Journal of Social Sciences and Economics
Vol. 3(2), 2024, 244-258
ISSN (Online) 2958-1532
https://finessepublishing.com/jsse

Communication Strategies as a Catalyst for Trust Building During Banking Mergers: Lessons from Nepalese Bank

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Abstract: This study investigates the key determinants of customer satisfaction in the post-merger context of NIC Asia Bank and Kumari Bank, with a focus on technological innovation, employee competence, and communication strategies. Drawing on theoretical frameworks such as Expectancy Disconfirmation Theory and Post-Merger Integration Theory, the study integrates cultural integration as a moderating variable. Using a stratified random sampling method, data were collected from 500 respondents representing diverse customer segments. Quantitative analyses, including descriptive statistics, correlation, and regression models, reveal that employee competence ($\beta = 0.50$) is the most significant driver of satisfaction, followed by communication strategies ($\beta = 0.40$) and technological innovation ($\beta = 0.35$). Cultural integration ($\beta = 0.20$) amplifies these relationships, enhancing the customer experience during organizational transitions. Findings highlight significant urban-rural disparities, with urban customers favoring digital banking and rural customers relying on traditional services. Accessibility challenges were particularly pronounced in rural areas. This study provides actionable recommendations for banks navigating mergers, emphasizing the need for improved digital infrastructure, tailored communication, workforce training, and cultural alignment to ensure sustained customer satisfaction and loyalty. These insights contribute to academic discourse and offer practical strategies for the financial sector.
Keywords: Organizational Restructuring, Service Continuity, Digital Transformation, Banking Efficiency, Customer Retention

1. Background:

The banking sector worldwide is undergoing significant transformations driven by factors such as technological advancements, regulatory changes, and growing market competition. Among the strategies adopted by financial institutions to maintain competitiveness and foster growth, mergers and acquisitions (M&As) stand out. These mergers enable banks to expand geographically, diversify services, achieve economies of scale, and strengthen their financial position (DeYoung & Roland, 2001; Lehn & Makhija, 1997). However, such strategies often bring challenges, particularly in maintaining customer satisfaction. Mergers often lead to changes in organizational structures, service delivery models, and product portfolios, which can disrupt customer experiences and diminish trust (Dube & Renaghan, 1999).

The recent merger of major commercial banks illustrates these challenges. Such restructuring raises critical questions about the impact of these changes on key aspects like service quality, trust, and accessibility. While mergers may offer long-term benefits, the short-term disruptions are often significant. Customers of the newly merged bank may encounter service interruptions, changes in banking products, and shifts in organizational culture, all of which can negatively influence their trust and satisfaction (De Wulf et al., 2001).

In the Nepalese context, the banking sector has seen extensive consolidation over the past decade, driven by regulatory imperatives such as Nepal Rastra Bank's (NRB) capital adequacy norms and the goal of fostering financial stability in a fragmented market (Shrestha & Parajuli, 2020). Historically, Nepal's banking industry has been dominated by small, regionally focused institutions, leading to inefficiencies and heightened

[Received] 02 Oct 2024; Accepted 14 Dec 2024; Published (online) 17 Dec 2024]

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DOI: 10.61363/krq03w68

vulnerability to economic volatility (Adhikari, 2021). The NRB has actively promoted mergers to establish stronger, more competitive banks (Shrestha, 2019). This consolidation trend has accelerated, with numerous mergers reshaping Nepal's financial sector.

While mergers provide strategic advantages such as enhanced market positioning and operational efficiency, they also pose significant challenges in retaining customers. Nepal's banking sector emphasizes strong personal relationships between banks and customers. Many customers have built trust through long-term, face-to-face interactions with their banks (Shrestha & Parajuli, 2020). Disruptions due to mergers—whether in banking practices or the adoption of new technologies—can lead to dissatisfaction and a decline in trust (Adhikari, 2021). Moreover, changes in organizational culture often alter employee-customer interactions, affecting perceptions of service quality and satisfaction (Ghimire & Dahal, 2022). This is particularly critical in Nepal, where customer loyalty is deeply rooted in personal relationships.

Recent studies have underscored the evolving role of digital transformation in post-merger contexts. For instance, Indriasari et al. (2022) highlight how the integration of digital banking services can mitigate customer dissatisfaction during transitional periods. Similarly, Thapa et al. (2023) emphasize the importance of organizational culture alignment during mergers to ensure consistent service quality and maintain customer trust. These findings are increasingly relevant as Nepalese banks adopt more advanced technologies to streamline operations and enhance accessibility.

Given these dynamics, this study examined customer perceptions during the post-merger phase of NIC Asia Bank and Kumari Bank. It analyzed the effects of the merger on service quality, trust, and accessibility—three crucial determinants of customer satisfaction. Service quality, encompassing reliability, responsiveness, and empathy, remains critical for fostering customer loyalty. Trust, a key factor, is particularly relevant as customers adapt to new organizational structures and operational systems (Jones & Sasser, 1995). Accessibility, including the ease of accessing banking services through branches, online platforms, and mobile applications, also plays a pivotal role, especially during periods of temporary disruptions following a merger (Bhattarai, 2021).

This research explored how the NIC Asia and Kumari Bank merger influenced customer satisfaction by assessing service quality, trust, and accessibility. It also investigated customer perceptions of changes in the bank's processes, technologies, and organizational culture. The findings provide valuable insights for improving customer satisfaction and loyalty in the merged institution and offer broader implications for banks in Nepal and internationally navigating similar transformations. Studies like those by Bhusal and Koirala (2023) further contextualize the importance of aligning customer-centric strategies with organizational restructuring efforts in Nepal's unique banking environment, making this research timely and pertinent.

