Mergers and Acquisitions of the Financial Institutions: Factors Affecting the Employee Turnover Intention

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Abstract

A prudent analysis of the factors affecting turnover intention of the employees after mergers and acquisitions should guide the managers to prevent the fallout of employees during such complex process; the primary objective of this study is to identify those factors that influence turnover intention of the employees. Drawing from the previous studies, a conceptual framework was developed that took into account pre-merger organizational identification, procedural justice, utility with the merger, non-monetary benefits, monetary benefits, trust with merger and adequate authority delegation as variables that influence post-merger organizational identification and satisfaction with the merger. The results illustrate that pre-merger organization identification, utility with the merger, and trust with merger significantly predicted the post-merger organization identification, whereas only trust with merger significantly predicted the satisfaction with the merger. Furthermore, the study elucidates that the post-merger organizational identification could prevent the turnover intention among the employees. The findings of the study unravel sentiments of the employees during the consolidation process and provide the practitioners and the policy-makers with a base to develop an effective strategy to prevent turnover of employees during the mergers and acquisitions.

Keywords: Mergers and Acquisitions, Employee Management, Turnover Intention, Post-Merger Organizational Identification

JEL Classification: G34, M12

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I. INTRODUCTION

The financial liberalization of the late 1980s has brought immense benefits to the Nepali economy in the forms of increase in private sector investments and surge in access to finance opportunities. The competitive financial system has developed customer-centric services and innovative use of technology thereby, widening the service provided by the banking institutions throughout the country. However, due to inadequate capital and narrow financial inclusiveness, the Nepali financial industry has not lived up to the promises it had shown immediately following the liberalization process.

Nepali banking system is characterized by low volume of turnover, high-interest rate on lending, wide interest rate spread, inefficient management and inadequate resources to fund big projects (NRB, 2013). Nepali financial system has not only fallen short of attaining meaningful financial inclusion but also displays regional and urban-rural disparity. Nepal Rastra Bank (NRB) has undertaken the financial consolidation policy in order to overcome these problems. Merger and Acquisition (M&A) is one of the efficient measures of consolidation in the financial system. The Government of Nepal has been promoting mergers as a means to achieve efficiency through economies of scale and scope by facilitating a consolidation between weaker and stronger banks to create an efficient and robust merged entity.

Several researches have highlighted the benefits of consolidation to the banking institutions. Altunbas and Marques-Ibanez (2008) provide empirical analysis on the improvement in the performance of the banks following the process of merger in the European context. Bernad, Fuentelsaz and Gomez (2010) look into the long run productivity of the banks that underwent the process of merger to illustrate an increase in productivity in half of the mergers that took place. The conditions to foster pronounced benefits in the post-merger entities have also been studied at various levels. Shaffer (1993) states that a merger between banks with variations in the product mix helps to significantly reduce the cost of operations and nurture post-merger efficiency. Vennet (1996) recommends mergers among equal-sized partners to produce a significant increase in the performance of the merged banks.

The Nepali wholesale banking sector was opened up to the international investors from January 2010. This came within a couple of years after the International Monetary Fund declared that almost one-third of the Nepalese BFIs are underperforming and have excessive liquidity, excessive operating expenses, inadequate working capital, unhealthy competition, and mismanagement. Except for the balance sheets of few banks, those of most BFIs showed declining profit and growing share of bad loans. The economic environment was deteriorating with instability and uncertain future, which prevented banks from performing well. In order to boost the capacity of local banks to compete with their foreign counterparts, which were expected to enter Nepal soon, and stimulate the financial health of the country the then government encouraged the option of M&A. In the wake of the liquidity crisis and volatile investment climate, M&A provided an ideal solution to the problems faced by the Nepali financial sector (NEF, 2010).

Merger and Acquisition is a relatively new concept to the Nepali Banking and Financial Institutions (BFIs). Nepal Rastra Bank introduced the Merger Bylaw 2068 (B.S) grounded on the Company Act 2063(B.S) article 177, BAFIA 2063 (B.S) article 68 and 69, and encouraged all the BFIs to undergo merger as a consolidation. Laxmi Bank, Nepal Bangladesh Bank, and Narayani National Finance were among the few institutions to have undergone merger process before the announcement of the bylaws. Through the 2015 monetary policy, NRB announced a four-fold hike in the minimum paid up capital of the commercial banks and up to twenty-four-fold increment in the same for the development banks. This required the commercial banks to increase their paid-up capital to Rs. 8 billion while the national level development bank would have to increase to Rs. 2.5 billion. The requirement imposed by the banking regulator has further enhanced the conditions to foster the merger and acquisition process; the wave of M&A, that started as early as 2011, has hit Nepali BFI sector. As of June 2016, 96 BFIs have taken part in the merger process to become 35 (NRB, 2016).

Merger and Acquisition is considered a vital tool to facilitate the sound and efficient performance of the financial industry while subjugating the problems underlying the system. The instrument also plays a key role in bringing down the cost of operations and increasing the market competitiveness and profitability of the firms (Gautam, 2016). In the international financial markets, M&A is often conducted to fulfil the demands of regulatory bodies and as an attempt to enhance the competitive advantage and expand the operations of the financial institutions. But, despite these hopeful expectations, almost half of the mergers and acquisitions fail to meet the initial expectations (Cartwright and Cooper, 1993).

