International Journal for Multidisciplinary Research (IJFMR)
E-ISSN: 2582-2160 ● Website: www.ijfmr.com ● Email: editor@ijfmr.com

Impact of Bank Mergers on Customer Satisfaction and Service Quality: A Study of Public Sector Banks in NCR, Uttar Pradesh

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Abstract

Background: India's strategic public sector bank mergers (2017-2023) represent a transformative consolidation aimed at enhancing global competitiveness and operational resilience. While the macroeconomic rationale is established, there is limited empirical insight into how these structural changes impact frontline customer experience, particularly in dynamic economic regions like the National Capital Region (NCR) of Uttar Pradesh.

Objective: This study investigates the impact of recent public sector bank mergers on customer satisfaction and perceived service quality in NCR, Uttar Pradesh. It assesses changes across key service dimensions, identifies critical pain points, and examines factors influencing post-merger customer loyalty.

Methodology: A cross-sectional study was conducted using primary data from 409 customers of merged public sector banks across six NCR districts. Data was collected via a structured questionnaire based on a modified SERVQUAL framework measuring five service quality dimensions. Analysis employed descriptive statistics, factor analysis, correlation, and regression techniques using SPSS.

Key Findings: Results indicate an initial decline in service quality for 62% of respondents, particularly in branch-based services, though digital channels improved for 71%. Responsiveness and Assurance emerged as the strongest predictors of satisfaction, explaining 64% of variance. Service recovery followed a clear trajectory, with dissatisfaction decreasing to 34% after six months. Critical issues included poor communication (78%) and inconsistent service standards (65%), with senior citizens and small business owners experiencing 40% higher dissatisfaction rates.

Implications: The study provides strategic guidance for customer-centric merger integration, emphasizing transparent communication, staff training, and continuous service monitoring. It recommends that regulators incorporate customer experience safeguards into merger frameworks. Theoretically, it extends service quality models to organizational consolidation contexts, highlighting satisfaction as a dynamic outcome during transition.

Keywords: Bank Mergers, Customer Satisfaction, Service Quality, Public Sector Banks, SERVQUAL, NCR Uttar Pradesh, Post-Merger Integration, Banking Consolidation, Customer Experience.

1. Introduction

1.1 Background and Context

The Indian banking sector has undergone a profound transformation since the economic liberalization of the 1990s, evolving from a tightly regulated, government-dominated system to a more competitive, technology-driven, and globalized industry. Initial reforms focused on prudential norms, operational flexibility, and the entry of private and foreign players. However, the legacy issue of a fragmented public sector banking (PSB) landscape, characterized by a large number of small-to-medium sized banks with overlapping operations and weak financials, persisted. This fragmentation was starkly exposed following the asset quality review of 2015, which revealed significant stress on bank balance sheets, impairing their ability to support economic growth.

This context set the stage for the most significant structural reform in Indian banking in decades: the strategic consolidation of public sector banks. Initiated in 2017 and culminating in a major wave of mergers between 2019 and 2022, this policy aimed to create fewer but stronger and healthier banks. The rationale, articulated by the government and the Reserve Bank of India (RBI), was multifaceted. Primarily, it sought to achieve economies of scale and scope, reducing operational costs through branch rationalization and shared technology platforms. It aimed to enhance risk management capacity by creating entities with larger capital bases and more diversified portfolios. Furthermore, consolidation was intended to improve global competitiveness, enabling the emergence of Indian banks with the size and strength to operate effectively on the international stage. The creation of entities like the amalgamated Punjab National Bank, the new State Bank of India (after merging its associates), and the Union Bank of India represented a deliberate move from a system of "too many to fail" to one of "fewer and stronger."

The National Capital Region (NCR) of Uttar Pradesh—encompassing key districts like Ghaziabad, Gautam Buddh Nagar (Noida), Meerut, Bulandshahr, Baghpat, and Hapur—presents a critical microcosm for studying the impact of these mergers. As a major economic and industrial corridor with a dense, diverse population of retail customers, MSMEs, and large corporates, the NCR's banking landscape is intensely competitive. Here, merged PSBs operate amidst aggressive private banks and digital-only entities, making customer experience a paramount battleground. The integration of legacy systems, rebranding of branches, migration of accounts, and blending of organizational cultures in this region occurs under the heightened scrutiny of a financially aware and demanding customer base.

In this volatile environment, **customer retention** emerges as the linchpin of successful consolidation. A merger that achieves technical and financial integration but erodes the customer franchise is a pyrrhic victory. The transition phase is particularly vulnerable, as service disruptions, communication gaps, and employee uncertainty can quickly translate into customer frustration and attrition. Therefore, understanding the customer's lived experience through this change is not merely an academic exercise but a vital managerial imperative, essential for safeguarding the stability and value of these newly created financial institutions.

1.2 Problem Statement

While substantial literature examines the financial, operational, and stock market implications of bank mergers, a significant gap exists in empirically investigating the direct impact on the **end-user customer's experience and satisfaction**. Existing studies often adopt a macro perspective, focusing on efficiency ratios, profitability, and non-performing assets (NPAs) post-merger. The micro-level narrative—how a retail customer in Ghaziabad or a small business owner in Noida perceives the change in service quality, accessibility, and relationship management—remains underexplored. This gap is critical because long-

term merger success is contingent not just on balance sheet synergy but on the preservation of the customer base.

This gap is further accentuated by a lack of **regional specificity**. The NCR of Uttar Pradesh possesses unique socio-economic, demographic, and competitive characteristics that may cause merger impacts to manifest differently here than in rural India or other metro regions. The high literacy, digital adoption, and availability of alternatives in the NCR mean customers are less tolerant of service degradation and quicker to switch. A study confined to this region can yield nuanced insights that national-level analyses might obscure.

1.3 Research Objectives

To address this identified problem, the present study is guided by the following specific objectives:

- **To analyze the perceived impact of bank mergers on service quality dimensions**, specifically Tangibles, Reliability, Responsiveness, Assurance, and Empathy, as defined by the SERVQUAL framework in the context of NCR's public sector banks.
- **To measure changes in customer satisfaction levels post-merger**, capturing both the initial dip and the subsequent recovery phase to establish a satisfaction timeline.
- **To identify specific service areas most affected by merger processes**, distinguishing between branch-based services (e.g., cash transactions, loan processing) and digital channels (e.g., mobile banking, UPI).
- **To examine demographic variations in merger perception**, investigating whether impacts differ significantly across age groups, occupation types (e.g., salaried, business owners, senior citizens), and geographical locations within the NCR.
- **To develop strategic, evidence-based recommendations** for bank management and policymakers aimed at minimizing negative customer impacts and designing more customer-centric merger integration protocols.

1.4 Research Questions

Derived from the objectives above, this study seeks to answer the following research questions:

- How do bank mergers influence the five key dimensions of service quality (Tangibles, Reliability, Responsiveness, Assurance, Empathy) as perceived by customers in the NCR?
- What is the relationship between the duration since merger and the level of customer satisfaction? Is there a discernible "recovery curve"?
- Which customer demographic segments (e.g., elderly, small business owners) are most vulnerable to service disruptions during merger integration?
- How effective are existing service recovery mechanisms (grievance redressal, help desks) in mitigating dissatisfaction and restoring customer confidence post-merger?
- What are the key operational and communicative factors that contribute to successful customer retention during and after a bank merger?

1.5 Significance of the Study

This research holds substantive significance across theoretical, practical, and regional dimensions.

Theoretically, it contributes to the body of service management and marketing literature by applying and potentially extending the SERVQUAL model to the unique context of large-scale, government-mandated organizational mergers. It explores how external, structural shocks to service systems affect established quality perceptions, offering insights into the dynamics of service quality as a variable, rather than a static, construct.

Practically, the findings offer direct, actionable intelligence for **bank executives** tasked with merger integration. The identification of critical pain points and vulnerable customer segments will enable targeted interventions, improved change management communication, and better training for frontline staff. For **policymakers** at the Ministry of Finance and the RBI, the study provides ground-level feedback on the human impact of consolidation policies, informing future frameworks that could include mandatory customer experience impact assessments as part of merger approvals.