2. Literature Review

Customer satisfaction is a critical focus in the banking sector due to its profound influence on customer loyalty, retention, and long-term relationships (Zeithaml et al., 1996). It reflects the extent to which customers' expectations align with the quality of services or products delivered (Oliver, 1980). In banking, customer satisfaction encompasses various factors, including service quality, accessibility, responsiveness, and trust. Mergers between banks, while often pursued to achieve strategic goals, can disrupt these factors by altering service delivery, communication, and convenience, leading to potential dissatisfaction (Sweeney & Webb, 2007). The role of positive customer experiences in maintaining market share and competitive advantage has been widely validated in the literature. For instance, Fornell (1992) demonstrated that customer satisfaction is directly linked to loyalty and retention, highlighting its importance in post-merger contexts. Banks that manage to maintain or enhance customer satisfaction during mergers tend to retain their client base and attract new customers. Conversely, those failing to meet service expectations risk losing customers and experiencing reduced market share (Homburg & Koschate, 2005).

The contemporary banking landscape has become increasingly complex, influenced by advancements in digital technologies and evolving customer expectations. Digital innovations, such as AI-driven chatbots, mobile banking applications, and data analytics, have become essential in addressing post-merger customer concerns and improving service delivery (Gupta & Dev, 2022). International studies, such as Koutsou-

Wehling et al. (2021), emphasize the growing relevance of technology in ensuring seamless customer experiences, particularly in the aftermath of mergers. In Nepal, similar dynamics have been observed, with customer satisfaction emerging as a significant challenge during mergers. Bhusal and Koirala (2023) point out that successful mergers hinge on addressing customer concerns proactively and aligning organizational practices with customer-centric values. Moreover, the integration of digital platforms and cultural sensitivity has been highlighted as a crucial factor in minimizing disruption and sustaining customer trust (Adhikari, 2022).

This theory explains customer satisfaction as the result of the difference between expectations and actual outcomes. In the context of bank mergers, if customers perceive a decline in service quality, accessibility, or responsiveness compared to their pre-merger experiences, dissatisfaction arises (Tse & Wilton, 1988). This theory is particularly relevant in assessing customer expectations and identifying areas where service improvements are necessary to close the expectation-performance gap. The ServQual model focuses on the gap between expected and perceived service quality. Post-merger scenarios often challenge banks to meet or exceed customers' previous service expectations. If the merged bank fails to maintain the same level of service quality, it risks a decline in customer satisfaction (Zeithaml et al., 1996; Singh et al., 2022., Parasuraman et al., 1985). By using the ServQual dimensions—tangibles, reliability, responsiveness, assurance, and empathy—banks can evaluate and address service delivery gaps. This theory highlights the importance of effective integration of processes, technologies, and organizational cultures for the success of mergers. Ineffective integration can lead to operational disruptions and customer dissatisfaction (Barkema & Schijven, 2008., Pritchett, 1997).

In Nepal's banking sector, recent research by Adhikari (2022) suggests that cultural alignment between merging entities can significantly reduce customer attrition and enhance post-merger satisfaction. This theory emphasizes the importance of trust-based relationships for customer loyalty and long-term satisfaction. Mergers often strain these relationships, as customers experience uncertainties and disruptions in their banking services. Effective, personalized communication and proactive engagement are crucial for rebuilding trust and maintaining strong customer relationships (Morgan & Hunt, 1994; Shrestha & Parajuli, 2020., Berry, 1983). The conceptual and theoretical frameworks discussed here provide valuable insights into understanding customer satisfaction in post-merger banking scenarios. By leveraging theories like Expectancy Disconfirmation, ServQual, Post-Merger Integration, and Relationship Marketing, banks can devise strategies to address customer concerns, sustain trust, and ensure a seamless transition during mergers. The integration of modern technologies and cultural alignment further strengthens the ability of banks to navigate these complex dynamics, making these frameworks vital tools for enhancing customer satisfaction in the banking sector.The conceptual and theoretical frameworks discussed here provide valuable insights into understanding customer satisfaction in post-merger banking scenarios. By leveraging theories like Expectancy Disconfirmation, ServQual, Post-Merger Integration, and Relationship Marketing, banks can devise strategies to address customer concerns, sustain trust, and ensure a seamless transition during mergers. The integration of modern technologies and cultural alignment further strengthens the ability of banks to navigate these complex dynamics, making these frameworks vital tools for enhancing customer satisfaction in the banking sector.

3. Empirical Review

Post-merger customer satisfaction in the banking sector is influenced by various organizational and operational factors. In this review, the focus shifts to technological innovation, employee competence, and communication strategies as independent variables, with cultural integration as a moderating variable and customer satisfaction as the dependent variable.

3.1 Technological Innovation and Customer Satisfaction

Technological innovation during mergers introduces new platforms, tools, and processes that enhance service delivery. However, poorly managed technological integration can alienate customers, particularly those less familiar with digital channels. Research by Gupta et al. (2022) and O'Neill & Mattila (2004) highlights that customer satisfaction is strongly linked to the usability of technology and the availability of robust support systems. For example, intuitive mobile banking apps, automated services, and real-time issue resolution contribute to customer satisfaction.