Several studies have illustrated that employee dynamics and human resource issues, both pre and post-merger, are important determinants of the success or failure of the actual merger or acquisition process. The process of M&A often involves a high degree of uncertainty and can be challenging for the employees. Buono and Bowditch (1989) state that mergers can increase anxiety among employees, thereby frequently causing counterproductive behaviours. The increasing changes within an organization lead to increase in job insecurity among employees, ultimately resulting in the decrease of organizational commitment, trust in the organization, job satisfaction and job performance (Ashford, Lee and Bobko, 1989). Tetenbaum (1999) points out that the productivity of an organization goes down by 25-50 percent in such situations. Schuler and Jackson (2007) illustrate that more than half of the executives leave in the first year of M&A; this exodus of employee links with the concept of employee engagement and is one of the major reasons for the failure of M&A.

Several studies have been conducted to understand the post-merger financial health of the companies in Nepal. Among them, NRB (2016) claims that the merger of BFIs in Nepal has improved the financial indicators of many institutions. However, very few studies have been conducted to study the effects of the merger process on the employees. This study seeks to comprehend the employee attitude and behaviour after the merger process and determine the factors responsible for the continued high-morale of the employees, even after the merger process. The findings of this research can be valuable to the BFIs in designing organizational policies to manage the human resources during the process of consolidation.

The rest of the paper flows as follows. The next section reviews the prominent literature on organizational behaviour. Data and methodology are discussed in section three. Section four explains the results, and finally, section five concludes the paper with some implications for the BFIs in Nepal and some potential path for future research works on behavioural aspect of merger and acquisition in Nepal.

II. LITERATURE REVIEW

The social identity theory has had a profound impact on many organizational behavior researches conducted in the recent decades. Ashforth and Mael (1989) define social identification as the perception of belongingness to an organization by an employee, and organizational identification as a specific form of social identification in which an individual defines himself in terms of his membership in an organization. Ahearen, Bhattacharya and Guren (2005) state that in such situations, employees believe that they should possess the same characteristics as they consider their organization to possess and make conscious effort to incorporate those characteristics into themselves.

Several researches have pointed out the benefits associated with the organizational identification. George and Chattopadhyay (2005) indicate that it enhances the self-esteem of the employees and helps in reducing the uncertainty, consequently resulting in employees contributing their utmost efforts to fulfill the organizational interest. Chan (2006), Mael and Ashforth (1992), and Olkkonen and Lipponen (2006) assert that organizational identification has relatively strong, positive relations with desirable workplace behaviors such as positive work attitude, individual behavior, and other outcome variables, not limited to perceived organizational support, organizational justice and job satisfaction; Van Knippenberg and Sleebos (2006), in their empirical study, illustrate a negative relation of organizational identification with turnover intention. Employee identification is an important issue for the successful performance of the firm after the merger process, thus it is crucial to find out the factors that affect the post-merger organizational identification among employees.

Organizational researches in the past have offered various antecedents that influence the post-merger organizational identification of the employees such as pre-merger organizational identification (Bartels, Douwes, de Jong and Ad Pruyn, 2006) procedural justice (Lipponen, Olkkonen and Moilanen, 2004), trust in merger (Bartels et al., 2006), job satisfaction (Jatten, O'Brien & Trindall, 2002) and organizational citizenship behavior (Van Dick, Wagner and Lemmar, 2004). The current study incorporates some of the prominent variables responsible for the post-merger organizational identification and conducts a meta-analysis to identify the most important variables.

Organizational Identification

Employees become attached to their organization when they incorporate the characteristics that they attribute to their organizations into their own self-concepts. According to Van Knippenberg and Van Leeuwen (2001), a strong organizational identification enhances the possibility of employees' working their best to fulfill the organizational goals. Several empirical studies (Chan, 2006; Riketta, 2005; Mael and Ashforth., 1992; Olkkoner and Lipponen, 2006) have shown that work attitude, employee behavior, organizational support, job satisfaction, perceived organizational prestige and organizational justice are directly correlated with the organizational identification.

Van Knippenberg and Van Leeuwen (2001) argue that the more employees perceive the merged organization to be a continuation of their pre-merger group, the more they tend to identify with the post merger organization. Furthermore, the study states that the more strongly individuals are identified with the premerger organization, the more threatened they feel by the merger. Van Dick, Wagner and Lemmer (2004) point that pre and post-merger identification is more positively related to members of dominant as opposed to dominated organizations. Moreover, the post-merger organizational identification is higher when employees of the dominated organization perceive that there is continuity with their pre-merger identities.

Procedural Justice

Lind and Tyler (1988) define procedural justice as the perception of an individual about the fair conduct of any activity. Tyler and Blader (2003) regard procedural neutrality as the extent to which decisions are made in an unbiased manner based on facts and rules, and not on personal opinions or preferences. Many different empirical literatures (Folger and Greenberg, 1985; Lind and Tyler, 1988) point out some of the factors that contribute to the perceptions of procedural fairness: providing an individual with a voice, and control over actual outcomes. These studies, along with Chien, Lawler and Uen (2010) and Cho and Treadway (2011), illustrate that procedural justice is positively related to organization identification.

