



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

Madan Kandel^a, Bhupindra Jung Basnet^{b*}, Ramesh Dutta Joshi^c

a,b,c Nepal Commerce Campus, Tribhuvan University, Nepal

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: urban customers favor digital banking, while rural customers rely on traditional services. Accessibility challenges were particularly pronounced in rural areas. This study offers actionable recommendations for banks navigating mergers, emphasizing the importance of enhancing digital infrastructure, tailoring communication, training the workforce, and aligning culture 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 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). 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 (Lehn & Makhija).

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 experience service interruptions, changes to banking products, and shifts in organizational culture, all of which can negatively affect their trust and satisfaction (Dube & Renaghan).

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 (De Wulf et al.). Historically, Nepal's banking industry has been dominated by small, regionally focused institutions, leading to inefficiencies and heightened vulnerability to economic volatility (Gurung). The NRB has actively promoted mergers to establish stronger, more competitive banks (D. Adhikari). This consolidation trend has accelerated, with numerous mergers reshaping Nepal's

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

Finesse Publishing stays neutral about jurisdictional claims on published maps



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Corresponding email: bhupindra@ncc.edu.np (Bhupindra Jung Basnet)

DOI: 10.61363/krq03w68

financial sector. While mergers offer strategic advantages, such as enhanced market positioning and operational efficiency, they also pose significant challenges for retaining customers. Nepal's banking sector emphasizes the importance of strong personal relationships between banks and their customers. Many customers have built trust through long-term, face-to-face interactions with their banks ([Shrestha](#)). Disruptions due to mergers – whether in banking practices or the adoption of new technologies – can lead to dissatisfaction and a decline in trust ([Shrestha](#)). Moreover, changes in organizational culture often alter employee-customer interactions, affecting perceptions of service quality and satisfaction ([R. Ghimire & N. Sharma](#)). 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, ([Parasuraman et al.](#)) highlights that integrating digital banking services can mitigate customer dissatisfaction during transitional periods. Similarly, ([O'Neill & Mattila](#)) emphasizes the importance of aligning organizational cultures 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](#)). 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 ([B. Bhattarai](#)).

This research examined the impact of the merger between NIC Asia and Kumari Bank on customer satisfaction, focusing on service quality, trust, and accessibility. It also investigated customer perceptions of changes in the bank's processes, technologies, and organizational culture. The findings offer valuable insights for enhancing customer satisfaction and loyalty in the merged institution, with broader implications for banks in Nepal and internationally, as they navigate similar transformations. Studies such as those by Bhusal and Koirala ([Shrestha](#)) further underscores the importance of aligning customer-centric strategies with organizational restructuring efforts in Nepal's unique banking environment, underscoring the timeliness and pertinence of this research. Customer satisfaction is a critical focus in the banking sector, as it profoundly influences customer loyalty, retention, and long-term relationships ([Tufte](#)). It reflects the extent to which customers' expectations align with the quality of services or products delivered ([Koutsou-Wehling et al.](#)). In banking, customer satisfaction encompasses a range of 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 ([Steiner & Reisinger](#)).

The role of positive customer experiences in maintaining market share and competitive advantage has been widely validated in the literature. For instance, Fornell ([Zeithaml et al.](#)) 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 who fail to meet service expectations risk losing customers and experiencing a reduced market share ([Zeithaml et al.](#)).

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 ([Oliver](#)). International studies 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 ([Shrestha](#)) note that successful mergers depend on proactively addressing customer concerns and aligning organizational practices with customer-centric values. Moreover, integrating



digital platforms and cultural sensitivity has been highlighted as a crucial factor in minimizing disruption and sustaining customer trust ([Sweeney & Webb](#)).

2. Review of Related Theories

2.1 Expectancy Disconfirmation Theory (Oliver, 1980)

This theory explains customer satisfaction as 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 ([Fornell](#)). This theory is particularly relevant in assessing customer expectations and identifying areas where service improvements are necessary to close the expectation-performance gap.