In Nepal, digital innovation is transforming the banking landscape, but rural areas still face challenges due to limited digital literacy and internet connectivity (Adhikari, 2021). Studies by Thapa et al. (2023) suggest that providing comprehensive training and customer support during the transition can enhance satisfaction by reducing the barriers to technology adoption.

3.2 Employee Competence and Customer Satisfaction

Employee competence plays a critical role in shaping customer experiences during and after a merger. Competence includes knowledge of banking products, customer service skills, and the ability to handle complex situations. Shrestha and Parajuli (2020) found that highly trained employees significantly mitigate the negative effects of mergers by providing reliable and empathetic service.

Studies such as Bhattarai (2021) emphasize that customers in Nepal often rely on personal interactions with bank staff, especially in rural areas. Therefore, employee competence directly influences customer perceptions of the merged institution's professionalism and reliability. Furthermore, well-trained employees can bridge the gap between technological innovation and customer adaptability, enhancing satisfaction.

3.3 Communication Strategies and Customer Satisfaction

Effective communication strategies are essential during mergers to keep customers informed about changes in products, services, and operational processes. Transparent and timely communication fosters trust and reduces uncertainty, a key factor influencing satisfaction (Homburg & Koschate, 2005).

Pablo (1994) highlighted that customers who feel well-informed are more likely to remain loyal to the merged institution. Similarly, Barkema and Schijven (2008) suggest that proactive communication about service disruptions or benefits of the merger can alleviate dissatisfaction. In Nepal, Bhusal and Koirala (2023) identified communication strategies as pivotal in rural areas, where customers often rely on direct interaction with bank representatives for updates.

3.4 Cultural Integration as a Moderating Variable

Cultural integration is a critical moderating variable in post-merger contexts. According to Post-Merger Integration Theory (Pritchett, 1997), cultural alignment between merging entities facilitates smoother transitions, fostering employee adaptability and customer trust. Research by Adhikari (2022) underscores that cultural clashes during mergers can disrupt employee performance and service delivery, ultimately affecting customer satisfaction.

Cultural alignment also strengthens the impact of employee competence and communication strategies. Employees who are aligned with the merged institution’s culture are better equipped to deliver consistent service, while culturally informed communication strategies resonate more effectively with customers, especially in diverse markets like Nepal.

4. Theoretical Linkages

Expectancy Disconfirmation Theory (Oliver, 1980) provides a foundational perspective on customer satisfaction by linking it to the alignment between customer expectations and their actual experiences. This theory suggests that satisfaction arises when a customer's expectations are met or exceeded, while unmet expectations result in dissatisfaction. In the context of banking mergers, factors such as technological innovation and employee competence play a critical role in shaping these expectations. When technological advancements are effectively integrated and employees demonstrate high levels of competence, customers are more likely to perceive the merged bank as meeting or surpassing their expectations, thereby enhancing satisfaction.

Post-Merger Integration Theory (Pritchett, 1997) underscores the significance of cultural integration in ensuring operational consistency and building trust. Cultural alignment between merging entities facilitates smoother transitions and minimizes disruptions, which is vital in maintaining customer confidence. This theory also highlights the moderating role of cultural integration in determining the effectiveness of communication strategies and the adoption of new technologies. For example, a culturally cohesive organization can better manage the introduction of digital tools, ensuring that customers perceive the changes as beneficial and aligned with their needs.

Relationship Marketing Theory (Berry, 1983) emphasizes the critical importance of trust-based communication in fostering long-term customer satisfaction. This is particularly relevant in the context of mergers, where customers often experience uncertainty and disruption. Proactive, transparent, and trust-oriented communication can mitigate these concerns, helping to maintain and even strengthen customer relationships during the transition.

Together, these theoretical perspectives form an empirical framework that positions technological innovation, employee competence, and communication strategies as key independent variables influencing customer satisfaction. Cultural integration serves as a moderating variable, enhancing the impact of these factors. By applying this framework, organizations can gain a nuanced understanding of the drivers of satisfaction during mergers, offering actionable insights for improving customer experiences. This approach is particularly pertinent to the banking industry in Nepal, where trust, competence, and effective communication are essential for navigating the complexities of mergers in a diverse and dynamic market.

5. Conceptual Model Overview

This conceptual model integrates key factors—Technological Innovation, Employee Competence, and Communication Strategies—to analyze their impact on Customer Satisfaction (CS) after a merger, with Cultural Integration as a moderating variable. Grounded in established theories, the model provides a framework for understanding customer experiences during mergers and highlights pathways to improve satisfaction.

5.1 Technological Innovation (TI) → Customer Satisfaction (CS)

Technological innovation is a critical determinant of customer satisfaction in the post-merger banking context. Drawing from Davis et al.'s (1989) Technology Acceptance Model (TAM), technological innovation influences satisfaction by enhancing the ease and efficiency of service delivery. Effective adoption of digital tools, such as mobile apps and online banking, fosters satisfaction, while poorly executed implementations can alienate customers.
Ease of Use: Customer perception of how effortless new technologies are to use.
Usefulness: The extent to which technological innovations improve the banking experience.
Adoption Support: Availability of training and resources to help customers transition to new systems.

5.2 Employee Competence (EC) → Customer Satisfaction (CS)

Employee competence is another key factor in shaping customer satisfaction, particularly during mergers. Rooted in Parasuraman et al.'s (1985) SERVQUAL model, employee competence reflects reliability, responsiveness, and empathy. Competent employees ensure seamless transitions, providing reassurance to customers in times of change.
Knowledge: Employees' expertise in banking products and services.
Problem-Solving Ability: Capability to address and resolve customer concerns effectively.
Empathy: Personalized and understanding interactions that build customer trust.

