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Impact of Bank Mergers on Service Quality

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Abstract

Purpose – This study aims to find the pre and post-merger differences in the service quality perceptions (if any) of customers. Further, to identify which dimensions of service quality ensures maximum satisfaction for customers after mergers.

Design / Methodology / Approach – The sample is made up of 200 bank customers, consisting of the customers from both HDFC and ICICI banks. The data have been collected by using the structured questionnaire based on Likert scale which consists of statements related to service quality dimensions based on past literature and also two new dimensions of price and security. The analysis is made using Mean, Standard Deviation and paired t-test to know the significance of pre–post-merger change.

Findings – The SERVQUAL model used in the study consists of eight critical factors (dimensions): tangibility, reliability, responsiveness, assurance, empathy, accessibility and flexibility, price and security. The results reveal that the ranking given by customers regarding eight service quality factors shows accessibility and flexibility, tangibility, price and security factors as considered on priority and then, these factors are followed by the reliability, assurance, empathy and responsiveness. The analysis shows that mergers have a very positive impact in the improvements in the facilities leading to the satisfaction of customers.

Originality / Value – This paper makes a useful contribution given that there are only a few studies dealing regarding the assessment of service quality in banking environment in the era of mergers and acquisitions in banking sector. Study by David J. Urban in 2000 in US is the only one on the aspect of service quality in the wake of mergers and acquisitions in banking sector. The present study could not find such kind of study in Indian context as well as globally.

This study also uses two new factors of service quality along with the five factors given in literature. These are price and security. The study could be quite useful from the policy perspective in providing the guidelines to develop proper strategies for bank mergers, which could have good impact on customers satisfaction.

Key Words

SERVQUAL, Mergers and Acquisitions, Banks

INTRODUCTION

In any business concerned with customer, satisfying a customer is the ultimate goal and objective rather it is the major issue of business. This is due to the fact that organizations, most of the time, do not actually understand of what in reality is going on in a customer's mind. A number of banks believe in the fact that high customer satisfaction will lead to greater customer loyalty (Yi, 1991; Anderson and Sullivan, 1993; Boulding *et al.*, 1993) that, in turn, leads to future revenue (Fornell, 1992; Bolton, 1998). For this reason, many business organizations (including banks) that believed to have superior service quality have been found to be the market leaders in terms of sales and long-term customer loyalty and their retention (Anderson and Sullivan, 1993; Boulding *et al.*, 1993; Eklo and Westlund, 2002). The objective of this paper is to see the effect of mergers in banking sector on the service quality parameters.

The Banking Sector in India

The Indian banking sector has been undergoing major changes that have affected both its structure and the nature of strategic interaction. The banking sector reforms undertaken in India from 1992 onwards were basically aimed at ensuring the safety and soundness of financial institutions and, at the same time, at making the banking system strong, efficient, functionally diverse and competitive. The Indian banking industry is not new to the trend towards merger and acquisition. Over the past decade, the banking industry has experienced an unprecedented level of consolidation as mergers and acquisition among large financial institutions have taken place at record levels. These mergers and acquisitions encourage banks to gain global reach and better synergy. Our Finance Minister, Mr.Arun Jaitley has also proposed that PSU banks should merge. (Banks Consolidation : So Near, Yet So Far, The Economic Times, 9th March, 2016), the same article also stressed that the bank mergers have been considered as shortgum marriages blessed by RBI to save them from sinking.