Monetary and Non-monetary Benefits

Monetary benefits refer to the money offered or provided by the employer and received by the employee for which employee provide services to the employer Herzberg (1968). Some of the monetary forms of benefits include basic salary, house rent allowances, conveyance, leave travel allowances, medical reimbursement, special allowances, bonus and PF/gratuity. The non-monetary benefits consist of all economic benefits that are supplied by the employer such as pay, verbal recognition, respect, intellectual and professional challenges, professional status, development and advancement opportunities, training and education, flexible working hours and adequate access to information. These benefits are considered to be as effective as their monetary counterparts. Sonawane (2008) state that fair monetary and non-monetary rewards play significance roles in perception of the employee regarding the reward climate in the workplace, thus helping foster organizational identification among employees.

Trust in Merger

Mayer, Davis and Schoorman (1995) define trust as the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party. Furthermore, Graebner (2009) identifies trust as the willingness of a person, group, or organization to rely on another party's actions in situations involving opportunism or risk. Kooning (2013) and Maguire and Phillips (2008) point out that a lack of trust may aid the emergence of cultural conflicts and identity threats during the post merger integration. Konovsky and Pugh (1994) empirically illustrate that a positive initiating action would increase trust and this increased trust would promote behavioral responses. Aryee, Budhwar and Chen (2002) found that justice improves trust, whereas trust subsequently increases organization citizenship behavior. The findings of Lander and Kooning (2013), Konovsky and Pugh (1994) and Aryee et al. (2002) support the positive association between trust in merger and the post merger organizational identification among employees.

Adequate Authority Delegation

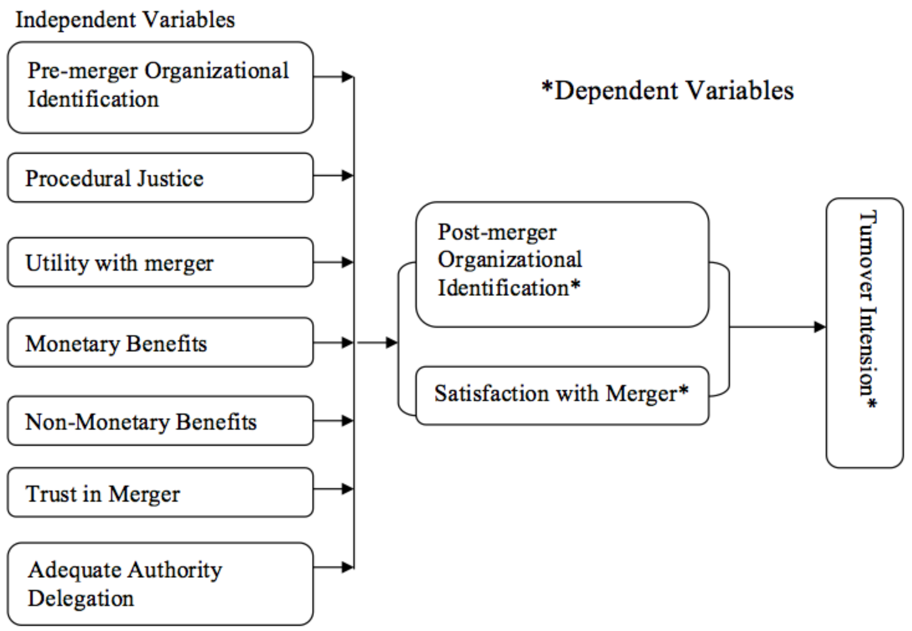
The delegation of authority entails divisions of authority and power downwards to the subordinates. Generally, authority delegates to subordinates by top-level management because manager alone can do not all works. It can be defined as subdivision and sub-allocation of powers to the subordinates in order to achieve organization goals. Although a lot of studies have been conducted with regards to the effect of the delegation on employees, very few studies have considered its relationship with the organizational identification among employees. Jammal-Al, Khasawneh-Al and Hamadat (2015) report the authority delegation to have increased the employee morale and the effort of employees to fulfill the organizational goals; it fits with Van Knippenberg and Van Leeuwen's (2001) definition of organization identification. Thus, adequate authority delegation could be considered to have an indirect positive relation with the organizational identification.

Turnover Intentions

Employee turnover has been a popular topic among behavioral and management researchers for decades. Turnover intention can be defined as the consideration of an employee to leave the existing organization. A high turnover rate usually leads to increase in the direct and indirect cost for the organization; these costs relate to recruitment, training and socializing of the new staff. Thus, ideally, the turnover rate in an organization should be minimal because it permits fostering of productivity among employees and maintains a stable corporate image and goodwill. Several studies (Harris and Cameron, 2005; Bruch and Cole, 2006; Mishra and Bhatnagar, 2010) have indicated the negative association of turnover intentions with the potential development of organization identification among employees. Schweiger and DeNisi (1991), through their longitudinal experiment, have empirically determined that the consolidation process leads to uncertainty, thereby causing an increase in the turnover intentions of the employees.