2.2 ServQual Model (Parasuraman et al., 1985)

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 ([Homburg & Koschate](#)). By using the ServQual dimensions – tangibles, reliability, responsiveness, assurance, and empathy – banks can evaluate and address service delivery gaps.

2.3 Post-Merger Integration Theory (Pritchett, 1997)

This theory emphasizes the importance of integrating processes, technologies, and organizational cultures effectively for successful mergers. Ineffective integration can lead to operational disruptions and customer dissatisfaction ([Parasuraman et al.](#)). In Nepal's banking sector, recent research by Adhikari ([Lehn & Makhija](#)) suggests that cultural alignment between merging entities can significantly reduce customer attrition and enhance post-merger satisfaction.

2.4 Relationship Marketing Theory (Berry, 1983)

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 ([Pritchett, 1997](#)).

The conceptual and theoretical frameworks discussed here provide valuable insights into understanding customer satisfaction in post-merger banking scenarios. By leveraging theories such as 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 banks' ability to navigate these complex dynamics, making these frameworks vital tools for enhancing customer satisfaction in the banking sector.

2.5 Empirical Review

Post-merger customer satisfaction in the banking sector is influenced by a range of 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.

2.6 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 and Dev ([Sweeney & Webb](#)) and O'Neill & Mattila ([Morgan & Hunt](#)) 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. ([DeYoung & Roland](#)).

In Nepal, digital innovation is transforming the banking landscape; however, rural areas still face challenges due to limited digital literacy and inadequate internet connectivity. Studies by (O'Neill & Mattila) suggest that providing comprehensive training and customer support during the transition can enhance satisfaction by reducing the barriers to technology adoption.

2.7 Employee Competence and Customer Satisfaction

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

Studies such as Bhattarai (R. Adhikari) 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.

2.8 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 (Berry).

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

2.9 Cultural Integration as a Moderating Variable

Cultural integration is a critical moderating variable in post-merger contexts. According to Post-Merger Integration Theory (Gabbie & O'Reilly), cultural alignment between merging entities facilitates smoother transitions, fostering employee adaptability and customer trust. Research by Adhikari (Lehn & Makhija) highlights that cultural clashes during mergers can disrupt employee performance and service delivery, ultimately impacting customer satisfaction (Koutsou-Wehling et al.).

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.

3. Theoretical Linkages

Expectancy Disconfirmation Theory (Koutsou-Wehling & et al.) provides a foundational perspective on customer satisfaction by linking it to the alignment between customer expectations and their actual experiences. This theory holds that satisfaction arises when a customer's expectations are met or exceeded, whereas unmet expectations lead to dissatisfaction (R. Adhikari).

In the context of banking mergers, 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 (Gabbie & O'Reilly) emphasizes the importance of cultural integration to ensure operational consistency and foster 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 ([Gurung](#)) 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 help mitigate these concerns, thereby maintaining and even strengthening 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 customer satisfaction during mergers, providing actionable insights for enhancing 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.

3.1 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.

3.2 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 Technology Acceptance Model (TAM) ([R. Ghimire & N. Sharma](#)), technological innovation influences satisfaction by enhancing the ease and efficiency of service delivery. The effective adoption of digital tools, such as mobile apps and online banking, fosters customer satisfaction, while poorly executed implementations can alienate them.

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.

3.3 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 ([D. Bhattarai](#)) SERVQUAL model, employee competence reflects reliability, responsiveness, and empathy. Competent employees ensure seamless transitions, providing customers with reassurance during times of change.

Knowledge: Employees' expertise in banking products and services.

Problem-Solving Ability: The Capability to address and resolve customer concerns effectively.

Empathy: Personalized and understanding interactions that build customer trust.

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

Transparent and proactive communication is essential for maintaining satisfaction during mergers. Based on Morgan and Hunt's ([Berry](#)) In the 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.

3.5 Moderating Variable: Cultural Integration (CI)

Figure 1 illustrates that cultural integration, as outlined in Pritchett’s Post-Merger Integration Theory, moderates the relationships among the independent variables—technological innovation, employee competence, and communication strategies—and customer satisfaction. Effective 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.