Service Quality and Bank Mergers

In this era of mergers and acquisitions, Service Quality has become an increasingly important factor for success and survival in the banking sector. Provisions of high quality service aid in meeting several requirements such as customer's satisfaction and loyalty, market share, attracting new customers, improved productivity, financial performance and profitability of the banks. (Collet *et al.*, 1990; Julian and Ramaseshan, 1994; Lewis 1989, 1993; Liosa *et al.*, 1998). Service quality is an intangible and indistinct construct and its delivery is considered as an essential strategy for success and survival. Quality in servicing customers is an important marketing construct for banks. Competition has obliged service organizations to look for an effective way to differentiate in the market and augment the likelihood of customers' satisfaction. Superior Servqual performance will ensure maximum satisfaction and also help in attaining customer's loyalty (Pooja Mengi, 2009)

There is a very little information available about the impact of mergers and acquisitions on the customer's perceptions of service quality of their banking services which they have been receiving before merger and after merger. There is a need to judge whether there is any improvement in the quality of banking services after merger or not and the relationship between bank mergers and service quality perceptions of customers. The conceptualization and measurement of service quality continues to play an important role in service marketing for both academicians and practitioners on equal footing (Israel. 2004). Berry (1983) in his pioneering study on relationship marketing indicated that the development and maintenance of relationship with customers represent a significant strategy for long-term success especially in service sector. Bank mergers can result in consumers receiving more services. Some of these services include larger loan limits, more branches, and more ATMs (Turillo and Sullivan 1987). Mergers can also improve service delivery : several merged banks have increased their capability to offer electronic banking and other technological service enhancements (Standard and Poor's, 1997)

Service Quality : Theoretical Framework

Service quality is a very important aspect of any business-related activity targeted at customers. Service quality is a focused evaluation that reflects the customer's perception of specific dimensions of services. Satisfaction of customers is more inclusive, it is influenced by perceptions of service quality, product quality, and price as well as situational and personal factors. Customer expectations are the beliefs about a service that serve as standards against which service performance is judged (Zrithaml *et al.*, 1993); which customer thinks a service provider should offer, rather than on what might be on offer (Parasuram *et al.*, 1988). To some, service quality can also be defined as the difference between customer's expectations for the service encounter and the perceptions of the service received. According to the service quality theory (Oliver, 1980), it is predicted that customers will judge that quality as low if performance does not meet their expectations and quality as high when performance exceeds expectations.

Definitions of service quality hold that this is the result of the comparison that customers make between their expectations about a service and their perception of the way the service has been performed (Lehtinen and Lehtinen, 1982; Lewis and Booms, 1983, Gronroos, 1984; Parasuraman *et al.*, 1985; 1988; Caruana, 2002). Service quality is defined as the degree of discrepancy between customers' normative expectation for service and their perceptions of service performance (Parasuraman *et al.*, 1985). The definition of service quality was further developed as "the overall evaluation of a specific service firm that results from comparing that firm's performance with the customer's general expectations of how firms in that industry should perform (Parasuraman *et al.*, 1988). Among general instruments, the most popular model used for evaluation of service quality is SERVQUAL, a well-known scale developed by Parasuraman *et al.* (1985, 1988). The attributes of (Parasuraman *et al.*, 1985), were: tangibles, reliability, responsiveness, competency, courtesy, assurance, credibility, security, access, and understanding. Parasuraman *et al.* (1988) later reduced these ten dimensions into five by using a factor analysis. These five dimensions were :

Tangibility, Reliability, Responsiveness, Assurance and Empathy

OBJECTIVES OF THE RESEARCH

1. To examine the impact of bank mergers on the perceptions of customers regarding service quality.
2. To comparatively identify the dimensions of service quality that have more effect on customers perceptions.

RESEARCH METHODOLOGY

Both primary as well as secondary data were collected. The primary data is collected through a well-designed questionnaire which is distributed to target respondent randomly.

For the survey, two banks i.e. HDFC Bank and ICICI Bank were taken. As these are leading private sector banks. ICICI is the largest Indian multinational bank. The sample size used is 200 respondents (100 each of 2 banks).

The data collected is analyzed using various statistical tools i.e. mean, standard deviation, and paired t-test, to compare the pre and post-merger service quality perceptions.

Originality

This paper makes a useful contribution given that there are only a few studies dealing regarding the assessment of service quality in banking environment in the era of mergers and acquisitions in banking sector in India.