The major theoretical developments and empirical studies that were reviewed indicated that pre-merger organizational identification, procedural justice, and utility with the merger are positively linked with the post-merger organizational identification of the employees. Similarly, the literature also pointed out the positive association between monetary and non-monetary benefits, trust in merger and adequate authority delegation, and the post-merger organizational identification. This naturally leads to the question whether outcome variables are affected in same way in the context of Nepal. The study not only examined the effect of these variables on organizational identification of employees in eastern cultural context but also took a step further to link these variables with satisfaction with merger and turnover intention of the employees who have engaged in the merger process. The theoretical framework of the study is presented in Figure 1.

Figure 1: Theoretical Framework



Based on the theoretical framework, this study proposed the following hypotheses:

H A1: Pre-merger Organization Identification is positively related to Post-merger Organization Identification.

H A2: Procedural Justice is positively related to Post-merger Organization Identification.

H A3: Utility with merger is positively related to Post-merger Organization Identification.

H A4: Monetary benefits are positively related to Post-merger Organization Identification.

H A5: Non-monetary benefits are positively related to Post-merger Organization Identification.

H A6: Trust in merger is positively related to Post-merger Organization Identification.

H A7: Adequate authority delegation is positively related to Post-merger Organization Identification.

H B1: Pre-merger Organization Identification is positively related to Satisfaction with Merger

H B2: Procedural Justice is positively related to Satisfaction with Merger

H B3: Utility with merger is positively related to Satisfaction with Merger

H B4: Monetary benefits is positively related to Satisfaction with Merger

H B5: Non-monetary benefits is positively related to Satisfaction with Merger

H B6: Trust in merger is positively related to Satisfaction with Merger

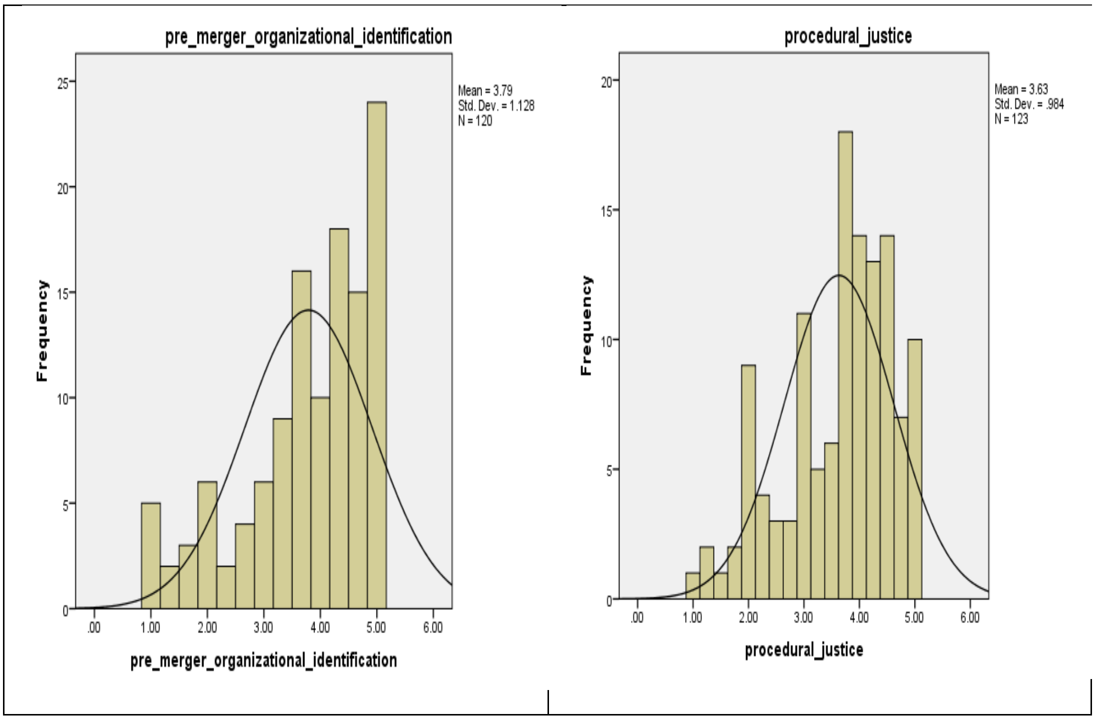
H B7: Adequate authority delegation is positively related to Satisfaction with Merger

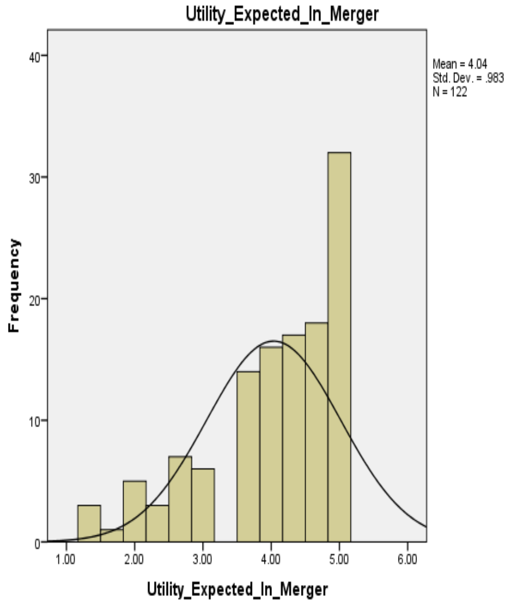
H C: Post-merger Organization Identification is positively related to Turnover Intention