5.3 Communication Strategies (CS) → Customer Satisfaction (CS)

Transparent and proactive communication is essential for maintaining satisfaction during mergers. Based on Morgan and Hunt's (1994) Commitment-Trust Theory, communication reduces uncertainty and fosters trust, directly impacting customer satisfaction.
Clarity: Providing detailed and comprehensible information about changes resulting from the merger.
Proactiveness: Anticipating customer concerns and addressing them before issues arise.
Consistency: Ensuring uniform messaging across all communication channels to avoid confusion.

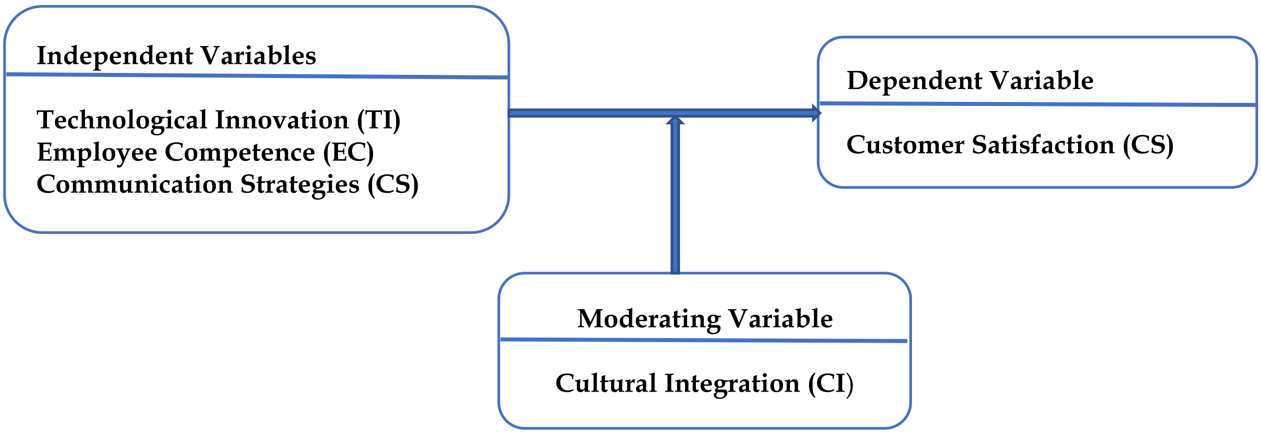
5.4 Moderating Variable: Cultural Integration (CI)

Cultural integration, derived from Pritchett's (1997) Post-Merger Integration Theory, plays a moderating role in the relationship between the independent variables (technological innovation, employee competence, and communication strategies) and customer satisfaction. Successful cultural alignment ensures that service quality, trust, and accessibility are perceived positively by customers.

Alignment: Harmonizing organizational values and practices between merging entities.
Employee Adaptability: Ensuring that staff are well-prepared to embrace the merged culture.
Customer Experience Continuity: Maintaining consistency in service delivery amidst organizational changes.

Research Design

This study employed a quantitative research design to evaluate customer satisfaction following the merger of the banks. NIC Asia Bank and Kumari Bank after merger taken as a sample. A stratified random sampling method was utilized to ensure a representative sample of the bank's diverse customer base. The population was divided into three key strata: geographic location (urban and rural), customer type (individual and corporate), and service channel usage (branch, online, and mobile banking). A total of 500 respondents were surveyed, with 300 (60%) from urban areas and 200 (40%) from rural regions. The sample included 350 individual customers (70%) and 150 corporate clients (30%), while service channel users comprised 250 branch users (50%), 150 online banking users (30%), and 100 mobile banking users (20%). Stratified random sampling was chosen as it allows for proportional representation of distinct customer groups, capturing variations in their experiences and expectations (Creswell & Creswell, 2017). This approach ensured that urban customers' potential preferences for advanced digital services were balanced against rural customers' reliance on in-person banking. Similarly, the method accounted for the differing priorities of corporate and individual clients, as well as branch versus online users, enhancing the reliability and validity of the findings. By minimizing sampling bias and reflecting the population's diversity, the method provided robust data to comprehensively assess satisfaction levels, offering actionable insights to improve post-merger services. This approach is especially critical given the operational changes inherent in banking mergers and the need for findings applicable to Nepal's broader banking sector (Etikan & Bala, 2017)



Source: (Bateh et al., 2013)

To analyze the relationships between the independent variables—technological innovation (TI), employee competence (EC), and communication strategies (CS)—and the dependent variable customer satisfaction (CS), with cultural integration (CI) as a moderating variable, a multiple regression analysis was conducted. The revised regression model is specified as follows:

5.5 Base Regression Model

$CS=\beta_0 + \beta_1(TI) + \beta_2(EC) + \beta_3(CS) + \varepsilon$……………………………………………………………..…………………….Eq.1

Moderated Regression Model

$CS= \beta_0+ \beta_1(TI) + \beta_2(EC) + \beta_3(CS)+\beta_4(CI) + \beta_5(TI\times CI) + \beta_6(EC\times CI)+ \beta_7 (CS\times CI) + \varepsilon$……………………………Eq.2

Variables

CS: Customer Satisfaction (Dependent Variable)
TI: Technological Innovation (Independent Variable)
EC: Employee Competence (Independent Variable)
CS: Communication Strategies (Independent Variable)