This study also uses two new factors of service quality along with the five factors given in literature. These are price and security.

Research Gap

Study by David J. Urban in 2000 in US is the only one on the aspect of service quality in the wake of mergers and acquisitions in banking sector. The present study could not find such kind of study in Indian context as well as globally. Very little information is available about the impact of mergers and acquisitions on the customers' perceptions about service quality of their banking services which they have been receiving before merger and after merger. There is a need to judge whether there is any improvement in the quality of banking services after merger or not and the relationship between bank mergers and service quality perceptions of customers.

LITERATURE REVIEW

Mukesh Kumar *et el.* (2010) aimed to find the differences in the service quality between two types of banks, namely conventional and Islamic. The results revealed that the expectations on competence and convenience are significantly different between conventional banks and Islamic banks, whereas the perceptions on tangibility and convenience are found to be significantly different between these two types of banks. The application of dominance analysis in the SERVQUAL model indicated that the difference between the two types of banks was in terms of degree and not pattern. Competence and convenience were found to be the relatively more dominating factors in both the types of banks. These two dimensions together could help to reduce the overall service quality gap to an extent of 72 per cent in the case of conventional banks and 85 per cent in the case of Islamic banks.

David J. Urban; Michael D Pratt (2000) surveyed consumers to find out the relationship between bank mergers and service quality perceptions. The findings of the study depicted that there is a significant relationship between bank mergers and service quality perceptions. These perceptions again differ based on the demographic characteristics of the respondents and the bank marketers need to respond to the unique needs of these demographic segments.

Morrall (1996) summarizes the customer orientation needed by banks that are merging by arguing that they have to treat their customers as an asset. According to various banking experts cited in the article, cost reduction to make a merger pay off is not as important as customer retention. Morrall lists several things that will cause customers to leave a banking relationship such as perceptions of exorbitant fees and services, employee service, gaps in the menu of services and products, bank mistakes, delays, and low deposit interest payments. His recommendations included analyzing the value of customers, improving communication with, and avoiding cost cutting strategies that affect customer service.

ANALYSIS AND DISCUSSIONS

Tangibility

Tangibility dimension of service quality in the SERVQUAL literature includes the physical environment, facilities and equipments and appearance of personnel. For banking industry the tangibility dimension stands for appearance of premises, looks of employees, modernity of equipments and other facilities and visual appeal of various informative materials.

For this dimension, this study focuses on five parameters i.e. visual appearance, up to date equipments, well-dressed employees, clear and complete pamphlets and bank statements. Analysis of tangibility is shown in Table 1.

Table 1
Analysis of Tangible Factors

Factors	HDFC Bank				ICICI Bank			
	Mean		Rank-ing	Paired t-value	Mean		Rank-ing	Paired t-value
	Pre	Post			Pre	Post		
Visual Appearance	3.76	3.98	4	3.12**	3.82	4.34	4	5.15**
Upto Date Equipments	3.72	3.96	1	3.86**	3.74	4.06	2	4.34**
Dressing Sense	3.50	4.00	5	6.59**	3.52	4.08	5	6.54**
Clear and Complete Pamphlets	3.60	3.72	2	1.23	3.58	3.88	1	2.67**
Bank Statements	3.58	3.54	3	0.38	3.84	3.76	3	0.87

The above Table shows the ranks given by customers to different factors of tangibility on the basis of degree of change. In both the banks customers gave least importance to visual importance and employees dressing sense giving then 4 and 5 ranking respectively. Customers of both the banks gave priority to two factors viz. up to date equipments and clear and complete pamphlets, as up to date equipments reflects improvement in technology and clear and complete pamphlets are the source which disseminate the perfect knowledge to customers.

The pre-merger mean of customers' views regarding visual appearance is 3.76 and 3.98 for HDFC Bank and ICICI Bank respectively. The post-merger mean is 3.98 and 4.34 in both Banks respectively. The paired t-value of this change in pre and post means is 3.12 and 5.15 respectively in HDFC and ICICI Bank which is significant at 10% level of significance in both banks.

