HR ISSUES POST MERGER OF SBI AND ITS ASSOCIATES: A STUDY WITH SPECIAL REFERENCE TO PUNJAB STATE

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ABSTRACT

A merger occurs when two or more companies combine their business and assets to convert them in to a new company (or to one of themselves). From the past few years Banking Industry is being consolidated to reap the benefits of mergers and acquisitions. The same happened in India when on 15 February 2017, the Union Cabinet approved a proposal to merge five SBI associate banks with SBI. As a result SBI transformed to India's largest bank. It took almost half a year to make this merger happen as in case of other mergers in the history too. This mega merger led to many positive and negative outcomes in the bank as well as the economy. Many issues have been tackled by the management in an efficient manner. However, every change brings some challenges. The present study aims at finding the HR problems faced by all the employees of SBI as well as its associates post merger. For this purpose, formal and informal interviews have been conducted with the employees of SBI and State bank of Patiala in different cities of Punjab state. Many HR problems have been listed and analyzed out of the content analysis of the interviews. The present study also attempted to suggest some of the solutions to these HR problems faced by these employees.

Keywords: Merger, SBI, HR issues, Bank

1. Introduction

Banks have influenced the economies on a large scale as can be seen from the history. They play a vital role in the economic development of a country by implementation of monetary policy, monetization of economy, development of agriculture, accelerating the rate of capital formation, provisioning the finance and credit, etc. Indian banking is the lifeline of the country and its people, especially a public sector bank. Today's public sector bank of India can compete with all the modern banks of the world. Even the government of India takes every important financial step with the help of these Banks only, whether it is demonetization or financial inclusion. Many banks in India have been a helping hand of the government and general public pre and post freedom. State bank of India is among those banks. The bank traces its ancestry to British India, through the Imperial Bank of India, to the founding, in 1806, of the Bank of Calcutta, making it the oldest commercial bank in the Indian subcontinent. Bank of Madras merged into the other two "presidency banks" in British India, Bank of Calcutta and Bank of Bombay, to form the Imperial Bank of India, which in turn became the State Bank of India in 1955. Government of India owned the Imperial Bank of India in 1955, with Reserve Bank of India (India's Central Bank) taking a 60% stake, and renamed it the State Bank of India. In 2008, the government took over the stake held by the Reserve Bank of India.

Talking about the market status, SBI has 20% market share in deposits and loans among Indian commercial banks. As per the reports of RBI, as of 2016-17, it had assets of 30.72 trillion (US$460 billion) and more than 14,000 branches, including 191 foreign offices spread across 36 countries, making it the largest banking and financial services company in India by assets (Satyanarayana, D. et. al 2017). The company is ranked 232nd on the Fortune Global, 500 list of the world's biggest corporations as of 2016. Moreover, it has been given a good ranking in the best work place category too recently. Before the merger in 2017, SBI was having these 5 associate banks with separate work entities and different banking systems:

- State Bank of Patiala (founded 1917)
- State Bank of Mysore (founded 1913)
- State Bank of Bikaner & Jaipur (founded 1963)
- State Bank of Hyderabad (founded 1941)
- State Bank of Travancore (founded 1945)

SBI now has one associate bank, down from the eight that it originally acquired in 1959. All use the State Bank of India logo, which is a blue circle, and all use the "State Bank of" name, followed by the regional headquarters' name. SBI provides a range of banking products through its network of branches in India and overseas, including products aimed at non-resident Indians (NRIs). SBI has 14 regional hubs and 57 Zonal Offices that are located at important cities throughout India. The merged entity was supposed to be a large figure just like an elephant in the jungle. In 2016, when the cabinet approved the merger, the government as well as the associated people were very positive regarding the merger. SBI chairperson Arundhati Bhattacharya gave the statement, “The merger of SBI and its associate banks is a win-win situation for both. While the network of SBI would stand to increase, its reach would multiply. Currently, no Indian bank features in the top 50 banks of the world. With this merger, some visibility at global level is likely to increase.” Figure 1 displays the data supporting all these claims which was published in *the Hindu daily* on June 16, 2016:

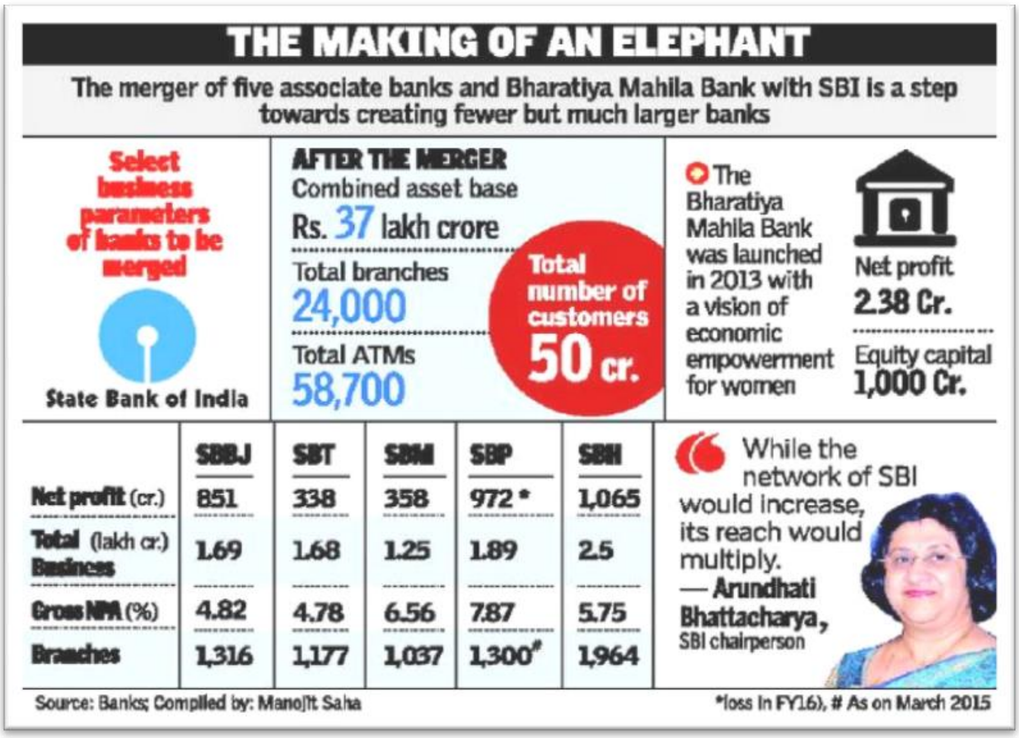

Figure 1

SBI merged with its associate banks in order to have increased balance sheet and economies of scale. With this merger:

- SBI has entered into the league of top 50 global banks.
- It has now 24,017 branches and 59,263 ATMs serving over 42 crore customers
- SBI is now a banking behemoth with an asset book of Rs 37 lakh crore.
- The merged entity will have one-fourth of the deposit and loan market, as the SBI's market share will increase from 17% to 22.5-23%.
- SBI's asset base is now five times larger than the second largest Indian bank, ICICI Bank.

Apart from these facts, there are many perceived gains as well: the government, as shareholder, feels that now it will have six less capital-hungry banks to worry about. It was expected that a larger institution will be better equipped to deal with sticky loans, thereby enabling fresh credit outflows to productive sectors. Thus productivity and efficiency are also among the expected benefits. But this merger has proposed many challenges in front of the management, employees and the customers of the bank. The present study will focus on the HR problems and issues faced the employees of the present mega bank despite of their original bank.

Literature Review

In merger one of the two companies losses its old identity to make a new one (Kithinji and Waweru, 2007). The profitability and efficiency of merged organization is higher than non merged organizations and they are in strong position (Amir, Diamantoudi and Xue, 2008). Several authors have examined the employment and HR related effects of mergers and acquisitions (e.g., Lichtenberg and Siegel (1987, 1990a, 1990b), McGuckin and Nguyen (2001), Conyon et al. (2002a, 2002b, 2004), and Gugler and Yurtoglu (2004), Goyel, K.A. and Joshi, B., (2012)). A study conducted by Marks and Cutcliffe (1988) found that corporate executives generally neglect the human aspect in mergers process, because they did not realize that the merger might have a significant negative effect on employee's behavior and they show resistance against it. 'More than any other issue, how you handle employees in the first three to six months will set the tone for future relations between the two firms' (McCann and Gilkey 1988, 65).

Schweiger and Ivancevich (1985) studied the human factor in merger and acquisition and identified some common merger stressors, which include uncertainty, insecurity, and fears concerning job loss, job changes, compensation changes, and changes in power, status, and prestige. Cartwright and Cooper (1993) studied the human aspects of merger and acquisition and the impact of such a major change event has on employee health and well being which has received relatively little research attention. They took the sample size of 157 middle managers involved in the merger of two U.K. Building Societies. They found that Post-merger measures of mental health to be a stressful life event, even when there is a high degree of cultural compatibility between the partnering organizations. Lodorfos and Boateng (2006) examined the role played by culture and provided a framework for enhancing the success of mergers and acquisitions. Their study found that, although managers agree that cultural differences create organisational challenges, yet the attention given to cultural integration issues during M&As are unconvincing and in some cases reactive.