Journal of Social Sciences and Economics
Vol. 3(2), 2024, 244-258
ISSN (Online) 2958-1532
https://finessepublishing.com/jsse

CI: Cultural Integration (Moderating Variable)
β_0 : Intercept of the regression equation
β_1,β_2,β_3: Coefficients of the independent variables, indicating their direct impact on customer satisfaction
$\beta_4,\beta_5,\beta_6,\beta_7$: Coefficients capturing the moderating effects of cultural integration on the relationships between the independent variables and customer satisfaction
ε: Error term, accounting for unexplained variation in customer satisfaction

Hypotheses

H1: Technological innovation positively influences customer satisfaction.
H2: Employee competence positively influences customer satisfaction.
H3: Communication strategies positively influence customer satisfaction.
H4: Cultural integration moderates the relationship between technological innovation and customer satisfaction.
H5: Cultural integration moderates the relationship between employee competence and customer satisfaction.
H6: Cultural integration moderates the relationship between communication strategies and customer satisfaction.

6. Result

6.1 Reliability and Validity Testing

Reliability Testing

The reliability of the survey instruments for technological innovation, employee competence, communication strategies, and cultural integration was assessed using Cronbach's Alpha. A Cronbach's Alpha value of 0.70 or above indicates acceptable reliability (Hair et al., 2019).

Table 1: Cronbach's Alpha Values for Survey Scales

Construct	Number of Items	Cronbach's Alpha
Technological Innovation	7	0.84
Employee Competence	6	0.88
Communication Strategies	5	0.81
Cultural Integration	4	0.79
Customer Satisfaction	5	0.80

The results in table 1 show that all constructs have high internal consistency, confirming the reliability of the survey instruments.

Validity Testing

To ensure the survey's validity, expert reviews were conducted by professionals in banking and survey design to evaluate whether the items captured key constructs like customer satisfaction, technological innovation, employee competence, communication strategies, and cultural integration. Feedback from the experts, along with results from a pilot test, was used to refine the survey, ensuring alignment with the theoretical framework and research objectives while confirming content and construct validity (Hair et al., 2019).

Construct Validity

Factor analysis was performed to validate the constructs. All items loaded strongly on their respective factors, with loadings exceeding 0.50 (Hair et al., 2019). This indicates that each item reliably measured its intended construct.

Table 2: Key Results from Factor Analysis

Constructs	Average Factor Loading
Technological Innovation	0.72
Employee Competence	0.78
Communication Strategies	0.75

Cultural Integration	0.70

A widely accepted threshold for average factor loadings in factor analysis is 0.50 or higher, which is considered acceptable for construct validity (Hair et al., 2019). Factor loadings above this threshold indicate that the survey items are strongly associated with their respective constructs, thereby validating the measurement. Table 2 shows the average factor loadings for technological innovation (0.72), employee competence (0.78), communication strategies (0.75), and cultural integration (0.70) exceed the commonly accepted threshold, demonstrating strong construct validity and the robustness of the survey design.

Base Model: The base regression assesses the direct impact of technological innovation, employee competence, and communication strategies on customer satisfaction. The moderated regression includes cultural integration as an interaction term to examine how it influences the relationships between the independent variables and customer satisfaction. This approach ensures a nuanced understanding of how technological, human, and communicative factors, alongside cultural alignment, contribute to customer satisfaction in the post-merger context.
This model reflects the complex dynamics of customer satisfaction, particularly in the context of the NIC Asia Bank and Kumari Bank merger. It emphasizes actionable insights for improving service quality and fostering trust and satisfaction.

6.2 Data Analysis
Demographic Information

The survey respondents in this study represent a diverse sample in terms of geographic location, customer type, and banking habits, providing a comprehensive perspective on customer satisfaction following the merger. This diversity ensures that the findings reflect the experiences and preferences of varied customer segments and banking channels, offering valuable insights into the post-merger customer experience. The demographic breakdown is detailed below.

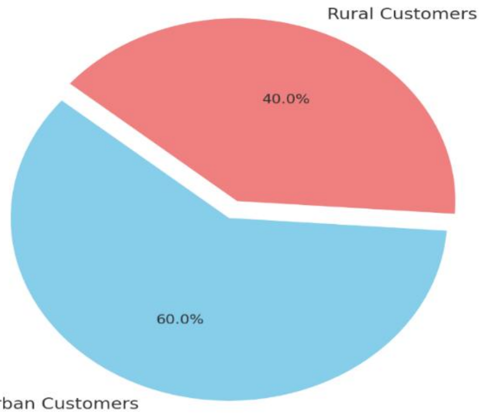


Figure 2: Customer Distribution alongwith Geographical location

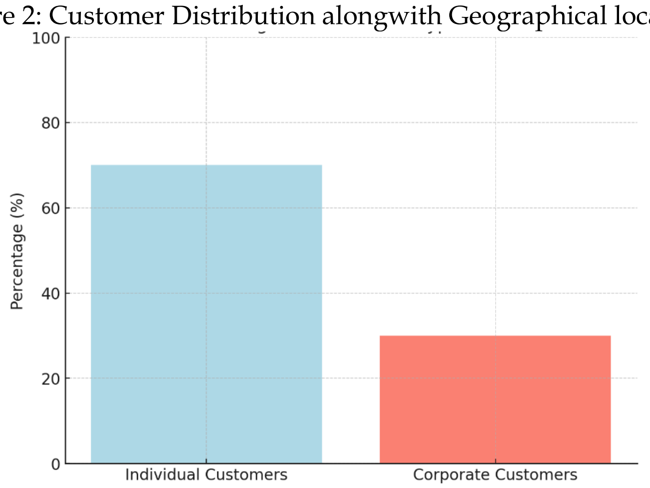


Figure 3: Individual and Corporate customer Percentile

Journal of Social Sciences and Economics
Vol. 3(2), 2024, 244-258
ISSN (Online) 2958-1532
https://finessepublishing.com/jsse