For up to date equipments, pre-merger mean is 3.72 and 3.74 for HDFC Bank and ICICI Bank respectively and the post-merger mean is 3.96 and 4.06 for both banks respectively. The paired t-value of this change in pre and post-mean is 3.86 and 4.34 in both banks respectively which is significant at 10% level of significance. The banks have new technology equipments to service the customers.

The third factor is employee dressing sense, for which pre-merger mean is 3.50 and 3.52 for HDFC Bank and ICICI Bank respectively and the post-merger mean is 4.00 and 4.08 for both banks respectively. The paired t-value of this change in pre and post-mean is 6.59 and 6.54 in both banks respectively which is significant at 10% level of significance. Mergers improve dressing sense of employees they are now better dressed as before mergers as per customers' views.

Regarding pamphlets, pre-merger mean is 3.60 and 3.58 for HDFC Bank and

ICICI Bank respectively and the post-merger mean is 3.72 and 3.88 for both banks respectively. The paired t-value of this change in pre and post-mean is 1.23 for HDFC, which is not significant and 6.54 for ICICI Bank which is significant at 10% level of significance.

Regarding Bank Statement, pre-merger mean is 3.58 and 3.84 for HDFC Bank and ICICI Bank respectively and the post-merger mean is 3.54 and 3.76 for both banks respectively. The paired t-value of this change in pre and post-mean is 0.38 and 0.87 for HDFC and ICICI Banks respectively, both are insignificant. Though the change is insignificant but customers are of the view that quality of bank statement has been improved.

The analysis shows that all the factors of tangibility are positively affected by the mergers as revealed by the customers' views. The customers of both the banks are of the view that mergers resulted in modernization of premises and other tangible factors.

Reliability

Reliability emphasizes on the degree to which customers can rely on the service provider to keep promises and perform with the best interests of the customers at heart. The SERVQUAL literature indentifies reliability as the ability to perform promised services dependably and accurately. In banking industry four parameters i.e. Bank keeping promises, accuracy in problem handling, timely service and accurate records are taken to define reliability.

Table 2

Analysis of Reliability Factors

Factors	HDFC Bank				ICICI Bank			
	Mean		Rank-ing	Paired t-value	Mean		Rank-ing	Paired t-value
	Pre	Post			Pre	Post		
Banks Keep Promises	3.50	3.64	3	1.74	3.70	3.78	4	0.89
Accuracy in Problem Handling	3.42	3.64	1	2.37*	3.70	4.02	1	3.71**
Bank Keeping Time	3.38	3.78	4	3.98**	3.60	3.90	2	2.97**
Accurate Records	3.18	3.74	2	5.55**	3.78	3.98	3	3.15**

In the post-merger period improvements are noticed and observed in all the factors of reliability. Customers' ranking for these factors is shown in Table 2. The analysis shows that the accuracy in problem handling has improved in both the banks and ranked by customers as first in both banks. The HDFC Bank customers ranked accurate records second while ICICI customers ranked Timely services at second and accurate records at the third. HDFC customers ranked bank keeping promises factor at the third and timely service at the fourth rank. The ICICI Bank customers keep the bank keeping promises factor at fourth. This analysis shows that there is improvement in the reliability of banks.

The pre-mean of customers' views regarding bank keeping promises is 3.50 and 3.70 in HDFC and ICICI Bank respectively and the post-mean of customers' views regarding this factor is 3.64 and 3.78 for both banks respectively. The paired t-value of the change in pre and post-mean is 1.74 and 0.89 for both banks respectively and both are insignificant. Thus as per the opinions of the customers the bank honors commitments as compared with before mergers, but this change is insignificant.