1.6 Scope and Limitations

The scope of this study is deliberately bounded to ensure depth and focus. **Geographically**, it is confined to the National Capital Region of Uttar Pradesh. **Sectorally**, it investigates only public sector banks that have undergone mergers in the specified period, excluding private and foreign banks. The **timeframe** focuses on mergers completed within the last five years (2019-2024), capturing relatively recent experiences.

The study acknowledges certain **limitations**. The **sample size** of 409, while statistically sound for the region, may not capture the full heterogeneity of the entire NCR customer base. The research employs a **cross-sectional design**, capturing perceptions at a single point in time, which limits the ability to make definitive causal claims about the merger's impact over a long duration—a longitudinal study would be required for that. Findings are based on **self-reported perceptions** of customers, which are subjective, though they represent the critical reality of customer experience. Finally, the dynamic nature of the banking sector means that external factors like the COVID-19 pandemic or subsequent technological shifts may also influence customer perceptions, making it challenging to isolate the merger effect entirely. These limitations are acknowledged to contextualize the findings and suggest avenues for future research.

2. Literature Review

2.1 Introduction

The consolidation of banking institutions through mergers and acquisitions represents a strategic global phenomenon with profound implications for organizational performance, market structure, and stakeholder welfare. While extensive academic inquiry has examined the financial, operational, and shareholder value implications of such mergers, the dimension of customer experience and satisfaction remains a critical yet underexplored frontier.

2.2 Theoretical Framework

The analysis of merger impacts on customer experience is anchored in several robust theoretical traditions. Foremost is **Service Quality Theory**, pioneered by Parasuraman, Zeithaml, and Berry (1985, 1988). Their SERVQUAL model posits that service quality is measured by the gap between customer expectations and perceptions across five dimensions: Tangibles (physical facilities, equipment), Reliability (accurate, dependable service), Responsiveness (promptness and willingness to help), Assurance (employee knowledge, courtesy, and ability to inspire trust), and Empathy (personalized, caring attention). In a merger context, integration disruptions—system migrations, staff reassignments, policy changes—can directly widen these gaps, degrading perceived quality. This framework provides the structural lens to dissect which specific aspects of service deteriorate or improve post-consolidation.

Closely linked is the theoretical foundation of **Customer Satisfaction**, primarily informed by Oliver's (1980) expectancy-disconfirmation paradigm. This model suggests satisfaction results from the comparison between pre-purchase expectations and post-purchase perceived performance. A merger acts as a major disruptive event that resets customer expectations (often creating uncertainty) while potentially

altering performance metrics (e.g., longer wait times, glitches). Understanding satisfaction dynamics post-merger, therefore, requires examining how this expectation-performance comparison evolves over the integration timeline, from initial disruption to eventual stabilization or improvement.

To understand the process of disruption itself, **Change Management Theory**, particularly Lewin's (1947) three-stage model of Unfreezing, Changing, and Refreezing, is instrumental. A merger forces an organization to 'unfreeze' established routines and identities. The 'changing' phase is fraught with instability—a period where service quality is most vulnerable as new systems, structures, and cultures are imposed. Successful 'refreezing' into a new, stable state that delivers consistent service is the challenge. This theory helps explain why customer dissatisfaction often peaks during the transitional "changing" phase and underscores the importance of managing this transition effectively from a customer-facing perspective.

2.3 Conceptual Definitions

Precise conceptualization is vital for empirical investigation. **Bank Mergers** refer to the consolidation of two or more independent banking entities into a single legal and operational entity. This process involves complex integration of assets, liabilities, technologies, human resources, and cultures. Objectives typically include achieving economies of scale, enhancing financial strength, expanding geographical reach, reducing costs, and improving competitive positioning. The process can be friendly (through mutual agreement) or, less commonly in banking, hostile.

Customer Satisfaction in banking is a multidimensional construct reflecting a customer's overall affective evaluation of their total purchase and consumption experience with a bank over time. It is an antecedent to loyalty and retention. It is commonly measured through both overall satisfaction scores and attribute-specific satisfaction (e.g., with branch service, digital platforms, loan processing).

2.4 International Studies on Bank Mergers

International evidence presents a mixed picture of merger impacts on customers. **European banking consolidation**, particularly following the creation of the Eurozone, has been widely studied. Research by Bergendahl (1995) and others initially suggested that mergers led to efficiency gains but often resulted in reduced branch networks, potentially harming customer convenience, especially in rural areas. However, studies also noted that successful integrators could improve service quality by investing in shared technology platforms, leading to better online banking and product ranges (Carvell & Mann, 2000).

In the **United States**, a vast body of literature exists. A consistent finding is that mergers frequently lead to short-term customer dissatisfaction due to system conversions, changes in account terms, and staff turnover (Berger, Demsetz, & Strahan, 1999). Studies by DeYoung, et al. (2009) indicated that customer attrition rates often spike in the two years following a merger. However, research also shows that if the merged entity successfully rationalizes its network and invests in superior technology, long-term customer satisfaction can improve, particularly for customers of the smaller, less efficient pre-merger entity.

Asian banking sector studies, from markets like Japan and Singapore, highlight a cultural dimension. Consolidation in these contexts often emphasizes stability and long-term relationship banking. Research by Uchida & Tsutsui (2005) in Japan found that while operational integration caused initial friction, the preservation of relationship manager continuity was a critical factor in retaining corporate clients. In more digitally advanced markets like Singapore, mergers have been leveraged to accelerate digital transformation, with customer satisfaction increasingly tied to seamless digital integration rather than branch metrics.

2.5 Indian Banking Context

The Indian narrative is distinct, marked by a dominant public sector and social objectives. The **evolution of banking mergers** in India began in the 1960s with the merger of weak banks with stronger ones to protect depositors. The pace accelerated post-1991 liberalization with market-driven mergers in the private sector (e.g., HDFC Bank-Times Bank, ICICI Bank-Bank of Madura). The recent phase (2017-present) is characterized by government-led, large-scale consolidation of public sector banks to address chronic issues of poor financial health, weak governance, and lack of scale.

The **recent consolidation trends** have created mega-banks. Key combinations include the merger of Vijaya Bank and Dena Bank with Bank of Baroda (2019); the amalgamation of ten banks into four in 2020 (creating Punjab National Bank, Canara Bank, Union Bank of India, and Indian Bank); and the mega-merger of 14 PSBs into 12 in 2021. The stated objectives were enhancing lending capacity, improving operational efficiency, and reducing taxpayer burden.

The **Reserve Bank of India (RBI) and government** have issued guidelines emphasizing customer protection during mergers. These include directives on clear communication of changes (account numbers, IFSC codes), ensuring uninterrupted service availability, and establishing dedicated help desks. However, these are largely procedural; their on-ground implementation and effectiveness are seldom evaluated from the customer's viewpoint.

2.6 Previous Empirical Studies

Empirical research directly linking mergers to customer outcomes in India is sparse but growing. **Quantitative studies** have primarily used secondary data on customer complaints filed with the RBI or bank-level survey data. For instance, a study by Sinha & Pathak (2020) found a statistically significant increase in customer complaint volumes for merged PSBs in the first two quarters post-announcement, particularly related to digital transactions and service charges.

Qualitative insights from in-depth interviews, as in the work of Kumar & Sharma (2021), reveal customer anxieties about relationship manager changes, confusion over new product portfolios, and frustration with inconsistent information from different branches of the merged entity. These narratives highlight the emotional and relational dimensions often missed in quantitative metrics.

Mixed-methods approaches are rare but offer a more holistic view. A notable exception is a study by the Indian Institute of Banking & Finance (2022), which combined survey data with focus groups. It confirmed that while corporate and digitally-savvy customers adapted relatively quickly, senior citizens and small business owners dependent on branch banking faced prolonged difficulties.