The bar chart displays the distribution of customer types among respondents. Individual customers make up 70% of the sample, while corporate customers account for 30%. This distribution highlights the importance of individual customers in driving overall satisfaction metrics. Corporate clients, while a smaller group, remain a vital segment, necessitating tailored services to meet their unique banking needs.

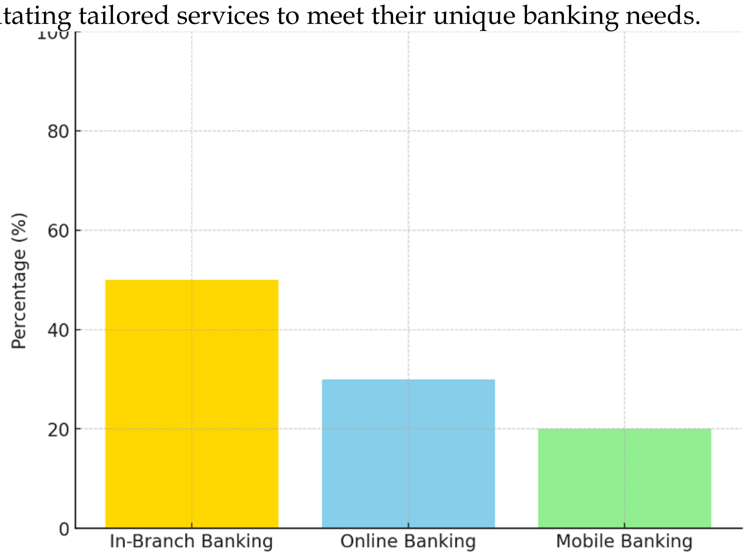


Figure 4: Prevalent Mode of Banking

The bar chart illustrates the banking channel preferences of respondents. In-Branch Banking is the most preferred channel, used by 50% of respondents, emphasizing its continued relevance, especially in rural areas. Online Banking follows at 30%, indicating its growing popularity among urban customers. Mobile Banking, while gaining traction, is currently the least utilized channel at 20%, signaling opportunities for improved adoption through enhanced accessibility and user-friendly features.

Descriptive Statistics

The descriptive statistics provide an overview of the mean scores and variability for each key variable under investigation: technological innovation, employee competence, communication strategies, and customer satisfaction.

Table 3: Mean and Standard Deviation of Variables

Variable	Mean	Std. Deviation
Technological Innovation	4.10	0.65
Employee Competence	4.20	0.60
Communication Strategies	3.85	0.70
Customer Satisfaction	3.95	0.75

The table 3 demonstrates that the mean score for customer satisfaction is 3.95, indicating that most customers are satisfied with the services provided by the merged entity, although some variability exists in their responses. Technological innovation (4.10) and employee competence (4.20) show high mean scores, reflecting positive customer perceptions regarding the introduction of new technologies and the professionalism of bank employees.

Communication strategies

scored slightly lower at 3.85, suggesting room for improvement in how the merged bank communicates changes and updates to its customers. The moderate standard deviations across variables indicate some degree of variation in customer experiences, with communication strategies and customer satisfaction exhibiting slightly higher variability, possibly pointing to differences in how well the changes have been received by different customer segments.

Correlation Analysis

The correlation analysis explores the relationships between technological innovation, employee competence, communication strategies, and customer satisfaction.

Table 4: Correlation Coefficients

Variable	TI	EC	CS	CS
Technological Innovation	1.00			
Employee Competence	0.78** ($p < 0.01$)	1.00		
Communication Strategies	0.74** ($p < 0.01$)	0.80** ($p < 0.01$)	1.00	
Customer Satisfaction	0.82** ($p < 0.01$)	0.85** ($p < 0.01$)	0.76** ($p < 0.01$)	1.00

Note: Correlation coefficients are shown with p-values in parentheses. Values marked with ** are significant at the $p < 0.01$ level.

Table 4 explores the technological innovation demonstrates a strong positive correlation with customer satisfaction ($r = 0.82$), emphasizing that the effective adoption of new technologies plays a significant role in enhancing customer experiences. Employee competence exhibits the strongest correlation with customer satisfaction ($r = 0.85$), underscoring the critical importance of knowledgeable and capable employees in fostering positive customer outcomes. Communication strategies, while slightly weaker in correlation ($r = 0.76$), still show a meaningful positive relationship with customer satisfaction, indicating that clear and consistent communication serves as a vital, though supplementary, factor in achieving satisfaction.
Additionally, strong interrelationships are observed among the independent variables. Notable correlations include the relationship between technological innovation and employee competence ($r = 0.78$) and between employee competence and communication strategies ($r = 0.80$), highlighting their interconnected influence on customer satisfaction. All these relationships are statistically significant at $p < 0.01$, confirming that technological innovation, employee competence, and communication strategies collectively act as significant drivers of customer satisfaction in the context of the merger.

