneration, employee responsibility, employee social status, employee sense of belongingness, chain of command, and job security on employee morale.

Table 3

Estimated regression results of job security, employee remuneration, employee sense of belongingness, chain of command, employee responsibility and employee social status on employee morale of Nepalese commercial banks

The results are based on panel data of 18 commercial banks with 122 observations for the period of 2017/18 to 2021/22 by using the linear regression model and the model is $EM = \beta_0 + \beta_1JS + \beta_2ERM + \beta_3ESNB + \beta_4CC + \beta_5ERS + \beta_6ESS + \epsilon$ where the dependent variable is EM (Employee morale). The independent variables are JS (Job security), ERM (Employee remuneration), ESNB (Employee sense of belongingness), CC (Chain of command), ERS (Employee responsibility), and ESS (Employee social status).

Model	Intercept	Regression coefficients of						Adj. R_bar ²	SEE	F-value
		JS	ERM	ESNB	CC	ERS	ESS			
1	2.094 (5.668)**	0.370 (3.815)**						0.101	0.756	14.554
2	2.090 (6.058)**		0.391 (4.107)**					0.116	0.750	16.865
3	1.846 (5.362)**			0.404 (4.832)**				0.156	0.739	23.347
4	2.445 (6.921)**				0.263 (2.986)**			0.620	0.779	8.915
5	1.105 (4.06)**					0.631 (8.911)**		0.393	0.621	79.414
6	0.769 (3.823)**						0.784 (13.82)**	0.611	0.497	190.997
7	1.540 (3.821)**	0.242 (2.291)*	0.282 (2.717)**					1.460	0.737	11.353
8	1.002 (2.305)*	0.214 (2.363)*	0.090 (0.857)	0.301 (3.103)**				0.204	0.719	11.329
9	0.828 (1.732)	0.229 (2.482)*	0.079 (0.744)	0.254 (2.292)*	0.088 (0.882)			0.202	0.712	8.675
10	0.657 (1.582)	0.103 (1.245)	0.075 (0.815)	0.053 (0.526)	0.071 (0.785)	0.573 (6.258)**		0.400	0.618	17.124
11	0.479 (1.444)	0.051 (0.779)	6.071 (0.976)	0.067 (0.832)	0.067 (1.694)	0.058 (0.611)	0.720 (8.239)**	0.619	0.492	33.812

Notes:

- i. Figures in parenthesis are t-values.
- ii. The asterisk signs (**) and (*) indicate that the results are significant at one percent and five percent level respectively.
- iii. Employee morale is the dependent variable.

Table 3 shows that the beta coefficients for job securities are positive with employee morale. It indicates that job securities have positive impact on employee morale. This finding is similar to the findings of Masad *et al.* (2023). Similarly, the beta coefficients for employee remunerations are positive with employee morale. It indicates that employee remunerations have positive impact on employee morale. This finding is similar to the findings of Spisakova (2019). Likewise, the beta coefficients for sense of belongingness are positive with employee morale. It indicates that sense of belongingness has a positive impact on employee morale. This finding is similar to the findings of Mazin (2010). Further, the beta coefficients for chain of command are positive with employee morale. It indicates that chain of command has a positive impact on employee morale. This finding is consistent with the findings of Kivuti-Bitok *et al.* (2013). In addition, the beta coefficients for employee responsibility are positive with employee morale. It indicates that employee responsibility has a positive impact on employee morale. This finding is similar to the findings

of (Jones and Tremblay, 2000). Moreover, the beta coefficients for employee social status are positive with employee morale. It indicates that employee social status has a positive impact on employee morale. This finding is consistent with the findings of Biron *et al.* (2016).

Table 4 shows the regression results of employee remuneration, employee responsibility, employee social status, employee sense of belongingness, chain of command and job security on credit to deposit ratio.

Table 4

Estimated regression results of job security, remuneration, sense of belongingness, chain of command, employee responsibility and employee social status on credit to deposit ratio of Nepalese commercial banks

The results are based on panel data of 18 commercial banks with 122 observations for the period of 2017/18 to 2021/22 by using the linear regression model and the model is $CDR = \beta_0 + \beta_1JS + \beta_2ERM + \beta_3ESNB + \beta_4CC + \beta_5ERS + \beta_6ESS + \epsilon$ where the dependent variable is CDR (Credit to deposit ratio as measured by the ratio of total credit to total deposit, in percentage). The independent variables are JS (Job security), ERM (Employee remuneration), ESNB (Employee sense of belongingness), CC (Chain of command), ERS (Employee responsibility), and ESS (Employee social status).