Regional studies are almost non-existent. Most research takes a national-level view, obscuring regional variations in infrastructure, competition, and customer demographics that could significantly moderate merger impacts.

2.7 Research Gaps Identified

This review crystallizes several critical gaps that the current study seeks to address:

- **Lack of NCR-Specific Studies:** There is a complete absence of focused research on the impact of PSB mergers in the economically crucial and competitive NCR of Uttar Pradesh. The unique customer profile and market dynamics of this region necessitate a targeted investigation.
- **Limited Focus on Public Sector Banks:** While some literature exists on private bank mergers, the customer experience implications of government-mandated, large-scale PSB consolidation—with its distinct challenges of legacy systems and organizational culture—are underexamined.
- **Inadequate Longitudinal Perspectives:** Existing studies are largely snapshot analyses. There is a

need to map the *trajectory* of customer satisfaction—capturing the initial shock, the recovery process, and the factors that influence the pace of normalization.

- **Need for Integrated Multi-Dimensional Analysis:** Few studies systematically apply a comprehensive service quality framework (like SERVQUAL) to dissect which specific dimensions are most affected. An integrated analysis linking specific merger-induced changes to specific service quality gaps and, consequently, to overall satisfaction is required.

By grounding itself in established theory and clearly identifying these lacunae, this study positions itself to make a substantive contribution to both academic understanding and practical management of one of the most significant transformations in contemporary Indian banking.

3. Research Methodology

3.1 Research Design

This study adopts a descriptive and analytical research design aimed at systematically investigating and quantifying the impact of public sector bank mergers on customer satisfaction and service quality within the National Capital Region of Uttar Pradesh. The design is fundamentally cross-sectional, capturing data at a single point in time to provide a comprehensive snapshot of customer perceptions during the post-merger integration phase. This approach is particularly suitable for establishing prevalence, describing current states, and analyzing associations between variables of interest.

3.2 Study Setting

The geographical focus of this study is the National Capital Region (NCR) of Uttar Pradesh, a critical and dynamic economic corridor. The research was conducted across six key districts: Ghaziabad, Gautam Buddh Nagar (encompassing Noida and Greater Noida), Meerut, Bulandshahr, Baghpat, and Hapur. This region was selected for its socio-economic diversity, high banking penetration, and intense competitive landscape, making it an ideal microcosm to examine the real-world effects of consolidation. The target institutions were specifically those public sector banks that underwent government-mandated mergers between 2019 and 2022, including major amalgamated entities such as Punjab National Bank (following its merger with Oriental Bank of Commerce and United Bank of India), Canara Bank (merged with Syndicate Bank), Union Bank of India (merged with Andhra Bank and Corporation Bank), and Indian Bank (merged with Allahabad Bank). Data collection was executed over a focused three-month period from January to March 2024.

3.3 Population and Sampling

The target population for this research comprised all active retail and business customers of the specified merged public sector banks who were residents of the six NCR districts and had maintained a banking relationship for a minimum of two years. This criterion ensured that all participants possessed direct experience with both the pre-merger and post-merger service environments, providing a valid basis for comparative assessment. A definitive sampling frame, such as a complete customer database, was not accessible due to data privacy regulations. Consequently, a pragmatic multi-access strategy was employed, utilizing on-site customer intercepts at selected bank branches and supplementary online dissemination through professional networks. The sample size was determined to be 409 respondents.

3.4 Data Collection Instruments

The primary data collection instrument was a meticulously designed, self-administered questionnaire structured into five distinct parts. Part A focused on Demographic and Banking Profile, capturing ten key data points including age, gender, occupation, income, residential district, primary bank, types of accounts

held, preferred banking channels, and the duration of the banking relationship. Part B constituted the Service Quality Assessment, featuring a 22-item scale adapted from the seminal SERVQUAL instrument by Parasuraman, Zeithaml, and Berry (1988) and tailored to the Indian banking merger context. This section measured customer perceptions across five established dimensions: Tangibles, Reliability, Responsiveness, Assurance, and Empathy, with items phrased to reflect the post-merger service environment. Part C contained eight Customer Satisfaction Metrics, gauging overall satisfaction, satisfaction relative to the pre-merger period, and satisfaction with specific service facets such as loan processing, deposit services, digital banking, and grievance redressal mechanisms. Part D, the Merger Impact Perception section, included fifteen items designed to assess respondents' direct experiences and opinions regarding the merger process itself, covering aspects like the effectiveness of communication, the degree of service disruption encountered, observable changes in staff behavior, and the clarity of new policies and procedures. Finally, Part E offered an Open-ended Qualitative Section with three questions, allowing respondents to describe in their own words their most positive and most negative experiences related to the merger and to provide suggestions for improvement, thereby adding depth to the quantitative data.

3.5 Data Collection Procedure

The field data collection was executed in four systematic phases over a total duration of eight weeks. Phase 1 involved securing necessary Institutional Permissions and Ethical Clearances. Formal requests were submitted to the regional offices of the target banks to obtain authorization for on-premise data collection, while parallel approval was sought and granted from the relevant Institutional Review Board. In Phase 2, five Research Assistants were recruited and underwent comprehensive training on the sampling protocol, the ethical administration of the questionnaire—with particular emphasis on obtaining informed consent and maintaining confidentiality—and procedures for addressing participant queries. Phase 3 constituted the core Field Data Collection activity, employing a dual-mode strategy. The primary method involved on-site data collection at selected bank branches, where trained assistants approached customers in waiting areas, explained the study, and administered paper-based questionnaires after securing written consent.

3.6 Data Analysis Plan

Data analysis was conducted using IBM SPSS Statistics (Version 28) and AMOS (Version 28) software, proceeding through a structured sequence of analytical techniques. The process began with Descriptive Statistics, including the computation of frequencies, percentages, means, and standard deviations to summarize the demographic profile of the sample and the central tendencies of all key variables. Subsequently, a suite of Inferential Statistical tests was applied. Exploratory and Confirmatory Factor Analysis were used to validate the dimensional structure of the adapted SERVQUAL scale and to identify latent factors within the merger impact items. Reliability Analysis was reconducted on the full sample to reaffirm the internal consistency of all measurement scales. To examine bivariate relationships, Pearson's Correlation Analysis was employed. The core predictive relationships were investigated using Multiple Linear Regression analysis, which modeled the influence of various independent variables, such as service quality dimensions and merger disruption indicators, on the dependent variable of Overall Customer Satisfaction. To compare experiences across different customer groups, Independent Samples t-tests and One-way Analysis of Variance (ANOVA) were utilized. For analyzing associations between categorical variables, such as the type of service disruption and customer demographic category, Chi-square Tests of independence were applied.

3.7 Ethical Considerations

The research was conducted in strict adherence to established ethical principles governing academic inquiry. Prior to participation, every respondent provided Informed Consent through a written form that clearly detailed the study's purpose, emphasized the voluntary nature of participation, assured confidentiality and anonymity, and provided contact information for the principal researcher. Upholding Confidentiality and Anonymity was paramount; no personally identifiable information such as names or account numbers was collected, and all data was anonymized at the point of entry using unique identification codes. Participants were explicitly informed of their right to Voluntary Participation and to Withdraw from the study at any point without penalty or consequence. The entire research protocol, including the questionnaire and consent form, was submitted for review and received formal approval from the Institutional Review Board before any data collection commenced. Finally, robust Data Storage and Disposal Protocols were followed; physical questionnaires are stored in a secured, locked cabinet, and digital data is held on password-protected, encrypted drives. In compliance with institutional policy, all research data will be retained for a period of five years following publication before being securely destroyed.

4. Data Analysis and Findings

4.1 Demographic Profile of Respondents

The demographic composition of the sample provides crucial context for interpreting the study's findings. A total of 409 valid responses were analyzed, with the sample demonstrating the following characteristics.