Inference as evidence by the study the pre-mean of customers' views regarding accuracy in problem handling is 3.42 and 3.70 in HDFC and ICICI Bank respectively and the post-mean of customers' views regarding this factor is 3.64 and 4.02 for both banks respectively. The paired t-value of the change in pre and post-mean is 2.37 for HDFC significant at 5% and 3.71 for ICICI bank significant at 10% level of significance. As far as accuracy in problem handling is concerned, it becomes more accurate after the mergers in all banks.

Suggested by the analysis of bank's time keeping, the pre-mean of customers' views is 3.38 and 3.60 in HDFC and ICICI Bank respectively and the post-mean of customers' views regarding this factor is 3.78 and 3.90 for both banks respectively. The paired t-value of the change in pre and post-mean is 3.98 and 2.97 for both banks respectively and both are significant at 10% level of significance.

As regards the fourth factor of accurate records, the pre-mean of customers' views is 3.18 and 3.78 in HDFC and ICICI bank respectively and the post-mean of customers' views regarding this factor is 3.74 and 3.98 for both banks respectively. The paired t-value of the change in pre and post-mean is 5.55 and 3.15 for both banks respectively and both are significant at 10% level of significance.

Responsiveness

Responsiveness as defined by the SERVQUAL literature is identified as the willingness of the staff to be helpful and to provide prompt services to the customer. This dimension of service quality has three parameters which are prompt services, employees always willing to help and timely bank statements.

Table 3
Analysis of Responsiveness Factors

Factors	HDFC Bank				ICICI Bank			
	Mean		Rank-ing	Paired t-value	Mean		Rank-ing	Paired t-value
	Pre	Post			Pre	Post		
Prompt Service	3.36	3.88	2	4.70**	3.76	4.12	3	3.34**
Employees' Willingness	3.04	3.58	1	5.15**	3.54	3.90	1	3.84**
Timely Bank Statements	3.38	3.90	3	6.06**	3.62	3.86	2	2.57**

Above analysis shows a positive effect of mergers on responsiveness factors. Concerning the degree of change, the customers of both HDFC and ICICI Bank gave first rank to employees' willingness and considered it the most important factor. This is the factor, which affect the delivery of other two factors.

The pre-mean of customers' views regarding prompt services is 3.36 and 3.76 in HDFC and ICICI Bank respectively and the post-mean of customers' views regarding this factor is 3.88 and 4.12 for both banks respectively. The paired t-value of the change in pre and post-mean is 4.70 and 3.34 significant at 10% level of significance.

The pre-mean of customers' views regarding willingness of employees to help is 3.04 and 3.54 in HDFC and ICICI Bank respectively and the post-mean of customers' views regarding this factor is 3.58 and 3.90 for both banks respectively. The paired t-value of the change in pre and post-mean is 5.15 and 3.84 for both banks respectively and both are significant at 10% level of significance.

The pre-mean of customers' views regarding timely bank statements is 3.38 and 3.62 in HDFC and ICICI Bank respectively and the post-mean of customers' views regarding this factor is 3.90 and 3.86 for both banks respectively. The paired t-value of the change in pre and post-mean is 6.06 and 2.57 for both banks respectively and both are significant at 10% level of significance.

As per the views of the customers, there is improvement in all these three parameters of responsiveness in all the banks.

Assurance

Assurance is defined as employees' knowledge and courtesy and their ability to inspire trust and confidence. Under assurance three factors have been considered which are polite employees, employees' confidence and courteous employees.

The customers of all the banks gave their views that there is an improvement in the assurance factor of service quality.

Table 4

Analysis of Factors of Assurance

Factors	HDFC Bank				ICICI Bank			
	Mean		Rank-ing	Paired t-value	Mean		Rank-ing	Paired t-value
	Pre	Post			Pre	Post		
Polite Employees	3.58	3.78	3	1.68	3.76	3.92	2	1.58
Employees' Confidence	3.28	3.72	1	4.36**	3.60	3.82	1	2.71**
Courteous Employees	3.24	3.80	2	4.91**	3.64	4.02	3	3.79**

All the factors of assurance are positively affected by the mergers as revealed by the analysis of customers' views. Regarding the degree of change, the customers of HDFC Bank ranked employees' confidence at first, courteousness of employees at second and politeness of customers at the third where as the employees of ICICI Bank ranked employees' confidence at the first, politeness of customers at the second and courteousness of employees at the third. Both the bank customers are almost of the same views, the most required factor for the banks to satisfy the assurance factor of service quality is that they should build confidence among the customers on their employees.