Model	Intercept	Regression coefficients of						Adj. R_bar ²	SEE	F-value
		JS	ERM	ESNB	CC	ERS	ESS			
1	87.210 (41.759)**	0.052 (0.568)						0.006	4.277	0.323
2	88.572 (44.973)**		-0.009 (0.101)					0.009	4.283	0.010
3	85.671 (42.921)**			0.125 (1.381)				0.007	4.249	1.908
4	86.430 (44.343)**				0.093 (1.019)			0.000	4.264	1.039
5	88.435 (47.138)**					0.003 (0.032)		0.008	4.282	0.001
6	87.604 (50.64)**						0.042 (0.458)	0.007	4.279	0.210
7	87.659 (36.776)**	0.707 (0.683)	-0.040 (0.395)					0.013	4.292	0.239
8	85.802 (32.991)**	0.069 (0.684)	-1.421 (1.211)	0.186 (1.714)				0.003	4.256	1.141
9	85.229 (29.742)**	0.078 (0.758)	-0.149 (1.256)	0.157 (1.265)	0.054 (0.484)			0.003	4.271	0.909
10	85.453 (29.81)**	0.109 (1.028)	-0.148 (1.251)	0.206 (1.579)	0.093 (0.800)	0.141 (1.194)		0.001	4.262	1.015
11	85.337 (29.627)**	0.103 (0.962)	-0.149 (1.251)	0.208 (1.587)	0.087 (0.741)	0.203 (1.305)	0.087 (0.616)	0.005	4.275	0.905

Notes:

- i. Figures in parenthesis are t-values.
- ii. The asterisk signs (**) and (*) indicate that the results are significant at one percent and five percent level respectively.
- iii. Credit to deposit ratio is the dependent variable.

Table 4 shows that the beta coefficients for job securities are positive with credit to deposit ratio. It indicates that job securities have positive impact

on credit to deposit ratio. This finding is similar to the findings of Yousef (1998). Similarly, the beta coefficients for employee remunerations are negative with credit to deposit ratio. It indicates that employee remunerations have negative impact on credit to deposit ratio. This finding is not consistent with the findings of Narwal and Jindal (2015). Likewise, the beta coefficients for sense of belongingness are positive with credit to deposit ratio. It indicates that sense of belongingness has a positive impact on credit deposit ratio. This finding is similar to the findings of Cockshaw and Shochet (2010). Further, the beta coefficients for chain of command are positive with credit to deposit ratio. It indicates that chain of command has a positive impact on credit to deposit ratio. This finding is not consistent with the findings of Stahl *et al.* (2013). In addition, the beta coefficients for employee responsibility are positive with credit to deposit ratio. It indicates that employee responsibility has a positive impact on credit to deposit ratio. This finding is similar to the findings of Van Dyne (2004). Moreover, the beta coefficients for employee social status are positive with credit to deposit ratio. It indicates that employee social status has a positive impact on credit to deposit ratio. This finding is not consistent with the findings of Hyginus *et al.* (2021).

4. Summary and conclusion

Bank mergers and acquisitions should be used in an effective way to enhance the credit and operational performance within the bank and financial institution. Employee morale is a precious asset for various business organizations. Mergers and acquisitions are business transactions in which the ownership of companies, business organizations, or their operating units are transferred to or consolidated with another bank or financial institution. The major conclusion of this study is that remuneration, job satisfaction, chain of command, sense of belongingness, employee social status and employee responsibility have positive impact on employee morale and credit to deposit ratio.

The study attempts to examine the effect of mergers and acquisitions on employee's morale and credit performance in Nepalese commercial banks. The study is based on primary data where 122 respondents have been taken and secondary data which were gathered from 18 Nepalese commercial banks for the study period from 2017/18 to 2021/22, leading to a total of 122 respondents

The major conclusion of this study is that job securities, employee remunerations, employee sense of belongingness, chain of command, employee

responsibility, and employee social status have positive impact on employee morale. It indicates that higher the job securities, employee remunerations, employee sense of belongingness, chain of command, employee responsibility, and employee social status, higher would be the employee morale. Similarly, job securities, employee sense of belongingness, chain of command, employee responsibility, and employee social status have positive impact on credit to deposit ratio. It indicates that higher the job securities, employee sense of belongingness, chain of command, employee responsibility, and employee social status, higher would be the credit to deposit ratio. However, employee remunerations have negative impact on credit to deposit ratio. It indicates that higher the employee remunerations, lower would be the credit to deposit ratio. Likewise, the study also concluded that employee social status followed by employee responsibility is the most influencing factor that explains the changes in the employee morale of Nepalese commercial banks. Similarly, the study also concluded that employee sense of belongingness followed by chain of command is the most influencing factor that explains the changes in the credit to deposit ratio in the context of Nepalese commercial banks.

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