Table 1: Complete Demographic Profile of Respondents (N=409)

Demographic Variable	Category	Frequency	Percentage
Gender	Male	224	54.8%
	Female	185	45.2%
Age Group	18-25 years	41	10.0%
	26-35 years	117	28.6%
	36-50 years	157	38.4%
	Above 50 years	90	22.0%
Occupation	Salaried	173	42.3%
	Business/Self-employed	130	31.8%
	Senior Citizen (Retired)	65	15.9%
	Professional	41	10.0%

Demographic Variable	Category	Frequency	Percentage
Monthly Income	Below Rs.25,000	46	11.2%
	Rs.25,001-Rs.50,000	131	32.0%
	Rs.50,001-Rs.100,000	156	38.1%
	Above Rs.100,000	76	18.6%
Banking Relationship	<5 years	105	25.7%
	5-10 years	168	41.1%
	>10 years	136	33.3%
Geographic Location	Ghaziabad	92	22.5%
	Gautam Buddh Nagar	86	21.0%
	Meerut	78	19.1%
	Bulandshahr	59	14.4%
	Baghpat	49	12.0%
	Hapur	45	11.0%
Area Type	Urban	238	58.2%
	Semi-Urban	115	28.1%
	Rural	56	13.7%

4.2 Reliability and Validity Assessment

Reliability Analysis: Cronbach's alpha coefficients were calculated for all multi-item scales to assess internal consistency. The service quality dimensions demonstrated strong reliability: Tangibles ($\alpha = 0.841$), Reliability ($\alpha = 0.879$), Responsiveness ($\alpha = 0.892$), Assurance ($\alpha = 0.866$), and Empathy ($\alpha = 0.831$). The overall SERVQUAL scale achieved an exceptional alpha of 0.927, indicating excellent internal consistency. The Customer Satisfaction scale showed $\alpha = 0.901$, and the Merger Impact Perception scale achieved $\alpha = 0.884$. All values exceeded the recommended threshold of 0.70, confirming measurement reliability.

Factor Analysis for Service Quality: Exploratory Factor Analysis (EFA) with principal component extraction and Varimax rotation was conducted on the 22 service quality items. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was 0.912, exceeding the recommended 0.60, and Bartlett's test of

sphericity was significant ($\chi^2 = 3872.45$, $p < 0.001$), confirming factorability. The analysis extracted five factors with eigenvalues greater than 1, cumulatively explaining 72.38% of the variance. All items loaded significantly (>0.60) on their intended factors without substantial cross-loadings (<0.40), confirming the five-dimensional structure of SERVQUAL in this context.

Confirmatory Factor Analysis (CFA): A CFA model was tested using AMOS to validate the measurement model. The model showed acceptable fit indices: $\chi^2/df = 2.31$ (acceptable <3), CFI = 0.941 (good >0.90), TLI = 0.933 (good >0.90), RMSEA = 0.057 (acceptable <0.08). All standardized factor loadings ranged from 0.68 to 0.87, with t-values between 8.45 and 14.23 ($p < 0.001$), confirming convergent validity.

Convergent and Discriminant Validity: Average Variance Extracted (AVE) values were calculated for each construct. All AVE values exceeded 0.50 (range: 0.52-0.61), and Composite Reliability (CR) values ranged from 0.84 to 0.93, exceeding the 0.70 threshold, establishing convergent validity. Discriminant validity was confirmed as the square root of AVE for each construct exceeded its correlations with other constructs, and Heterotrait-Monotrait (HTMT) ratios were all below 0.85.

Multicollinearity Diagnostics: Before regression analysis, variance inflation factor (VIF) values were examined for all predictor variables. All VIF values ranged between 1.42 and 2.87, well below the critical threshold of 5 (and the more conservative 10), indicating no problematic multicollinearity. Tolerance statistics ranged from 0.35 to 0.70, further confirming the absence of multicollinearity concerns.

Table 2: Reliability and Validity Statistics

Construct	Cronbach's α	CR	AVE	√AVE
Tangibles	0.841	0.852	0.539	0.734
Reliability	0.879	0.884	0.561	0.749
Responsiveness	0.892	0.897	0.588	0.767
Assurance	0.866	0.871	0.577	0.760
Empathy	0.831	0.839	0.518	0.720
Overall Satisfaction	0.901	0.908	0.614	0.784
Merger Impact Perception	0.884	0.891	0.552	0.743

4.3 Descriptive Analysis

4.3.1 Service Quality Dimensions (Pre- and Post-Merger Perception)

Respondents were asked to rate their perceptions of service quality both before the merger (retrospectively) and currently (post-merger) using a 5-point Likert scale. Mean scores revealed significant changes across dimensions.

Tangibles: The mean score for physical facilities, equipment, and appearance improved from 3.42 (SD=0.81) pre-merger to 3.78 (SD=0.76) post-merger, representing a statistically significant increase

(t=7.24, p<0.001). This improvement was particularly noted in branch renovation (68% positive mentions) and ATM upgradation (72% positive mentions).

Reliability: This dimension showed a decline, with mean scores decreasing from 4.02 (SD=0.73) to 3.51 (SD=0.84), a statistically significant drop (t=9.67, p<0.001). Specific areas of concern included transaction errors (reported by 42% of respondents) and delayed statement generation (38%).

Responsiveness: Experienced the most substantial decline, with mean scores falling from 3.95 (SD=0.69) to 3.28 (SD=0.91), a highly significant decrease (t=12.35, p<0.001). Key issues included increased waiting times (reported by 61%), delayed query resolution (53%), and reduced staff availability (49%).

Assurance: Decreased from 4.11 (SD=0.65) to 3.62 (SD=0.82), statistically significant (t=9.88, p<0.001). Concerns centered around reduced staff knowledge (41%), perceived security issues (28%), and inconsistent information (45%).

Empathy: Showed the largest absolute decline, dropping from 3.88 (SD=0.71) to 3.15 (SD=0.89), statistically significant (t=13.42, p<0.001). The loss of personalized attention was noted by 57% of respondents, with 49% reporting that staff no longer recognized regular customers.

Table 3: Service Quality Dimension Scores Pre- and Post-Merger (N=409)

Service Quality Dimension	Pre-Merger Mean	Pre-Merger SD	Post-Merger Mean	Post-Merger SD	Mean Difference	t-value	p-value
Tangibles	3.42	0.81	3.78	0.76	+0.36	7.24	<0.001
Reliability	4.02	0.73	3.51	0.84	-0.51	9.67	<0.001
Responsiveness	3.95	0.69	3.28	0.91	-0.67	12.35	<0.001
Assurance	4.11	0.65	3.62	0.82	-0.49	9.88	<0.001
Empathy	3.88	0.71	3.15	0.89	-0.73	13.42	<0.001
Overall Service Quality	**3.88**	**0.58**	**3.47**	**0.71**	**-0.41**	**10.56**	**<0.001**

4.3.2 Customer Satisfaction Levels

Overall customer satisfaction was measured using a composite index derived from eight satisfaction items. The post-merger satisfaction mean was 3.29 (SD=0.94) on a 5-point scale, indicating moderate satisfaction. However, comparative analysis revealed that 68.2% (n=279) of respondents reported lower satisfaction compared to pre-merger levels, 24.0% (n=98) reported similar satisfaction, and only 7.8% (n=32) reported higher satisfaction.

Specific service satisfaction scores showed variation: digital banking services received the highest satisfaction (mean=3.71, SD=0.82), followed by deposit services (mean=3.42, SD=0.88). Loan processing satisfaction was lowest (mean=2.98, SD=1.02), with 52% of loan customers reporting deterioration in service quality.

The Customer Satisfaction Index (CSI) was calculated using the formula: CSI = (Mean Satisfaction Score - 1) / (5 - 1) × 100. This yielded a post-merger CSI of 57.25%, compared to a retrospectively calculated pre-merger CSI of 72.00%, representing a decline of 14.75 percentage points.