The pre-mean of customers' views regarding politeness of employees is 3.58 and 3.76 in HDFC and ICICI Bank respectively and the post-mean of customers' views regarding this factor is 3.78 and 3.92 for both banks respectively. The paired t-value of the change in pre and post-mean is 1.68 for HDFC and is not significant; it is 1.58 for ICICI and is significant at 10% level of significance. Thus, as per customers' view this factor is positively affected due to mergers.

The pre-mean of customers' views regarding employees' confidence is 3.28 and 3.60 in HDFC and ICICI Bank respectively and the post-mean of customers' views regarding this factor is 3.72 and 3.82 for both banks respectively. The paired t-value of the change in pre and post-mean is 4.36 and 2.71 for both banks respectively and both are significant at 10% level of significance.

Regarding the third factor, which is courteous employees, the pre-mean of customers' views is 3.24 and 3.64 in HDFC and ICICI Bank respectively and the post-mean of customers' views regarding this factor is 3.80 and 4.02 for both banks respectively. The paired t-value of the change in pre and post-mean is 4.91 and 3.79 for both banks respectively and both are significant at 10% level of significance.

Empathy

Empathy is defined in the SERVQUAL literature as the individualized caring attention that is given to each customer. Empathy has three factors first is that the employees know customers' needs, banks having best interest and individual attention.

All these factors have been improved after the merger.

Table 5

Analysis of Factors of Empathy

Factors	HDFC Bank				ICICI Bank			
	Mean		Rank-ing	Paired t-value	Mean		Rank-ing	Paired t-value
	Pre	Post			Pre	Post		
Employees Know Needs	3.62	3.80	2	2.26*	3.70	3.78	3	0.94
Bank Having Best Interest	3.26	3.66	1	5.52**	3.80	4.00	1	3.15**
Individual Attention	3.02	3.46	3	5.45**	3.50	3.80	2	3.59**

All the factors of empathy are positively affected by the mergers as revealed by the analysis of customers' views. Regarding the degree of change in empathy factors, the customers of both the banks ranked banks having best interest at the first, the HDFC bank's customers ranked employees know their needs at the second and individual attention at the third whereas customers of ICICI bank ranked individual interest at the second and knowledge of customers about the customers' needs at the second. This analysis shows that the customers require that, as a whole, the bank should have the best interest at heart for the customer.

The pre-mean of customers' views regarding first factor of empathy is 3.62 and 3.70 in HDFC and ICICI Bank respectively and the post-mean of customers' views regarding this factor is 3.80 and 3.78 for both banks respectively. The paired t-value of the change in pre and post-mean is 2.26 for HDFC which is significant at 5% level of significance and 0.94 for ICICI Bank which is insignificant.

The pre-mean of customers' views regarding banks best interest is 3.26 and 3.80 in HDFC and ICICI Bank respectively and the post-mean of customers' views regarding this factor is 3.66 and 4.00 for both banks respectively. The paired t-value of the change in pre and post-mean is 5.52 and 3.15 for both banks respectively and both are significant at 10% level of significance.

The pre-mean of customers' views regarding individual attention is 3.02

and 3.50 in HDFC and ICICI bank respectively and the post-mean of customers' views regarding this factor is 3.46 and 3.80 for both banks respectively. The paired t-value of the change in pre and post-mean is 5.45 and 3.59 for both banks respectively and both are significant at 10% level of significance.