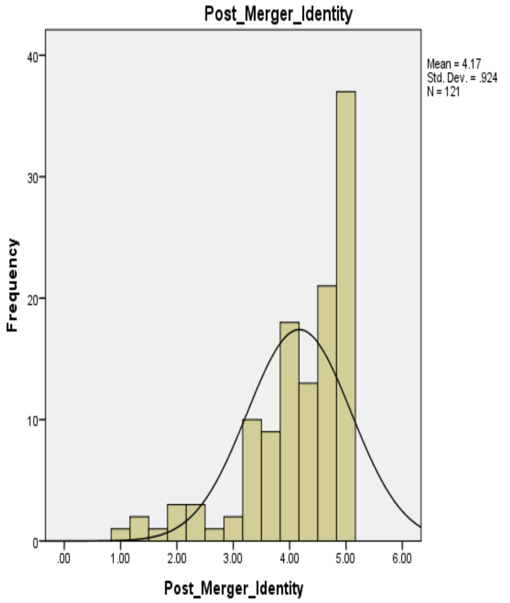
H D: Satisfaction with merger is positively related to Turnover Intention

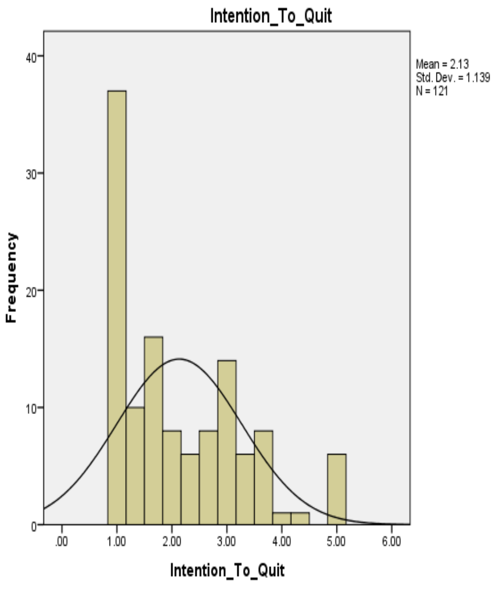
III. METHODOLOGY

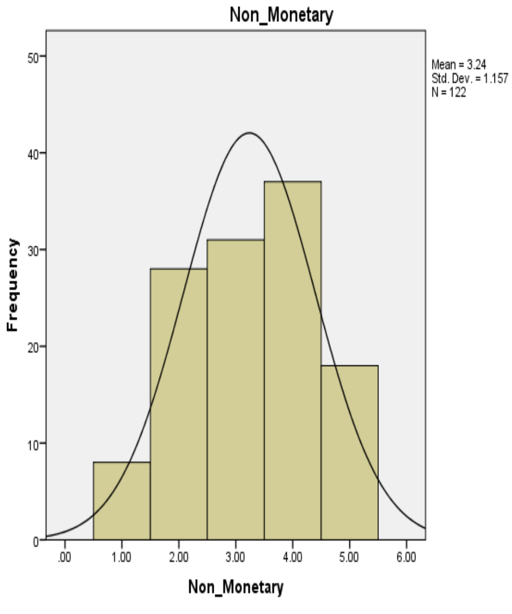
A self-administered survey questionnaire was created to discern sentiments of employees from the BFIs, the target population, regarding merger and acquisition. The survey instrument was developed mainly with an aim to identify the factors affecting the organizational identification and turnover intention of employees after merger and acquisition. A convenience sampling approach was employed to collect data in October 2016 at banks that had undergone merger and acquisition. Among 200 self-administered questionnaires distributed, a total of 124 usable questionnaires were obtained representing a response rate of 62 percent.