4. Research Framework

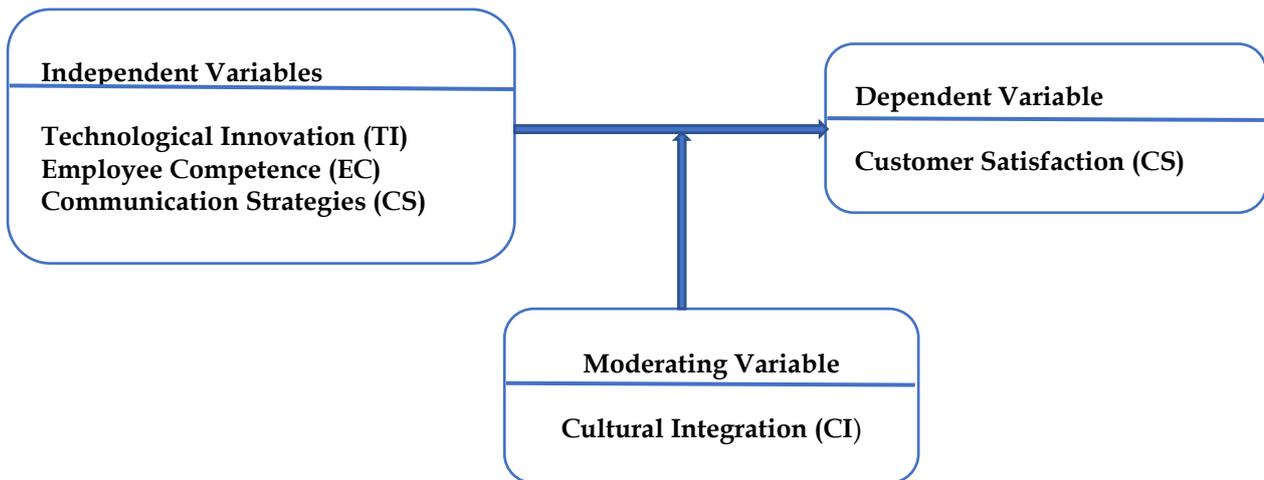


Figure 1: Research framework; Source: (Bateh et al., 2013)

4.1 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, following the merger, were selected as the 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 (D. Bhattarai). This approach ensured that the potential preferences of urban customers for advanced digital services were balanced against the reliance of rural customers on in-person banking.

Similarly, the method accounted for the differing priorities of corporate and individual clients, as well as branch versus online users, thereby enhancing the reliability and validity of the findings (Gabbie & O’Reilly).

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 (S. Ghimire & S. Sharma).

4.2 Updated Regression Model with New Variables

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:



4.3 Base Regression Model

$$CS = \beta_0 + \beta_1(TI) + \beta_2(EC) + \beta_3(CS) + \varepsilon$$

Moderated Regression Model

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

Variables

CS: Customer Satisfaction (Dependent Variable)

TI: Technological Innovation (Independent Variable)

EC: Employee Competence (Independent Variable)

CS: Communication Strategies (Independent Variable)

CI: Cultural Integration (Moderating Variable)

β_0 : Intercept of the regression equation

$\beta_1, \beta_2, \beta_3$: 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.

5. Reliability and Validity Testing

5.1 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.](#)).

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.

5.1 Validity Testing

To ensure the survey's validity, experts in banking and survey design conducted reviews to assess whether the items captured key constructs, including 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 ([Koutsou-Wehling & et al.](#)).

5.2 Construct Validity

Factor analysis was performed to validate the constructs. All items loaded strongly on their respective factors, with loadings exceeding 0.50 (Miklovic & Holjevac). 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 (O'Neill & Mattila). Factor loadings above this threshold indicate that the survey items are strongly associated with their respective constructs, thereby validating the measurement.

Table 2 shows that 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 (Tse & Wilton).