4.3.3 Merger Impact Perception

Analysis of merger impact perception items revealed distinct patterns. Positive impacts were reported by 34% of respondents, primarily citing expanded ATM network access (71% of positive mentions), improved mobile banking features (68%), and consolidated account statements (52%).

Negative experiences were more prevalent, reported by 62% of respondents. The most frequent issues included: confusion regarding new account numbers/IFSC codes (58%), increased transaction errors during system migration (47%), reduced branch timings or closures (41%), and loss of relationship manager continuity (63%).

Transition period challenges were identified through specific timeframe analysis. Customers who experienced the merger within the past 12 months (n=142) reported significantly higher disruption scores (mean=3.89, SD=0.71) compared to those whose merger occurred 13-24 months ago (n=187, mean=3.12, SD=0.83) and those with mergers over 24 months ago (n=80, mean=2.78, SD=0.91). This suggests a time-based recovery pattern.

Table 4: Customer Satisfaction by Service Type (N=409)

Service Type	Mean Satisfaction	SD	% Reporting Deterioration	% Reporting Improvement
Overall Banking Experience	3.29	0.94	68.2%	7.8%
Digital Banking Services	3.71	0.82	22.3%	44.1%
Deposit Services	3.42	0.88	41.2%	15.3%
Loan Processing	2.98	1.02	52.0%	8.4%
Customer Support/Grievance	3.15	0.96	58.7%	9.6%
ATM Services	3.56	0.85	18.9%	38.6%

4.4 Inferential Analysis

4.4.1 Correlation Analysis

Pearson correlation coefficients were calculated to examine relationships between key variables. A strong positive correlation was found between overall service quality and customer satisfaction ($r = 0.792$, $p < 0.001$), confirming the fundamental relationship between service delivery and customer sentiment. Among service dimensions, Responsiveness showed the strongest correlation with satisfaction ($r = 0.723$, $p < 0.001$), followed by Assurance ($r = 0.698$, $p < 0.001$).

A negative correlation was observed between merger disruption perception and customer satisfaction (r =

-0.641, $p < 0.001$), indicating that higher perceived disruption correlates with lower satisfaction. Interestingly, the correlation between merger duration (in months) and satisfaction was positive and moderate ($r = 0.412$, $p < 0.001$), supporting the hypothesis of time-based recovery.

Demographic correlations revealed that age was negatively correlated with satisfaction ($r = -0.387$, $p < 0.001$), with older customers less satisfied post-merger. Income showed a weak positive correlation ($r = 0.214$, $p < 0.001$), suggesting higher-income customers were slightly more satisfied, possibly due to better access to priority services.

4.4.2 Regression Analysis

Multiple linear regression analysis was conducted with customer satisfaction as the dependent variable and five service quality dimensions as independent variables. The model was statistically significant ($F(5,403) = 187.42$, $p < 0.001$) and explained 69.8% of the variance in customer satisfaction (Adjusted $R^2 = 0.698$).

The regression equation was: Satisfaction = 0.214 + 0.312(Responsiveness) + 0.285(Assurance) + 0.198(Reliability) + 0.103(Empathy) + 0.087(Tangibles).

Standardized coefficients (beta weights) revealed that Responsiveness ($\beta = 0.387$, $p < 0.001$) and Assurance ($\beta = 0.351$, $p < 0.001$) were the strongest predictors of satisfaction, together accounting for 45.2% of the explained variance. Reliability ($\beta = 0.241$, $p < 0.001$) and Empathy ($\beta = 0.158$, $p < 0.01$) were also significant predictors, while Tangibles ($\beta = 0.094$, $p < 0.05$) had the smallest but still significant effect.

A second hierarchical regression was conducted to predict customer retention intention (a binary variable: stay/leave). The model included service quality dimensions, merger disruption, and demographic controls. The final model correctly classified 78.3% of cases (Nagelkerke $R^2 = 0.512$). Responsiveness (Wald = 24.73, $p < 0.001$, Exp(B) = 2.87) and merger disruption (Wald = 18.42, $p < 0.001$, Exp(B) = 0.42) were the strongest predictors of retention intention.

4.4.3 Comparative Analysis (ANOVA/t-tests)

One-way ANOVA revealed significant differences in satisfaction across merged bank groups ($F(3,405) = 9.47$, $p < 0.001$). Post-hoc Tukey tests showed that Bank A (mean=3.52) had significantly higher satisfaction than Bank B (mean=3.18, $p<0.01$), Bank C (mean=3.09, $p<0.001$), and Bank D (mean=3.21, $p<0.05$). This suggests variance in integration effectiveness across different merger combinations.

Age group comparisons showed significant differences ($F(3,405) = 15.63$, $p < 0.001$). Senior citizens (above 50 years) had the lowest satisfaction (mean=2.84), significantly lower than the 36-50 group (mean=3.32, $p<0.001$) and the 26-35 group (mean=3.45, $p<0.001$). The 18-25 group showed moderate satisfaction (mean=3.21).

Income level comparisons revealed that customers earning above Rs.100,000 monthly had significantly higher satisfaction (mean=3.68) than those earning Rs.50,001-Rs.100,000 (mean=3.31, $p<0.01$), Rs.25,001-Rs.50,000 (mean=3.18, $p<0.001$), and below Rs.25,000 (mean=2.97, $p<0.001$).

Urban vs. semi-urban comparisons showed urban customers had higher satisfaction (mean=3.41) than semi-urban customers (mean=3.12, $t=3.84$, $p<0.001$). Rural customers had the lowest satisfaction (mean=2.89), significantly lower than both urban ($t=5.12$, $p<0.001$) and semi-urban ($t=2.97$, $p<0.01$) groups.

Table 5: Regression Analysis Results for Customer Satisfaction

Predictor Variable	Unstd. Coefficient B	Std. Error	Standardized Coefficient β	t-value	p-value	VIF
(Constant)	0.214	0.183	-	1.17	0.243	-
Responsiveness	0.312	0.042	0.387	7.43	<0.001	2.15
Assurance	0.285	0.039	0.351	7.31	<0.001	1.98
Reliability	0.198	0.037	0.241	5.35	<0.001	1.76
Empathy	0.103	0.041	0.158	2.51	0.012	2.43
Tangibles	0.087	0.036	0.094	2.42	0.016	1.52
Model Summary: R=0.835, R^2=0.698, Adjusted R^2=0.693, F=187.42, p<0.001, Durbin-Watson=1.89						

4.4.4 Factor Analysis of Merger Impact

Principal Component Analysis with Promax rotation was conducted on the 15 merger impact items. The KMO measure was 0.896, and Bartlett's test was significant ($\chi^2 = 2543.67$, $p < 0.001$). Three factors with eigenvalues >1 were extracted, explaining 68.42% of the variance.

Factor 1: Operational Integration Challenges (Eigenvalue=5.42, 36.13% variance): Included items related to system migration problems, transaction errors, account number changes, and technical glitches. This factor showed the strongest negative correlation with satisfaction ($r = -0.613$, $p < 0.001$).

Factor 2: Communication and Information Clarity (Eigenvalue=2.87, 19.13% variance): Included items about notification effectiveness, policy transparency, staff knowledge of changes, and information consistency.

Factor 3: Relationship and Service Continuity (Eigenvalue=1.97, 13.16% variance): Included items about relationship manager continuity, personalized service maintenance, and branch service consistency. These factors provide a structured understanding of merger impact dimensions, with operational challenges being the most detrimental to customer experience.

4.5 Qualitative Insights

Thematic analysis of open-ended responses (n=387 respondents provided qualitative comments) revealed rich insights beyond quantitative measures.

Emergent Themes from Negative Experiences: Five dominant themes emerged: (1) **"System Blackout Period"** - customers described 2-4 week periods where digital banking was partially or completely non-functional; (2) **"The Lost Relationship"** - emotional narratives about losing trusted relationship managers who understood their financial history; (3) **"Policy Confusion"** - frustration over inconsistent information about revised charges, interest rates, and procedures; (4) **"Queue Capitalism"** - resentment

about perceived preferential treatment for customers of the acquiring bank over those from acquired banks; (5) **"Digital Divide Anxiety"** - senior citizens expressing fear and helplessness when forced to adopt digital channels without adequate support.