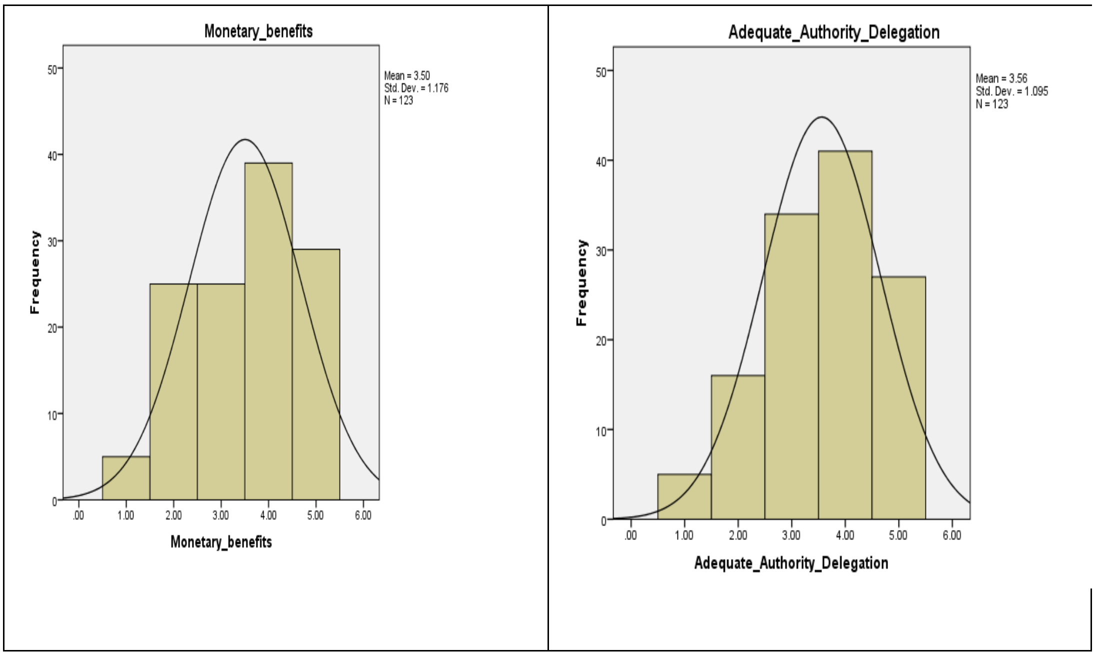



Utility_Expected_In_Merger
Mean = 4.04
Std. Dev. = .983
N = 122
Frequency
Utility_Expected_In_Merger


Post_Merger_Identity
Mean = 4.17
Std. Dev. = .924
N = 121
Frequency
Post_Merger_Identity


Intention_To_Quit
Mean = 2.13
Std. Dev. = 1.139
N = 121
Frequency
Intention_To_Quit


Non_Monetary
Mean = 3.24
Std. Dev. = 1.157
N = 122
Frequency
Non_Monetary



The relationships being tested are:

1) Post-Merger Organizational Identification = β_{01} + β_{11} Pre Merger Organizational Identification + β_{21} Procedural Justice + β_{31} Utility With Merger + β_{41} Monetary Benefits + β_{51} Non-Monetary Benefits + β_{61} Trust in Merger + β_{71} Adequate Authority Delegation + ε_1 …(1)

2) Satisfaction with Merger = β_{02} + β_{12} Pre Merger Organizational Identification + β_{22} Procedural Justice + β_{32} Utility With Merger + β_{42} Monetary Benefits + β_{52} Non-Monetary Benefits + β_{62} Trust in Merger + β_{72} Adequate Authority Delegation + ε_2 …(2)

3) Turnover Intention = = β_{03} + β_{13} Post Merger Organizational Identification + β_{23} Satisfaction with Merger + ε_3 …(3)

This study made use of a self-administered survey with three distinct parts that gathered information on demographic variables of the respondents, independent variables (pre-merger organizational identification, procedural justice, utility with merger, non-monetary benefits, monetary benefits, trust in merger and adequate authority delegation) and dependent variables (post-merger organizational identification, satisfaction with merger and turnover intention). The first part posed respondents' background; the demographic profiles included gender, age, education and organization position. In the second part, respondents were asked to express their agreement with statements about various factors that affect mergers and acquisitions. In the third part of the questionnaire, respondents were asked to indicate their agreement with statements describing the outcome of merger and acquisition. All the agreement and disagreement items were assessed, using a 5-point Likert scale from 5= strongly disagree to 1= strongly agree.

First, the findings were profiled by demographic variables. Second, a scale reliability analysis using Chornbach alpha was run to identify underlying internal consistency among the statement of constructs as they were borrowed from other studies. Thirdly, correlation and regression analysis were carried out to investigate the relationship between dependent and independent variables of the study. Cronbach's alpha was used to assess the reliability of each scale. The alpha coefficient of the scales ranged from .60 (SM) to .87 (PMO).

IV. RESULTS

The analysis of demographics was done to observe the composition of respondents in terms of gender, education, age and job position. The demographic details of the respondents are presented in table 1.

Table 1: Demographic Details of the Respondents

Demographics	Percentage
Gender	
Male	73.4
Female	26.6
Education	
Lower than 10+2	1.6
10+2 or PCL Level	11.3
Bachelor Level	40.3
Masters Level	44.3
Above Masters Level	2.4
Age Group	
20-25	10.5
26-35	75.0
36-40	8.1
Above 40	6.5
Job Position	
Support Staff	2.41
Assistant Level	50.1
Supervisor Level	13.7
Officer Level	27.4
Manager/Executive Level	6.4

Mean, standard deviation, Pearson correlation coefficients between study variables as well as their mean, standard deviation, and Cronbach's alpha were calculated to study the relationship between the variables incorporated in the study and their internal consistency reliability. The statistics obtained are illustrated in table 2. The result indicates that all the relationships between different study variables are significant and are in the expected directions.