Shook and Roth (2011) conducted a qualitative study using a constant comparative method to assess the perspectives of HR practitioners based on their experiences with mergers, acquisitions, and downsizings. In a highly influential article, Shleifer and Summers (1988) conjectured that mergers and acquisitions constitute a transfer of wealth from workers to shareholders. According to the authors, this occurs because acquirers do not honor implicit contracts with employees concerning wages and benefits. Thus, in their view, the abrogation of these commitments enables the new owners of the company to use the deal as a mechanism for enhancing the profitability of the firm, and ultimately, shareholder wealth, at the expense of workers. Others have alleged that mergers and acquisitions lead to substantial downsizing or even mass layoffs, usually basing their conclusions on data from a small number of large, publicly-traded corporations. Such layoffs have been alleged to have a traumatic, lasting negative impact on workers who are fired and also on "survivors," or those who remain with the firm in the aftermath of the layoff (Brockner et al. (1987), Brockner (1988)).

Nevertheless, it is clear that human resource issues are generally under-managed, poorly understood, and often discarded at the outset as irrelevant to the strategic planning process (Napier 1989; Buono and Bowditch 1989) and that a better understanding of human resource issues in the integration stage of mergers and acquisitions could help them succeed. Negative employee feelings and behavior are typical responses to threatening situations (Dyer, 1983). The list of such researches showing the post merger HR issues may be very long. But no such study has been conducted so far on the SBI mega merger. Keeping in view all the previous studies, the present study mainly focuses on the HR problems faced by the employees of the SBI as well its associate banks after the mega merger.

Objectives of the study

The main objective of this study is to analyze the actual HRM scenario of SBI and its associate banks after the merger in 2017. The study highlights the major HR related problems faced by the employees of the mega bank post merger. Moreover, an attempt has been made to examine these issues from different point of views. This may help the management as well as the employees to cope up with the post merger trauma, if any.

Research methodology

The present study is *exploratory cum descriptive*. It is based on the previous researches and the empirical data collected from the employees of merged new SBI in four major districts of Punjab: *Ludhiana, Patiala, Bhatinda and Jalandhar*. There have been time and geographical limitations. A sample of 43 employees from different branches of SBI of all the four districts was taken for this study by using the convenience sampling technique. Out of this figure, 17 employees were of SBI and 26 were of State bank of Patiala. District wise sampling distribution has been listed below:

Table 1: Distribution of Sampling Area:

Districts	No. of Respondents	SBI employee	SBP employee
Ludhiana	12	5	7
Patiala	10	4	6
Bhatinda	14	5	9
Jalandhar	7	3	4
Total	**43**	**17**	**26**

The respondents of the study have been interviewed formally as well as informally as per their availability and convenience. Approximately 10-12 open ended questions have been asked from them seeking the information on their stress levels, behavioral issues with other banks' employees, career related issues, transfer of employees, motivation, timing change, work life balance, etc. (Love, 2000). Google Scholar, articles, reports of RBI, newsletters of the banks, journals, and various websites have been the source of secondary data. The content analysis of these all responses has been done to analyze the results. Moreover, a few observational views have also been incorporated in the present study.

Limitations of the Study

The main limitations of the study have been related to time, sampling, hesitation and biasness among the employees in their views. Moreover, only a few main branches of the selected districts have been taken in the present study due to difficulty in approaching all the employees in a single study.

Major Findings of the Study

As stated earlier, the HR issues are generally ignored or sidelined during and post mergers. Many previous studies also support the same fact (Napier 1989; Buono and Bowditch 1989). But ignoring these issues may only lead to either the failure of the mergers or increasing turnover of the employees. The present study depicted many expected as well as unexpected results from the employees' interviews. However, the respondents were very much hesitated to share their views but the observations of their responses played a vital role in finding out the major problems faced by them. The major HR related problems and issues, based on the content analysis of the responses, have been discussed below:

a) **Different working styles**

As per the respondents of the study, the major issue which the employees of associate banks are facing in the new merged bank is the different working style of top management. The level of compliances of systems and procedures is much higher in the merged elephant as compared to their earlier organization.

b) Turnover Issues

Post merger, voluntary retirement scheme was launched for those who were resistant to change. However, after so many retirements, the turnover problem is still continuing in the giant bank as many employees still feel themselves ignorant and much tortured. Associate bank employees feel that it is the best option to leave the bank despite of the financial benefits given to them as the level of stress has increased so far.

c) Favoritism

One of the main HR issues found in the study was favoritism and biasness in every branch and workstation. If any branch is being headed by any associate bank's employee then he would favor only those employees who are from the same bank and vice versa. Such biasness is destroying the work culture for both types of employees.

d) Increased stress level

Those who have been affected by the merger are not only the associate bank employees but also the SBI's employees, as the stress level of both the employees has increased in the new organization. The reasons found liable for the stress are increased cross selling pressure, increased expectations, increased working hours, changed policies, post merger trauma etc. This increased stress level is definitely going to impact their productivity in the coming years.