5.3 Explanation of the Model

Base Model: The base regression assesses the direct impact of technological innovation, employee competence, and communication strategies on customer satisfaction.

5.4 Moderated Model

The moderated regression includes cultural integration as an interaction term to examine how it influences the relationships between the independent variables and customer satisfaction.

Significance: 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 captures the intricate dynamics of customer satisfaction, particularly in the context of the merger between NIC Asia Bank and Kumari Bank. It emphasizes actionable insights to improve service quality and foster trust and satisfaction.

6. Data Analysis

6.1 Demographic Information

The survey respondents in this study represent a diverse sample across 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 (Zeithaml et al.). The demographic breakdown is detailed below (Figure 2).

Figure 3 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, though a smaller group, remain a vital segment that requires tailored services to meet their unique banking needs.

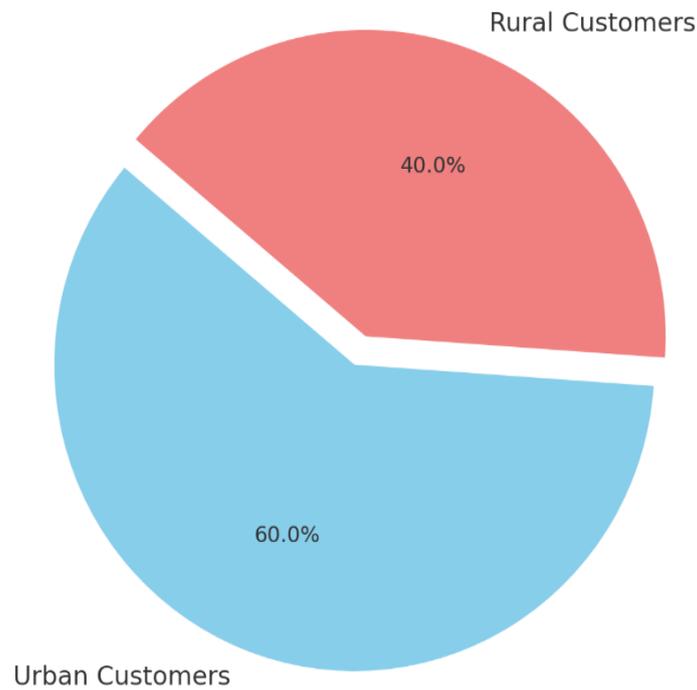


Figure 2: Geographic Location

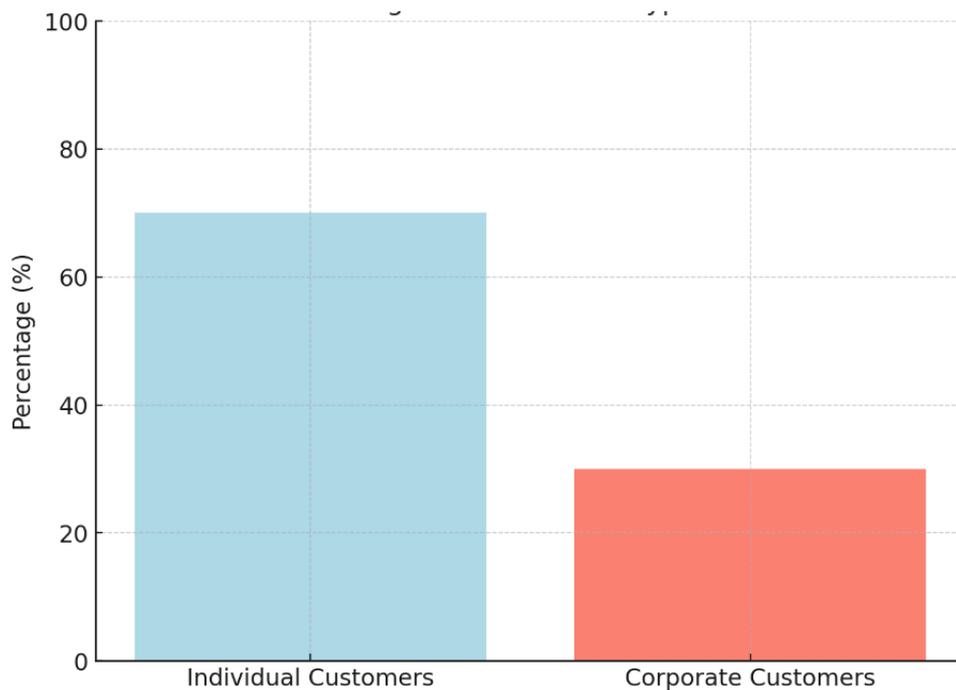


Figure 3: Customer Type

Figure 4 illustrates respondents' preferences for the banking channel. 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%, suggesting opportunities to increase adoption by enhancing accessibility and user-friendliness.

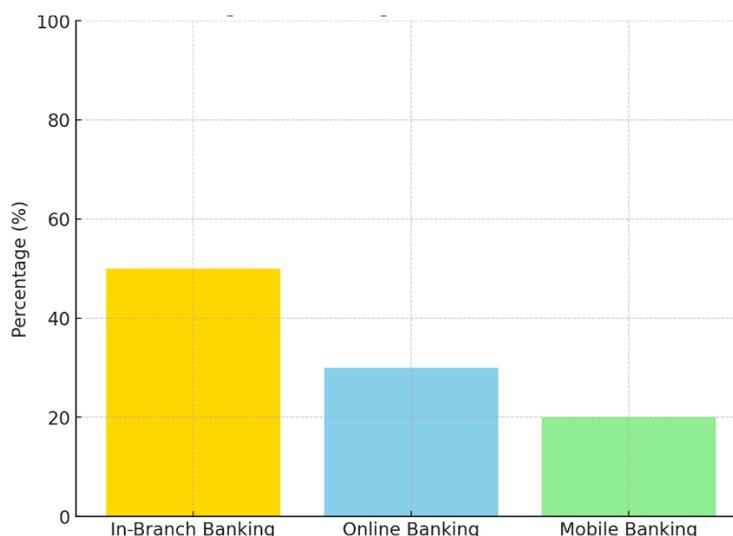


Figure 4: Banking Channel Preferences

6.3 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

Table 3 shows that the mean customer satisfaction score is 3.95, indicating that most customers are satisfied with the services provided by the merged entity, though 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.

6.4 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 variation in customer experiences, with communication strategies and customer satisfaction exhibiting slightly higher variability, possibly indicating differences in how well the changes have been received across customer segments.