Table 2: Study Variables - Mean, Standard Deviation, Correlation matrix, and Cronbach's alpha

		Mean	SD	1	2	3	4	5	6	7	8	9	10
1	POI	3.79	1.12	.83									
2	PJ	3.53	0.98	.27**	.78								
3	UM	4.03	0.98	.36**	.63**	.89							
4	MB	3.50	1.17	.27**	.61**	.54**	n/a						
5	NMB	3.23	1.15	.27**	.41**	.39**	.46**	n/a					
6	TM	3.98	.83	.40**	.75**	.52**	.59**	.40**	.81				
7	AAP	3.56	1.09	.31**	.54**	.60**	.55**	.43**	.57**	n/a			
8	PMO	4.17	.92	.47**	.59**	.70**	.50**	.33**	.76**	.50**	.87		
9	SM	3.82	.92	.31**	.52**	.52**	.40**	.29**	.63**	.46**	.60**	.60	
10	TI	2.13	1.13	-.22*	-.48**	-.49**	-.46**	-.29**	-.56**	-.35**	-.41**	-.37**	.82

Note: ** $p < .01$ and Cronbach's alpha shown in diagonal

POI – Pre-merger Organizational Identification, PJ – Procedural Justice, UM – Utility with Merger, MB – Monetary Benefits, NMB – Non Monetary Benefits, TM – Trust in Merger, AAD – Adequate Authority Delegation, PMOI – Post-merger Organizational Identification, SM Satisfaction with merger and TI – Turnover Intentions

Building Predictive Models

Table 3: Relationship between independent variables and post-merger organizational identification

Variable	B	SE B	β	*t*	*p*
Constant	.322	.281		1.149	.253
Pre-merger Organizational Identification	.129	.053	.158	2.458	.016
Procedural Justice	-.051	.089	-.054	-.577	.565
Utility with Merger	.267	.085	.278	3.146	.002
Non-monetary benefits	-.028	.054	-.035	-.523	.602
Monetary benefits	.024	.076	.031	.385	.701
Trust in Merger	.599	.114	.529	5.252	.000
Adequate Authority Delegation	.019	.067	.022	.275	.784
R^2	.66				
F	29.112				

$p < .01$

Note: unstandardized beta (B), standard error for the unstandardized beta (SE B), standardized beta (β), t test statistic (t), and probability value (p), coefficient of determination (R^2), F statistics (F)

Multiple regression analysis was used to test if the independent variables (namely, pre-merger organizational identification, procedural justice, utility with merger, non-monetary benefits, monetary benefits, trust in merger and adequate authority delegation) significantly predicted post merger organizational identification. The outcome of the regression analysis showed the seven predictors elucidated 66.1 percent of the variance in post merger organizational identification. (R^2= .66, F=29.112, p < .01). It was found that pre-merger organizational identification (β = .16, p < .05), utility with merger (β = .28, p<.01) and trust in merger (β = .53, p<.01) significantly predicted post merger organizational identification, whereas procedural justice, non-monetary benefits, monetary benefits and adequate authority delegation did not. The results show that the post merger organizational identification has significant positive relationships with pre-merger organizational identification, utility with merger and trust in merger. This indicates that pre-merger organizational identification, utility with merger and trust in merger are significant predictor of post merger organizational identification.

Table 4: Relationship between independent variables and satisfaction with merger

Variable	B	SE B	β	*t*	*p*
Constant	.749	.357		2.099	.038
Pre-merger Organizational Identification	.024	.068	.029	.354	.724
Procedural Justice	.041	.113	.044	.365	.716
Utility with Merger	.117	.108	.123	1.082	.282
Non-monetary benefits	.007	.069	.008	.097	.923
Monetary benefits	-.079	.079	-.103	-1.001	.319
Trust in Merger	.580	.145	.519	3.989	.000
Adequate Authority Delegation	.079	.087	.094	.906	.367
R^2	.44				
F	11.825				

p<.01

Note: unstandardized beta (B), standard error for the unstandardized beta (SE B), standardized beta (β), t test statistic (t), and probability value (p), coefficient of determination (R^2), F statistics (F)

Multiple regression analysis was used to test whether the independent variables (namely, pre-merger organizational identification, procedural justice, utility with merger, non-monetary benefits, monetary benefits, trust in merger and adequate authority delegation) significantly predicted satisfaction with merger. The outcome of the regression analysis revealed that seven predictors elucidate 44.1 percent of the variance in satisfaction with merger. (R^2= .44, F=11.825, p<.01). It was found that only trust in merger (β = .52, p<.01) significantly predicted the satisfaction with merger, whereas rest of the variables did not. The results indicate that the satisfaction with merger has significant positive relationships with trust in merger, however, there is no relationship between satisfaction with pre-merger organizational identification, procedural justice, utility with merger, non-monetary benefits, monetary benefits and adequate authority delegation. This indicates that trust in merger is a significant predictor of satisfaction with merger.

Table 5: Relationship between independent variables and turnover Intentions

Variable	B	SE B	β	*t*	*p*
Constant	4.586	.467		9.810	.064
Post-merger Organizational Identification	-.368	.131	-.300	-2.817	.006
Satisfaction with Merger	-.249	.131	-.202	-1.894	.061
R^2	.206				
F	14.650				

p<.01

Note: unstandardized beta (B), standard error for the unstandardized beta (SE B), standardized beta (β), t test statistic (t), and probability value (p). coefficient of determination (R^2), F statistics (F)

Multiple regression analysis was used to test whether the post-merger organizational identification and satisfaction with merger significantly predicted the turnover intention of employees. The results of the regression indicated that the two predictors explained 20.6 percent of the variance (R^2=.206, F=14.650, p<.01). It was found that post-merger organizational identification significantly predicted turnover intention (β = -.30, p<.01), but satisfaction with merger did not do the same(β = -.20, p>.01). The negative coefficients denoted that relationship is in reverse direction, i.e. if post-merger organizational identification is low then turnover intention is high. The results show that the turnover intention has a significant negative relationship with post-merger organizational identification, however, there is no significant relationship between post-merger organizational identification and satisfaction with merger. This indicates that post-merger organizational identification is a significant predictor of turnover intention of employees.