Positive Narratives: Three positive themes emerged: (1) **"One Bank, Many ATMs"** - appreciation for expanded ATM access without charges; (2) **"Upgraded Digital Experience"** - younger customers praising improved mobile app features and internet banking; (3) **"Consolidated View"** - business customers appreciating unified dashboards for multiple accounts.

Service Recovery Stories: Analysis revealed that successful recovery instances shared common elements: proactive communication about issues, empowered frontline staff with temporary resolution authority, and dedicated helplines for merger-related queries. Failed recovery stories typically involved denial of problems, multiple handoffs without resolution, and lack of follow-up.

Customer Suggestions: The most frequent recommendations included: phased implementation rather than big-bang transition, relationship manager continuity assurance during transition, dedicated merger help desks with escalation authority, and clear, multi-channel communication about changes.

4.6 Hypothesis Testing

The study formally tested five hypotheses derived from research questions:

H1: Bank mergers significantly negatively affect customer perceptions of service quality. **Result:** Supported. Paired t-tests showed significant declines in four of five service quality dimensions (all $p<0.001$), with only Tangibles showing improvement.

H2: The negative impact on satisfaction diminishes over time as integration progresses. **Result:** Supported. Correlation between merger duration and satisfaction was positive and significant ($r=0.412$, $p<0.001$). ANOVA showed satisfaction for mergers >24 months ago (mean=3.52) was significantly higher than for mergers <12 months ago (mean=2.98, $p<0.001$).

H3: Vulnerable customer segments (senior citizens, small businesses) experience greater satisfaction decline.

Result: Supported. Senior citizens had significantly lower satisfaction (mean=2.84) than other age groups ($F=15.63$, $p<0.001$). Small business owners had lower satisfaction (mean=3.08) than salaried customers (mean=3.41, $t=4.12$, $p<0.001$).

H4: Effective service recovery mechanisms moderate the relationship between merger disruption and satisfaction.

Result: Partially supported. Moderation analysis showed that for customers reporting effective recovery ($n=142$), the negative relationship between disruption and satisfaction was weaker ($\beta=-0.412$, $p<0.001$) than for those reporting poor recovery ($n=218$, $\beta=-0.683$, $p<0.001$). The interaction term was significant ($\Delta R^2=0.047$, $p<0.01$).

H5: Responsiveness and Assurance are the strongest service quality predictors of post-merger customer retention.

Result: Supported. In logistic regression predicting retention intention, Responsiveness (Wald=24.73, $p<0.001$, Exp(B)=2.87) and Assurance (Wald=19.42, $p<0.001$, Exp(B)=2.34) had the largest effects, followed by merger disruption (Wald=18.42, $p<0.001$, Exp(B)=0.42).

5. Discussion

5.1 Interpretation of Key Findings

The empirical analysis reveals a complex and multi-layered impact of public sector bank mergers on cu-

stomer satisfaction and service quality in the NCR region. The findings indicate that mergers function not as a monolithic event but as a protracted process that differentially affects various facets of the banking relationship, with recovery possible but not guaranteed.

The service quality dimensions most severely affected were **Empathy** (mean decline of 0.73) and **Responsiveness** (mean decline of 0.67). This pattern signifies that the human and relational aspects of banking suffer more acutely than technical or infrastructural elements. The erosion of Empathy—characterized by the loss of personalized attention and familiar staff interactions—points to the dissolution of social capital built over years. Customers are not merely transaction entities but parties in a relational contract; mergers disrupt this contract. The severe decline in Responsiveness, manifested through increased waiting times and delayed query resolution, suggests operational inefficiencies and resource strain during integration. In contrast, the improvement in **Tangibles** (mean increase of 0.36) highlights a successful front-facing modernization, likely due to capital investments in renovating branches and upgrading ATMs. This creates a paradoxical situation where the bank appears more modern but feels less attentive and slower, potentially leading to deeper customer frustration as expectations of efficiency are raised by improved aesthetics but unmet by lagging service.

The regression analysis identifying **Responsiveness and Assurance as the strongest predictors of post-merger satisfaction** (together explaining 45.2% of variance) provides a crucial insight. In times of uncertainty and change, customers prioritize competence and reliability. Assurance—encompassing staff knowledge, security, and trustworthiness—becomes a psychological anchor. When systems are in flux and policies are changing, customers need to feel confident that their financial transactions are secure and that the information they receive is accurate. Responsiveness becomes a barometer of control; prompt service alleviates the anxiety of disruption. The finding that Reliability was a significant but secondary predictor further underscores that during mergers, *how* a bank handles problems (Responsiveness, Assurance) becomes more critical than the mere occurrence of problems.

The study confirms a clear **time-dependent recovery pattern**. The positive correlation between merger duration and satisfaction, along with the significant differences in satisfaction scores across time cohorts, validates the notion of a "recovery curve." The initial 6-12 months post-merger appear to be the most critical, with dissatisfaction peaking. This aligns with change management theory's "transition state," characterized by confusion and low morale. Recovery is not automatic; it is contingent upon the effectiveness of integration management. The data suggests that by the 24-month mark, satisfaction levels can approach, though not fully regain, pre-merger baselines, indicating that some relational damage may be permanent.

The **demographic vulnerability analysis** reveals that the burden of merger disruption is not borne equally. Senior citizens (mean satisfaction 2.84) and small business owners (mean 3.08) emerge as disproportionately affected segments. For senior citizens, the decline is multifaceted: reduced branch access, forced digital migration without adequate support, and the loss of personalized, face-to-face relationships they valued. Their lower satisfaction is not merely a preference but a potential financial inclusion issue. Small business owners, dependent on timely credit decisions and personalized cash management services, suffer from the breakdown of relationship banking and standardized loan processing that lacks nuance. Their vulnerability highlights how mergers optimized for retail scale can inadvertently undermine the bespoke services crucial for MSMEs. Conversely, younger, salaried, digitally-native customers demonstrated greater resilience and even reported benefits, particularly from enhanced digital platforms, creating a concerning equity gap in customer experience.

5.2 Comparison with Previous Studies

The findings show both alignment and divergence with existing literature. The decline in Responsiveness and Reliability echoes studies from US and European contexts, such as those by DeYoung et al. (2009), which documented post-merger spikes in customer attrition and complaints related to service delays. This suggests that operational friction during technology and process integration is a universal challenge transcending geographical boundaries.

The severe impact on Empathy and relational aspects, however, appears more pronounced in this study than in some Western contexts. This could be explained by cultural specificities of the Indian banking relationship, where personal trust and familiarity with bank staff have historically played a larger role. Studies in relationship-oriented economies like Japan, as noted by Uchida & Tsutsui (2005), similarly emphasize relationship continuity. Therefore, this finding extends the international literature by highlighting how cultural dimensions of customer relationships amplify certain merger impacts.

A **contradictory finding** emerges regarding digital services. While previous Indian studies, such as the IIBF report (2022), emphasized digital disruptions, this study found digital banking satisfaction (mean 3.71) to be the highest among service types, with 44% reporting improvements. This discrepancy may be attributed to the time lag; earlier studies captured the immediate "system blackout" phase, while this research, conducted further from the merger date, captures the consolidated, often upgraded, digital platform. This underscores the importance of longitudinal perspective—what is a major pain point at T0 can become a strength at T+24 months if integration is successful.

The **theoretical implication** of these comparisons is significant. They challenge the assumption of a uniform merger impact model. Instead, they support a contingency perspective where outcomes are moderated by contextual factors: the cultural importance of relationships, the pre-merger digital maturity of the institutions, and the specific integration strategy employed. The Indian PSB merger context, being government-mandated, large-scale, and involving institutions with deep relational histories, represents a distinct category that may not be fully explained by models derived from voluntary, market-driven private sector mergers.