6.5 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 shows the strongest correlation with customer satisfaction ($r = 0.85$), underscoring the critical importance of knowledgeable, capable employees in fostering positive customer outcomes.

Communication strategies, although slightly weaker in correlation ($r = 0.76$), still demonstrate a meaningful positive relationship with customer satisfaction, indicating that clear and consistent communication serves as a vital, albeit 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 drive customer satisfaction in the context of the merger (Table 5).

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

7. Base Model Equation

$$CS = 1.20 + 0.35(TI) + 0.50(EC) + 0.40(CS) + \epsilon$$

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 ($\beta = 0.35$) exhibits a moderate positive relationship with customer satisfaction, suggesting that a one-unit increase in technological innovation corresponds to a 0.35-unit increase in satisfaction. This highlights the importance of implementing user-friendly and efficient technological solutions to enhance the overall customer experience, particularly during the post-merger phase.

Employee competence ($\beta = 0.50$) is the strongest predictor of customer satisfaction, indicating that knowledgeable, skilled, and responsive employees have the greatest 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, positive effect on customer satisfaction, indicating that clear, transparent, and proactive communication significantly improves 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.

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 for achieving overall customer satisfaction in the context of the bank merger.

7.1 Moderating Model Equation

$$CS = 1.10 + 0.30(TI) + 0.45(EC) + 0.35(CS) + 0.20(CI) + 0.15(TI \times CI) + 0.10(EC \times CI) + 0.12(CS \times CI) + \epsilon$$

The moderating regression model investigates the relationships among technological innovation (TI), employee competence (EC), communication strategies (CS), and 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 (Table 6).