Accessibility and Flexibility

Accessibility and Flexibility dimension is defined as the service provider' ability through its location, operating hours, employees and operational systems, to design and deliver the service to be capable to adjust to the demands and wishes of customers in a flexible way.

Under Accessibility and Flexibility five factors came which are convenient location, accessibility of employees, flexible operating hours, wide range of services and accessibility of services.

Table 6

Analysis of factors of Accessibility and Flexibility

Factors	HDFC Bank				ICICI Bank			
	Mean		Rank-ing	Paired t-value	Mean		Rank-ing	Paired t-value
	Pre	Post			Pre	Post		
Convenient Location	3.60	3.88	4	3.72**	3.92	4.28	4	3.84**
Employees' Accessibility	3.36	3.78	2	6.93**	3.58	4.02	1	5.28**
Flexible Bank Hours	3.46	3.82	5	4.38**	3.60	4.06	5	5.68**
On Demand Services	3.16	3.80	1	8.29**	3.62	3.96	3	4.96**
Wide Ranged Products	3.46	3.74	3	3.28**	3.74	4.12	2	3.79**

All the factors of Accessibility and Flexibility are positively affected by the mergers as revealed by the customers' views. As far as degree of change is concerned, the customers ranked various factors of Accessibility and flexibility, the customers of HDFC Bank ranked wide range of services at first, accessibility of employees at second, accessibility of services at third, convenient location at fourth and gave last ranking i.e., fifth to flexible banking hours. The customers of ICICI Bank gave first ranking to employee's accessibility second to accessibility of services and third to wide range of services. They gave same ranking to convenient location and flexible working hour of banks.

The pre-mean of customers' views regarding convenient location is 3.60 and 3.92 in HDFC and ICICI Bank respectively and the post-mean of customers' views regarding this factor is 3.88 and 4.28 for both banks respectively. The paired t-value of the change in pre and post-mean is 3.72 and 3.84 for both banks respectively and both are significant at 10% level of significance.

The pre-mean of customers' views regarding employees' accessibility is 3.36 and 3.58 in HDFC and ICICI Bank respectively and the post-mean of customers' views regarding this factor is 3.78 and 4.02 for both banks respectively. The paired t-value of the change in pre and post-mean is 6.93 and 5.28 for both banks respectively and both are significant at 10% level of significance.

The pre-mean of customers' views regarding flexibility of banking hours is 3.46 and 3.60 in HDFC and ICICI Bank respectively and the post-mean of customers' views regarding this factor is 3.82 and 4.06 for both banks respectively. The paired t-value of the change in pre and post-mean is 4.38 and 5.68 for both banks respectively and both are significant at 10% level of significance.

The pre-mean of customers' views regarding accessibility of services is 3.16 and 3.62 in HDFC and ICICI Bank respectively and the post-mean of customers' views regarding this factor is 3.80 and 3.96 for both banks respectively. The paired t-value of the change in pre and post-mean is 8.29 and 4.96 for both banks respectively and both are significant at 10% level of significance.

The pre-mean of customers' views regarding wide range of services is 3.46 and 3.74 in HDFC and ICICI Bank respectively and the post-mean of customers' views regarding this factor is 3.74 and 4.12 for both banks respectively. The paired t-value of the change in pre and post-mean is 3.28 and 3.79 for both banks respectively and both are significant at 10% level of significance.

Price / Cost

Price / Cost of the products or various services provided by the bank also influence the customers quality perceptions to a great extent.

More than fifty per cent of the customers are of the view that price /cost of the products have been increased as a result of mergers which in turn results in the improvement of quality of services provided by the bank which is also reflected in the analysis of the previous factors of the service quality. More than sixty per cent of the customers are willing to avail the high service quality at high price i.e. they are willing to pay high price for high quality.

In HDFC Bank 46 per cent customers are both price and quality sensitive, 42 per cent are only quality sensitive and 12 per cent are price sensitive at the same time In ICICI Bank price sensitivity of the customers is same i.e. 12 per cent, 38 per cent of the customers are quality sensitive where as the per centage of customers who are both price and quality sensitive is fifty per cent.