e) Behavioral issues with other employees:

Most shocking response of the employees of both the entities was the verbal arguments and comments being passed on each other by them regarding who is liable for the merger. SBI employees keep on commenting that they have obliged all the associate employees by merging them into them. They are continuously being realized that they are the part of the largest bank of India. On the flip side, the latter employees feel that they are merged by force not by choice. These thoughts of the employees have brought a gap of thinking and behavior among all of them, which is again a major lacking of HR management of this bank.

f) Career related issues

Due to merger, many branches needed to be closed forcibly because of operational drawbacks or location issues. This has decreased many career related and promotional opportunities for the employees. Employees even feel that they are not being given chances despite of their eligibility and experience.

g) Insecurity and Anxiety

As per the responses of the surveyed employees, the feeling of insecurity and anxiety is very common among both types of employees. Organizational politics and cultural imbalance are out of the major reasons found through their responses.

h) Frequent Job Rotations and Transfers

Transfers have become very common problem of many employees. However, many respondents disagreed to this issue as they are of the viewpoint that they have been accommodated nearer to their hometowns after the mergers. Many pending request transfers have been executed very nicely by the HR department with the help of new policies. Yet the employees, who are facing transfer issues because of the merger with the giant and national level bank, are against their parent bank now.

i) Lose of Positions and Identity

As the systems have been changed, the hierarchy has also been changed. Many of the earlier employees on higher positions are now losing their positions as well as seniorities. All this has made them feel better to leave the organization than to go down. However, a different learning attitude has also been found among a few employees regarding the same. They feel that they have got many new opportunities post merger.

j) Increased Customer Traffic

Another HR related problem faced by the employees of both the entities post merger is that the customer traffic in each branch has increased. The reason might be the closure and merger of many branches. The customer base has been increased as stated earlier in the study. This has increased their working hours and ultimately their stress level has boosted up instead of the morale.

All these HR related issues have made the sustainability of India's mega merger a question. No doubt, the HR management and top management of these banks have worked very hard on all the expected human related aspects. But the list of the issues post merger makes it tougher for them to handle it in the future. These problems and grievances of the employees of the giant SBI may lead to some hurdles in the vision and mission proposed before the merger. Without handling them, the management can't expect fruitful results from this merger. Obviously, we are hearing the news of a few more upcoming mergers in the banking industry of our country. Better to rethink or to improve upon the previously created mess.

Conclusion

The success of banks basically depends on the development of the bank employees. Along with coherent development of the worker, technical infrastructures of the bank must be ensured to develop the effectiveness of the employee (P. Selvamani and B. Muthukumar, 2017). As discussed earlier, the SBI merged with its associate banks in order to have the benfits of productivity and efficiency. But these benefits were questionable due to SBI's legacy and ownership structure. A former SBI chairman had once remarked that reforming SBI was trying to make an elephant dance. Even discounting for exaggeration, according to the statement, a larger and unmanageable bank is getting even larger. This whole merger process was something like a short-gun wedding, with not enough opportunity to pause and ponder (Kaur, 2017). There were many imponderables involved in this big merger, for example, the overlap in the combined physical network, the people question, or integrating disparate backend systems and processes. Most recently the issue of employees has also come up.

The present study also throws light on such HR related issues faced by the employees. State Bank of India’s mega merger with its associate banks has been anything but smooth for some of the latter’s employees. Whereas officers and clerks working for the erstwhile associate banks feel that they have been given a raw deal with several instances of arbitrary transfers and many officers losing out on their seniority post the transfer. The most common problem expressed by the respondents of the present study was increased stress level and fear of loss of job. The same has been reconfirmed by a senior official of the association who said that the employees are facing increased working hours as the servers at SBI are unable to handle the traffic, and they (the staff) are still adjusting to the new working conditions. There have been several instances of arbitrary transfers with allegations that SBI has not been following the rules governing transfers.

The findings do not suggest, however, that the banks or the authorities should avoid making changes to the acquired organization. In many situations, changes would have to be made to capture the synergies of a merger. No doubt, the revenue will increase, but at what cost? What we need is not big, but strong, efficient and vibrant banks. And all this can be made possible if the most important pillar of this mega step, i.e. the human resources are dealt with carefully and taken care the most. This study also suggests that the HR issues should not be ignored at any cost as this cost would be the highest for the organization.

No research can be final at its end. The present research was confined to only one state of our country. Future research can also be done covering a wider area and more respondents with cross cultural extensions even across the country. Some other aspects of the research may also be covered so that research in this field can be strengthened. The future researchers may work in this area to investigate HR problems from the employers' perspective. This study may further be used for taking initiatives in the other upcoming mergers in the country.

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