Direct effects indicate that employee competence has the strongest influence on customer satisfaction ($\beta = 0.45$, $p < 0.001$), underscoring the pivotal role of knowledgeable, 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 \times CI ($\beta = 0.15$, $p < 0.001$), EC \times CI ($\beta = 0.10$, $p = 0.048$), and CS \times 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 within the merged entity amplify the positive effects of these predictors, fostering customer trust and loyalty.

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 \times CI	0.15	0.04	< 0.001
EC \times CI	0.10	0.05	0.048
CS \times CI	0.12	0.06	0.048
Constant	1.10	0.12	< 0.001

7.2 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

Table 7 presents the hypothesis-testing outcomes, demonstrating 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.

8. 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, along with the moderating effect of cultural integration, this research highlights critical factors influencing customer satisfaction during 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.

8.1 Demographic results

These results reflect urban customers' readiness to adopt technological solutions and rural customers' continued reliance on conventional banking methods, highlighting the need to tailor banking services to these distinct groups. Furthermore, the predominance of individual customers over corporate clients emphasizes the critical role of personal banking experiences in shaping overall customer satisfaction. These findings are consistent with previous studies ([Hair et al., 2019](#)), which underscore the importance of addressing urban-rural disparities and providing personalized support to strengthen customer loyalty during organizational changes.

8.2 Descriptive statistics and correlation analysis

The results reinforced the pivotal role of employee competence in driving customer satisfaction, as indicated by the highest mean score and the strongest positive correlation. This finding is consistent with previous research, which identifies employee performance as a key determinant of customer experiences ([Sweeney & Webb](#)).

Similarly, technological innovation and communication strategies exhibited strong positive relationships with customer satisfaction, underscoring the importance of effective technology adoption and clear communication during organizational transitions. These findings align with earlier studies ([Berry, 1983](#)) and highlight the value of innovation and strategic communication in managing customer expectations and enhancing overall satisfaction.

8.3 The regression analysis

Further 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 $TI \times CI$ and $EC \times CI$ indicating that cultural alignment enhances the effectiveness of technology and employee competence. This supports the conclusions of Barkema and Schijven ([Dube & Renaghan](#)), who emphasized the importance of cultural alignment for successful post-merger integration and for fostering customer loyalty.

8.4 Hypothesis Testing Outcomes

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) have a direct, positive influence on customer satisfaction, with employee competence exerting 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.

9. Summary

This study examines the key factors influencing customer satisfaction during the post-merger integration of NIC Asia Bank and Kumari Bank, focusing on 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 indicate that employee competence ($\beta = 0.50$) has the greatest direct impact on customer satisfaction, followed by communication strategies ($\beta = 0.40$) and technological innovation ($\beta = 0.35$). Cultural integration ($\beta = 0.20$) 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.

10. 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 customers received seamless, 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: urban respondents favored digital channels, while rural respondents relied on traditional banking. Accessibility challenges, including branch relocations and inadequate digital literacy support, negatively impacted customer satisfaction, particularly in rural areas. These findings highlight the complexity of post-merger integration and underscore the need for a multidimensional approach to effectively address customer expectations.

Practical Implications

The study highlights the importance of technological, human, and communicative factors in shaping customer satisfaction, with cultural integration serving as a critical moderating factor.

These insights offer actionable recommendations to ensure customer satisfaction during mergers, particularly by addressing urban-rural service gaps, enhancing employee training, adopting innovative technologies, and fostering cultural alignment within merged banking entities.

Limitations and Future Research

While this study offers valuable insights, its focus on a single merger context may limit 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 following the merger would provide further depth to the study.

Funding

This research did not receive any funding.

Data availability

The datasets generated during and/or analyzed during the current study are available from the corresponding author on reasonable request.

Ethics approval and consent

Not applicable. This study uses publicly available, de-identified secondary data and does not involve human participants or personal information.

Competing interests

The authors declare no competing interests.



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