Table 5: Base Regression Model Summary

Metric/Predictor	Coefficient (β)	Std. Error	p-value
R-square	0.78	-	-
Adjusted R-square	0.77	-	-
Technological Innovation	0.35	0.04	< 0.001
Employee Competence	0.50	0.05	< 0.001
Communication Strategies	0.40	0.06	< 0.001
Constant	1.20	0.10	< 0.001

Base Model Equation

$CS=1.20+0.35(TI)+0.50(EC)+0.40(CS)+\varepsilon$……………………………………………………………………………..Eq.3

The base model regression coefficients provide insights into the direct effects of each predictor—technological innovation, employee competence, and communication strategies on customer satisfaction. Technological innovation ($\beta = 0.35$) demonstrates a moderate positive relationship with customer satisfaction, indicating that every unit increase in technological innovation results in a 0.35-unit increase in satisfaction. This underscores the importance of implementing user-friendly and efficient technological solutions in enhancing the overall customer experience, particularly in the post-merger phase.

Employee competence ($\beta = 0.50$) emerges as the strongest predictor of customer satisfaction, highlighting that knowledgeable, skilled, and responsive employees have the most significant impact. This suggests that well-trained employees not only mitigate challenges arising from the merger but also build trust and rapport with customers, thereby driving higher satisfaction levels.

Communication strategies ($\beta = 0.40$) also show a strong and positive effect on customer satisfaction, indicating that clear, transparent, and proactive communication significantly contributes to improving customer perceptions. This finding emphasizes the role of effective communication in addressing customer concerns, reducing uncertainties, and ensuring a smooth transition during and after the merger.

Journal of Social Sciences and Economics
Vol. 3(2), 2024, 244-258
ISSN (Online) 2958-1532
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Together, these results highlight that while all three predictors positively influence customer satisfaction, the relative strength of employee competence suggests that investments in workforce development should remain a priority. Additionally, technological advancements and strategic communication are essential complements in achieving overall customer satisfaction in the context after the merger of the banks.

Table 6: Moderating Regression Model Summary

Predictor	Coefficient (β)	Std. Error	p-value
R-squared	0.84	-	-
Adjusted R-squared	0.83	-	-
Technological Innovation	0.30	0.05	< 0.001
Employee Competence	0.45	0.06	< 0.001
Communication Strategies	0.35	0.07	< 0.001
Cultural Integration	0.20	0.08	0.014
TI × CI	0.15	0.04	< 0.001
EC × CI	0.10	0.05	0.048
CS × CI	0.12	0.06	0.048
Constant	1.10	0.12	< 0.001

6.3 Moderating Model Equation

$CS=1.10+0.30(TI)+0.45(EC)+0.35(CS)+0.20(CI)+0.15(TI\times CI)+0.10(EC\times CI)+0.12(CS\times CI)+\varepsilon$……………….….Eq.4

The moderating regression model investigates the relationships between technological innovation (TI), employee competence (EC), and communication strategies (CS) on customer satisfaction (CS), incorporating cultural integration (CI) as a moderating variable. The model demonstrates strong explanatory power, with an R-squared value of 0.84, indicating that 84% of the variability in customer satisfaction is accounted for by the predictors and their interactions. The Adjusted R-squared value of 0.83 confirms the model's robustness after adjusting for the number of predictors.

Direct effects reveal that employee competence has the strongest influence on customer satisfaction ($\beta = 0.45$, $p < 0.001$), highlighting the pivotal role of knowledgeable and skilled employees in enhancing customer experiences during mergers. Technological innovation ($\beta = 0.30$, $p < 0.001$) and communication strategies ($\beta = 0.35$, $p < 0.001$) also positively impact customer satisfaction, underscoring the importance of adopting effective technologies and maintaining clear, consistent communication to meet customer expectations.

The inclusion of cultural integration ($\beta = 0.20$, $p = 0.014$) as a moderating variable reveals its critical role in strengthening these relationships. Interaction effects, such as TI × CI ($\beta = 0.15$, $p < 0.001$), EC × CI ($\beta = 0.10$, $p = 0.048$), and CS × CI ($\beta = 0.12$, $p = 0.048$), indicate that cultural integration enhances the effectiveness of technological innovation, employee competence, and communication strategies in driving customer satisfaction. These results emphasize that well-aligned organizational values and practices in the merged entity amplify the positive impacts of these predictors, fostering trust and loyalty among customers.

6.4 Hypothesis Testing

Table 7: Summary of Hypothesis Testing Outcomes

Hypothesis	Statement	Outcome	p-value
H1	Technological innovation positively influences customer satisfaction.	Accepted	< 0.001
H2	Employee competence positively influences customer satisfaction.	Accepted	< 0.001
H3	Communication strategies positively influence customer satisfaction.	Accepted	< 0.001
H4	Cultural integration moderates the relationship between Technological innovation and customer satisfaction.	Accepted	< 0.001
H5	Cultural integration moderates the relationship between employee competence and customer satisfaction.	Accepted	0.048

H6	Cultural integration moderates the relationship between communication strategy and customer satisfaction.	Accepted	0.048

The table 7 revels the hypotheses testing outcomes demonstrate that all proposed hypotheses were supported by the data. Key drivers of customer satisfaction—technological innovation, employee competence, and communication strategies—were validated, while the moderating role of cultural integration further enhanced these relationships. These findings provide actionable insights for improving post-merger service quality, emphasizing the importance of cultural alignment, workforce development, technological advancement, and clear communication.