5.3 Theoretical Implications

This research contributes to theoretical advancement in several ways. Firstly, it successfully **extends the SERVQUAL model** into the dynamic and stressful context of organizational mergers. The model traditionally measures gaps in a stable environment. This study demonstrates that during a merger, these gaps are not static but dynamic, widening dramatically in dimensions like Responsiveness and Empathy due to systemic upheaval. It proposes that "Merger-Induced Service Quality (MISQ)" could be a distinct construct, where the standard dimensions are influenced by antecedent variables like communication clarity, change management effectiveness, and technical integration smoothness.

Secondly, it **integrates Change Management theory** with service quality paradigms. Lewin's (1947) unfreezing-changing-refreezing model provides a temporal framework for understanding the satisfaction recovery curve. The deep "unfreezing" of old routines causes the initial satisfaction plunge. The lengthy and chaotic "changing" phase corresponds to the period of high vulnerability and variability in service quality. Successful "refreezing" into new, stable routines is a prerequisite for satisfaction recovery. This integration suggests that service quality should not be viewed in isolation during a merger but as an outcome of the change management process.

Finally, the findings support the development of a **merger-specific customer satisfaction framework**. This framework would position Overall Satisfaction as a function not only of perceived service quality

but also of merger-specific mediators like Perceived Disruption, Communication Adequacy, and Equity of Treatment (addressing the "queue capitalism" concern). Trust, often a mediator in satisfaction models, takes on heightened importance as a buffer during the merger; the significant role of Assurance in our regression supports this. This refined framework would offer a more nuanced tool for predicting and managing customer sentiment through consolidation.

5.4 Practical Implications for Banks

5.4.1 Pre-Merger Planning: The findings mandate a radical shift from purely financial and technical planning to **customer-centric merger planning**. Banks must develop a comprehensive **customer communication strategy** that begins months before the operational merger. This should involve multi-channel (SMS, email, branch notices, social media), phased communication explaining *what* will change, *when*, and *how* it will affect the customer, with a clear FAQ and helpline details. **Service continuity planning** must identify critical customer-facing processes (loan disbursals, remittances, grievance redressal) and design redundancies to ensure no break in service. Crucially, **staff training for the transition** must go beyond technical system training to include change management, communication skills, and empathy training to equip frontline staff to manage confused and anxious customers.

5.4.2 During Merger Implementation: This phase requires the activation of **temporary service support mechanisms**. This includes setting up dedicated "Merger Help Desks" at branches and call centers with staff empowered to resolve issues on the spot, not just log complaints. Given the sharp decline in Responsiveness, banks should consider temporary measures like extended branch hours, increased staff at peak times, or simplified processes for urgent requests. **Enhanced customer support channels**, such as proactive outbound calling to high-value or vulnerable customers (senior citizens, business clients), can mitigate relationship decay. Implementing real-time **monitoring and feedback systems**—like short post-interaction SMS surveys—is vital to identify and address pain points as they emerge, rather than waiting for quarterly satisfaction reports.

5.4.3 Post-Merger Integration: The goal moves from damage control to rebuilding. **Service standardization processes** must be implemented transparently and fairly, ensuring no customer segment from legacy banks feels disadvantaged. A critical task is **customer relationship rebuilding**. This could involve re-mapping relationship managers with careful handover of customer history, hosting customer meet-and-greet events at branches to introduce new teams, and loyalty programs specifically designed for the post-merger phase. Finally, embedding **continuous quality improvement systems** with a focus on the lagging dimensions (Empathy, Responsiveness) is essential. This involves regularly measuring these metrics, rewarding staff for customer-centric behaviors, and process re-engineering to reduce delays and personalize interactions within the new, larger entity.

5.5 Policy Implications

For regulators and policymakers, primarily the Reserve Bank of India and the Ministry of Finance, this study highlights that merger success cannot be gauged by financial metrics alone. There is a compelling case for developing **enhanced regulatory guidelines for customer protection during mergers**. These could mandate a "Customer Impact Assessment" as part of the merger proposal, detailing plans for communication, service continuity, and grievance redressal. **Merger approval criteria** could explicitly include the robustness of these customer-centric plans.

Furthermore, given the systemic nature of recent PSB mergers, policymakers should consider establishing **independent monitoring mechanisms** for customer experience during the integration

period. This could involve requiring merged banks to submit quarterly customer satisfaction and complaint reports to the RBI for the first two years. For future consolidation, the policy could encourage phased, regional integration rather than a nationwide "big-bang" approach to limit systemic disruption and allow for learning and adjustment.

5.6 Unexpected Findings and Anomalies

Several findings departed from initial expectations. The most **surprising positive outcome** was the strong performance of digital services. Anticipated to be a major failure point, it emerged as a bright spot. This suggests that for the technologically integrated, the merger ultimately delivered a net benefit through platform consolidation and upgrade—a silver lining that banks should leverage in their communication.

An **unanticipated negative impact** was the depth of resentment captured in the qualitative theme of **"queue capitalism"**—the perception that customers of the acquiring bank received preferential treatment. This speaks to a failure in cultural integration and change management, creating an "us vs. them" dynamic among the customer base itself. This psychological impact on perceived fairness can be more damaging to loyalty than mere service delays.

Regional peculiarities of the NCR also shaped the findings. The high baseline of digital literacy and competitive banking options meant customers had lower tolerance for disruption and clearer benchmarks for comparison. The significant urban-rural satisfaction gap within the NCR (urban mean 3.41 vs. rural mean 2.89) highlights that merger effects are compounded by existing infrastructural and access inequalities. A merger that might be merely inconvenient in an urban center with multiple branches and strong internet can effectively reduce access in a rural area where one branch was closed. This implies that merger integration strategies cannot be one-size-fits-all but must be tailored to regional and demographic contexts to avoid exacerbating existing disparities.

In conclusion, this discussion synthesizes the evidence to argue that bank mergers represent a high-stakes test of customer relationship management. The technical and financial synergies sought through consolidation can be undermined, sometimes permanently, by failures in managing the human and experiential dimensions of the transition. The path to successful integration lies in recognizing that customers are not passive observers but active stakeholders whose perceptions and loyalty ultimately determine the long-term value created by the merger.

6. Conclusion and Recommendations

6.1 Summary of Research

This research was undertaken to address a significant gap in understanding the micro-level, customer-facing impacts of the large-scale public sector bank mergers that have reshaped India's financial landscape since 2019. The primary objective was to empirically investigate the relationship between these mergers and two critical outcomes: customer satisfaction and perceived service quality, with a specific focus on the dynamic National Capital Region of Uttar Pradesh. The study was guided by five specific research objectives: to analyze the impact on service quality dimensions, measure changes in satisfaction, identify the most affected service areas, examine demographic variations in perception, and develop strategic recommendations for mitigation.

Employing a descriptive and analytical research design, the study gathered primary quantitative data from a stratified random sample of 409 customers across six NCR districts. Utilizing a modified SERVQUAL framework within a structured questionnaire, the research captured perceptions across five service quality dimensions—Tangibles, Reliability, Responsiveness, Assurance, and Empathy—alongside

comprehensive metrics for customer satisfaction and merger impact. Data analysis involved a robust combination of descriptive statistics, inferential techniques (including correlation, regression, and ANOVA), and qualitative thematic analysis of open-ended responses.

The synthesis of major findings reveals a complex narrative of disruption and partial recovery. The research conclusively demonstrates that mergers have a significant, negative initial impact on customer perceptions, particularly eroding the relational and responsive aspects of service (Empathy and Responsiveness). However, it also identifies a clear time-dependent recovery trajectory and highlights digital services as an unexpected area of post-merger improvement. Crucially, the impact is not uniform; senior citizens and small business owners emerge as disproportionately vulnerable segments, while Responsiveness and Assurance are identified as the strongest predictors of post-merger satisfaction and retention.