Evidently, after merger and acquisition, managers in the acquirer companies have a tremendous challenge; a highly discouraging figure is that MandA failure rate is more than 60 percent (Cartwright and Cooper, 1992). Despite the blame on financial, strategic, and operational issues (Nahavandi and Malekzadeh, 1988), "human problems" furnish to a significant part in merger failures (Mottola, Bachman, Gaertner and Dovidio, 1997). This study attempted to explore those factors that lead to the post-merger organizational identification and satisfaction with merger, thereby ultimately leading to turnover intention.

The findings of the current study closely align with those of Bartels et al. (2006), which indicate that the employees might feel loss of identity with the new company after M&A, which has a significant ramification on merger foundering. The results obtained elucidate the high relevance of employee trust in merger to the organizational identification of employees from both the acquirer and the acquired companies after M&A. It has been well proven that trust reduces conflict during negotiation (De Dreu, Giebels and Viliert, 1998), and the internal team can also play a vital role in curtailing the intra-team conflict (Porter and Lilly, 1996). The current study also indicates that trust in merger a significant predictor of both post merger organizational identification and satisfaction with merger. This implies that managers should primarily focus on increasing employees' trust in the merger. This can lead to the reduction in the conflict between the acquirer and the acquired employees, ultimately producing a favorable outcome of the M&A. In this regard, managers must not forget the crucial role of communication in understanding employees (Bartels et al., 2006) and subsequently increasing their faith in the merger.

Without a doubt, merger and acquisition activities generate substantial psychological impact on employees (van Knippenberg, Monden and De Lima, 2002). This study shows that pre-merger organizational identification has impact on post merger organizational identification. Thus, managers should introduce communication programs intended to reduce uncertainty for employees by keeping them updated with the M&A process. This would lead to employees to believe that the culture and values of the post-merger company fit well with the one pre-merger, and thus, strengthens their identification with the new company.

Among the various reasons to engage in merger and acquisition, increasing performance is the most important. However, if the expected utility fails to add on employees' faith in increased performance, employees will be unwilling to increase or to establish their recognition with the new company (Lee, Wu, and Lee, 2009), which is a highly counterproductive situation. This has serious implications for managers. The responsible managers in the new company should lodge concrete plans to persuade employees that the M & A is indeed there to raise performance for mutual benefits (Lee, Wu and Lee, 2009). The goal of this is to instill more confidence in the utility of the merger among employees.

Surprisingly, empirical evidence linking merger attitudes and turnover intention have been few and far in between. Nevertheless, some researchers have studied employee response to major restructurings such as M&As (Buono and Bowditch, 1989; Cartwright et al., 1992; Schweiger, Ivancevich, and Power, 1987). These studies reveal that these major restructuring negatively affect employees' intentions to remain with their organization, consequently increasing the turnover intention. This study put in perspective two factors affecting turnover intention: satisfaction with merger and post merger organizational identification. The study could not establish significant relationship between satisfaction with merger and intention to leave. However, the empirical studies in the past suggest that organizational commitment has statistically significant, and negative relationships with withdrawal intentions, such as intention to quit (e.g., Jaros, 1997). Nevertheless, the current study shows that post merger organizational identification has statistically significant and negative relationship with intent to quit. This implies that a strong focus of managers should be to make the employees 'feel at home' in the new company. Formulation of employee-centric plans and programs could be the way forward for the merged entities, immediately following the merger process.

V. CONCLUSION

Owing to a number of merger and acquisitions taking place in the financial sector of Nepal, this study clearly exhibits that the turnover intentions of employees after merger is affected by the post-merger organizational identification. The finding has a profound managerial implication- if the new management after merger and acquisition cannot provide proper identity to its employees, the firm could suffer exodus of valuable an asset called human resource. This calls for timely interventions by the leaders in the organization.

Furthermore, in order to develop post-merger organizational identification, the management should focus on pre-merger organizational identification, utility with merger and trust in merger. This provides a proper guidance to the management in order to help it design the programs after the merger. Additionally, the study indicates that the trust in merger is the only factor that establishes satisfaction with merger. These findings obtained from the study presents the Nepali organizations, in general, and banking and financial institutions, in particular, with a clear idea of the management of human resource following the merger and acquisition process.

This study paves the way for future researches in the field of personnel management in Nepali financial institutions. The study captured the variables from self-reported measures and the samples were drawn from the five banks that have undergone merger and acquisition. Researches with a larger sample size with better representativeness and incorporating the enhanced mechanisms to limit the self-report bias would contribute to the body of knowledge in this arena. This study could be replicated with samples from more banks that have undergone merger and acquisition from all over Nepal, so as to validate the findings of present study. Future studies could also examine the moderating role of other variables in the relationships between the independent variables and post-merger organizational identification, satisfaction with merger, turnover intention.

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