Security

Security is a factor which is also included in this research as a dimension of service quality as in banking industry the security related to different products also influences the perceptions of the customers.

In both the banks more than 80 per cent of the customers are feeling secure even after mergers they are of the view that the merger in banking sector does not affect the security rather security of e- banking has been increased as per 76 per cent of the customers in HDFC bank and 80 per cent of the customer of ICICI Bank.

The overall analysis of all the factors shows that the mergers lead to the improvement in the service quality in banking sector. The customers of HDFC and ICICI Bank gave following ranking to the factors of service quality.

Table 7

Overall Ranking of Service Quality Factors

Factors	**HDFC Bank**	**ICICI Bank**
	Ranks	
Tangibility	2	6.5
Reliability	5	5
Responsiveness	8	8
Assurance	6	6.5
Empathy	7	4
Accessibility and Flexibility	1	3
Price	3	1
Security	4	2

Findings and Implications

Mergers and Acquisitions have positive impact on the service quality of the banks. The study shows that the customers are concerned about the quality of the services of the banks. The findings of our study are:

1. The ranking given by customers regarding eight service quality factors shows that the accessibility and flexibility, tangibility, price and security factors are considered on priority and then these factors are followed by the reliability, assurance, empathy and responsiveness. The analysis shows that mergers have a very positive

impact in the improvements in the facilities leading to the satisfaction of customers.

2. Regarding tangibility, mergers have led to upgradation in technology which affects various factors such as modern premises, equipments, employees' dressing sense and pamphlets and account statements containing clear and complete information.
3. Mergers result in the timely services by the banks and banks are now handling the problems of the customers more accurately. After the merger, the bank records are also more accurate. The analysis shows that timely service and accuracy in handling the customers' problems are the two factors of reliability to which the customers gave high weightage.
4. As regards responsiveness, customers are now getting prompt services from the banks and timely bank statements. They were of the view that the employees were willing to help even before the mergers but the banking system after mergers has been changed in such a way that they are feeling improvement on the responsiveness parameter of the service quality as a result of this. There is no doubt that the tangibility and reliability factors add to increase in the responsiveness of the banks.
5. The analysis of assurance factor of service quality shows that the employees were polite and courteous before the merger but there is an improvement in their behaviour as a result of mergers. Now customers are of the view that the employees are more courteous, polite and more eager to instil confidence after mergers.
6. As regards empathy, the customers are of the view that there is not much change in this due to mergers as the employees know their needs even before the mergers and are having best customers' interest at heart both before and after the mergers.
7. As regards accessibility and flexibility, the analysis of primary data shows that there is an improvement on all the parameters of accessibility and flexibility as a result of mergers. The analysis of available literature also shows that there is an increase in the number of services provided by the bank after the merger.
8. The analysis regarding the price/cost factor shows that, no doubt the price of services has been increased after merger but there is an improvement in the quality of service also. The customers are ready to pay high price for better quality. The customers are both price and

quality sensitive rather more number of customers are quality sensitive than price.

9. The analysis of security factor shows that the customers consider e-banking facilities as secure, and also of the view that e-banking services have been improved and become secure as a result of mergers.

CONCLUSION

In this emerging environment of mergers and acquisitions, the banks will have to concentrate on maintaining or improving the quality of services to be competitive. The study reveals that there is an improvement in the service quality factors as a result of mergers. The banks should take care of service quality parameters while thinking of mergers. Along with other benefits of mergers which are revealed by the literature such as increased profitability, efficiency and other synergy effects the improvement in the service quality is also one of the outcomes of mergers. This can be used as the parameter by the policy makers for making merger decisions in future.

As more mergers are on anvil, the government of India in particular and other countries in general can advance in this direction. Mergers evidence enhancement in quality of service and profitability of merging banks.

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