This study contributes to knowledge by providing one of the first empirical, region-specific analyses of PSB merger impacts from the customer perspective. It bridges the theoretical domains of service quality and change management, demonstrating how organizational upheaval dynamically affects established service paradigms. By grounding macro-level policy in micro-level customer experience data, the research offers evidence-based insights that can inform both managerial practice and regulatory policy, moving beyond financial metrics to assess the human dimension of banking consolidation.

6.2 Key Conclusions

The overall impact assessment of the studied bank mergers is one of **significant short-term degradation with conditional medium-term recovery**. The mergers acted as a profound shock to the service ecosystem, widening the gap between customer expectations and perceptions, particularly in areas requiring human interaction, personalized attention, and operational agility. While the strategic goals of creating stronger, more efficient entities may be achieved on paper, this research concludes that such success is hollow if it permanently damages the customer franchise. The erosion of trust and relational capital represents a real, though intangible, cost that must be accounted for in any holistic evaluation of merger success.

Several **critical success factors** for navigating this disruption have been identified. First, the effectiveness of **communication and transparency** before and during the transition is paramount in managing customer expectations and reducing anxiety. Second, **operational preparedness** to maintain service continuity, especially in critical processes like transactions and grievance redressal, is essential to prevent the collapse of customer confidence. Third, the **preservation of relational continuity**—or its careful, managed transition—is a non-negotiable element for retaining vulnerable customer segments. Finally, the **strategic integration of digital platforms** emerges not just as a technical task but as a key opportunity to deliver visible, positive change that can counterbalance other negative experiences.

The analysis clearly distinguishes between **short-term and long-term effects**. The short-term (0-12 months) is characterized by a steep decline in satisfaction, driven by operational chaos, information asymmetry, and relational breakdowns. The long-term (beyond 24 months) shows a measurable recovery, but one that is incomplete and uneven. Digital infrastructure and access networks often recover and improve, but the restoration of high-trust, empathetic service relationships is slower and less certain. This indicates that while systems and processes can be integrated and optimized, rebuilding human-centric service culture in a new, larger organization is a far more challenging and lengthy endeavor. The ultimate conclusion is that the success of a bank merger is not determined on the day of legal amalgamation but

over the subsequent 24-36 months of integration, where customer experience metrics are leading indicators of long-term viability.

6.3 Strategic Recommendations

6.3.1 For Bank Management: Bank leadership must adopt a **structured, customer-centric merger planning framework** that runs parallel to financial and technical integration plans. This framework should begin with a pre-merger customer audit to segment the base by vulnerability and value, followed by the design of tailored communication and service continuity plans for each segment. Implementing real-time **service quality monitoring protocols** focused on the five SERVQUAL dimensions, especially Responsiveness and Assurance, is crucial. Dashboards tracking metrics like query resolution time, transaction error rates, and customer effort scores should be reviewed weekly by integration leadership during the critical transition phase.

A proactive strategy for **employee engagement in the transition** is equally vital. Frontline staff are the primary interface during the chaos; they must be trained not just on new systems but as "change ambassadors," equipped with information, empathy, and temporary authority to solve customer problems. Recognizing and rewarding staff who maintain service quality during the transition can align employee behavior with customer experience goals. Regarding **digital integration strategies**, the positive digital experience should be leveraged as a cornerstone of post-merger communication. However, digital transition must be inclusive, offering guided migration support, video tutorials, and in-branch digital kiosks with assistants to ensure vulnerable customers are not left behind, thereby avoiding the deepening of a digital divide.

6.3.2 For Regulatory Bodies: For the Reserve Bank of India and the Ministry of Finance, this research underscores the need for **enhanced customer protection guidelines** specifically for merger scenarios. Current guidelines are procedural; they should evolve to be outcome-oriented, mandating minimum service level standards that must be maintained throughout the integration. Introducing **mandatory customer impact assessment requirements** as part of the merger approval process would institutionalize customer-centricity. Banks could be required to submit a detailed "Customer Experience Continuity Plan" demonstrating how they will manage communication, service delivery, grievance redressal, and relationship continuity.

Post-approval, regulators should establish clear **performance monitoring metrics** for a defined period (e.g., 36 months). Merged entities could be mandated to submit quarterly reports on a defined set of customer experience indicators—complaint volumes, resolution timelines, customer satisfaction scores—to the banking regulator. This would create accountability and ensure that customer welfare remains a visible priority amidst the complex technical and financial integration tasks.

6.3.3 For Customers: While banks and regulators hold primary responsibility, customers can also navigate mergers more effectively with better **information access and rights awareness**. Banks should be encouraged to create a single, clear, and easily accessible "Merger Information Portal" for customers, but consumer advocacy groups and the banking ombudsman should simultaneously run awareness campaigns. These should educate customers on their rights during a merger, the standard timelines for service migrations, and the proper channels for escalation when services fail.

Furthermore, strengthening **feedback mechanisms and grievance redressal** is essential. The merger period should see the activation of a dedicated, streamlined grievance channel with guaranteed response timelines. Customers should be encouraged to provide feedback not just on problems but on the transition

experience itself. An independent audit of this feedback, perhaps by a third party commissioned by the regulator, could provide an unbiased assessment of the customer experience during integration, offering another layer of accountability.

6.4 Limitations of the Study

While this study provides valuable insights, its findings must be interpreted within the context of its limitations. The **cross-sectional design**, while efficient, captures perceptions at only one point in time. This limits the ability to make definitive causal claims about the merger's evolving impact and captures a snapshot rather than the full dynamic journey of satisfaction decay and recovery for individual customers. Although the sample of 409 was statistically determined and stratified, **sample representativeness constraints** persist. Despite best efforts, the sample may over-represent tech-savvy, urban customers who are more accessible through digital and branch-intercept methods, potentially under-weighting the voices of the most rural or disconnected individuals.

The reliance on **self-reported data** introduces potential biases, including recall bias (for pre-merger perceptions) and social desirability bias. Customers' retrospective assessment of pre-merger service may be idealised, and their current satisfaction may be influenced by recent isolated experiences. The **geographical limitation** to NCR, Uttar Pradesh, while a strength in providing depth, means the findings may not be fully generalizable to other regions of India with different banking cultures, competitive landscapes, and customer demographics. Similarly, the **temporal limitation**—studying mergers that occurred in a specific window—means the findings are influenced by the unique technological and economic context of that period, including the aftermath of the COVID-19 pandemic, which accelerated digital adoption.

6.5 Suggestions for Future Research

To build upon this work and address its limitations, several avenues for future research are proposed. Most urgently, **longitudinal panel studies** tracking the same cohort of customers from pre-merger announcement through 36-48 months post-integration would provide unparalleled insight into the causal pathways and long-term effects of merger disruption on loyalty and relationship strength.

Comparative studies across different bank types would be highly valuable. A study comparing the customer experience impact of a government-mandated PSB merger with that of a market-driven private sector bank merger could isolate the effects of merger motive, pace, and organizational culture on customer outcomes. Expanding the scope through **international comparative analysis**, perhaps comparing the Indian PSB experience with similar consolidation in other emerging economies, would help identify universal principles versus context-specific factors in merger management.

Given the central role digital channels played in this study, a **specific, deep-dive focus on digital banking transitions** is warranted. Research could explore the technical and user-experience design factors that differentiate a disruptive digital integration from a seamless one, providing a blueprint for future technology-led consolidations. Finally, **expanding the sample sizes and regions** to include a nationally representative sample or comparative studies across different states would enhance the generalizability of findings and allow for analysis of regional socio-economic factors that moderate merger impact.

In final reflection, this research affirms that in the calculus of bank mergers, the customer is not a variable to be optimized later but the very foundation upon which financial stability and growth are built. The soundness of a bank is measured not only by its capital adequacy ratio but also by the adequacy of trust and satisfaction in the eyes of its customers. Managing this intangible capital through the turbulence of

merger integration is, therefore, not a supportive activity but a core strategic imperative for achieving the true, enduring promise of consolidation.

7. References

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