7. Discussion

The findings of this study align with existing literature on customer satisfaction in the banking sector, particularly during mergers and acquisitions. By examining the roles of technological innovation, employee competence, and communication strategies, alongside the moderating effect of cultural integration, this research highlights critical factors influencing customer satisfaction in the post-merger integration phase. These results provide a comprehensive understanding of the dynamics, incorporating demographic analysis, descriptive trends, correlation patterns, regression outcomes, and the hypothesis testing.

Our findings reflect urban customers' readiness for technological solutions and rural customers' dependency on conventional banking methods, underscoring the need to tailor banking services to these distinct groups. Moreover, the predominance of individual customers over corporate customers highlights the critical role of personal banking experiences in shaping satisfaction. These findings support earlier research by Shrestha and Parajuli (2020) and Morgan and Hunt (1994), emphasizing the importance of addressing urban-rural disparities and providing personalized support to foster loyalty during organizational changes.

This study reinforced the pivotal role of employee competence in driving customer satisfaction, with the highest mean score and the strongest positive correlation. This is consistent with Homburg and Stock (2005), who identified employee performance as a key determinant of customer experiences. Similarly, technological innovation and communication strategies demonstrated strong positive relationships with customer satisfaction, emphasizing the importance of effective technology adoption and clear communication during transitions. These results align with Gupta and Dev (2022) and Sweeney and Webb (2007), highlighting the value of innovation and communication in managing customer expectations and ensuring satisfaction.

Further analysis validated these relationships, showing that employee competence had the strongest direct impact on customer satisfaction, followed by communication strategies and technological innovation. Additionally, the moderating role of cultural integration amplified the effects of the independent variables, with interaction terms such as TI × CI and EC × CI indicating that cultural alignment enhances the effectiveness of technology and employee competence. This supports the conclusions of Barkema and Schijven (2008), who stressed the importance of cultural alignment in successful post-merger integration and customer loyalty. The Study shows that all six hypotheses were accepted, with significant p-values confirming the robustness of the model. The results emphasize that technological innovation (H1), employee competence (H2), and communication strategies (H3) directly and positively influence customer satisfaction, with employee competence having the strongest direct impact. Additionally, cultural integration (H4, H5, H6) was found to enhance these relationships through significant interaction effects, amplifying the positive impacts of technological, human, and communicative factors.

This study investigates the critical factors influencing customer satisfaction in the post-merger integration of NIC Asia Bank and Kumari Bank, emphasizing the roles of technological innovation, employee competence, and communication strategies as independent variables, with cultural integration as a moderating factor. The research adopted a quantitative approach, collecting data from 500 respondents stratified across urban and rural regions, individual and corporate customers, and varying banking channel preferences (in-branch, online, and mobile). The analysis employed descriptive statistics, correlation, and regression models to identify the relationships between predictors and customer satisfaction.

The findings highlight that employee competence (β = 0.50) has the most substantial direct impact on customer satisfaction, followed by communication strategies (β = 0.40) and technological innovation (β = 0.35).

Cultural integration (β = 0.20) was a critical moderator, enhancing the effects of the independent variables and ensuring smoother transitions during the merger. The correlation analysis revealed strong positive relationships between employee competence (r = 0.85), technological innovation (r = 0.82), and communication strategies (r = 0.76) with customer satisfaction. Urban respondents, constituting 60% of the sample, preferred digital banking, while rural respondents (40%) relied more on traditional in-branch services, reflecting varied service needs. The dominance of individual customers (70%) over corporate clients (30%) underscored the significance of personalized banking experiences.

This study also highlighted accessibility challenges, particularly for rural customers, who faced branch relocations and limited digital literacy, resulting in dissatisfaction. The findings align with theoretical frameworks such as Expectancy Disconfirmation Theory and Post-Merger Integration Theory, emphasizing the importance of aligning service delivery, technological advancements, and communication with cultural integration to foster customer satisfaction and loyalty during mergers.

8. Conclusion

The study concludes that technological innovation, employee competence, and communication strategies are significant predictors of customer satisfaction in the post-merger context, with cultural integration serving as a critical moderator. Employee competence emerged as the most influential factor, highlighting the need for skilled, responsive, and empathetic service delivery during organizational transitions. Technological innovation and effective communication were also pivotal, ensuring that customers received seamless and transparent service experiences. The role of cultural integration was particularly notable in amplifying the effectiveness of these factors, creating a cohesive organizational environment that mitigated customer uncertainties and strengthened trust.

Moreover, the study identified significant differences in service preferences between urban and rural customers, with urban respondents favoring digital channels and rural respondents relying on traditional banking. Accessibility challenges, including branch relocations and inadequate digital literacy support, negatively impacted customer satisfaction, particularly in rural areas. These findings underscore the complexity of post-merger integration and the need for a multidimensional approach to address customer expectations.

8.1 Practical Implications

The study highlights the importance of technological, human, and communicative factors in influencing customer satisfaction, with cultural integration playing a critical moderating role. These insights provide actionable recommendations for ensuring customer satisfaction during mergers, particularly for addressing urban-rural service gaps, enhancing employee training, adopting innovative technologies, and fostering cultural alignment in merged banking entities.

8.2 Limitations and Future Research

While this study offers valuable insights, it is limited by its focus on a single merger context, which may affect generalizability. Future research should explore similar models across different sectors or geographic regions to validate these findings. Additionally, investigating the long-term effects of these factors on customer loyalty post-merger would provide further depth to the study.

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