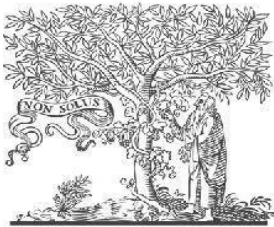


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Analyzing HSBC Oman and Sohar International Bank Merger: Exploring Customer Implications and Industry Dynamics in Oman

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Abstract

Bank mergers are the coming together of two or more financial institutions to achieve efficiency, market coverage, or strategic goals. The following research explores the HSBC Oman and Sohar International Bank merger in August 2023 in terms of what the future holds for former HSBC customers and the general banking sector within the Sultanate of Oman in view of Oman's Vision 2040. Data were collected from 300 HSBC customers in Muscat through the convenience sampling technique, applying a mixed-methods approach in which a questionnaire was used, focusing on customer experiences and their satisfaction levels pre- and post-merger. These findings have great implications for customer satisfaction, market competitiveness, and regulatory considerations; service quality, changes in products, and operational disruption remain the key concerns. The study provides valuable insights to banks on devising customer-oriented integration strategies, enhancing communication, and realigning services according to emerging expectations to ensure smoother transitions in future mergers.

Keywords: *Bank merger, customer satisfaction, HSBC Oman, Sohar International Bank, Oman Vision 2040, banking sector.*

Introduction

In August 2023, Sohar International Bank and HSBC Oman merged, setting the stage for a major change in the Omani banking landscape. The research herein analyses the prospective influence of the merger on the banking business, such as retail, corporate, and institutional customers. These kinds of mergers have the potential to unsettle customer relationships, products, and

competitive dynamics, as noted in the literature. By tracking developments in service quality, product availability, and competitive dynamics, the study hopes to deliver findings of value to clients, lawmakers, and banks. It also addresses the merger within the context of the larger bank movements spurred by competition, regulatory evolution, and changing customer expectations.

The merger is motivated by objectives including improving competitiveness, realizing economies of scale, and responding to evolving markets. Given the banking industry's position at the heart of Oman's economic development, understanding the implication of the merger is key to sustainability and stability in the long run. The study places the merger in the perspective of Oman Vision 2040 for a sustainable diversified economy. It discusses the cost, quality of service, and product implications and provides actionable advice to assist regulators, policymakers, and industry participants in successfully navigating the new world of finance.

1. Review of Literature

The bank mergers phenomenon involves the incorporation of financial institutions to achieve either efficiency, better market coverage, or for meeting strategic goals, according to Ozili and Uadiale (2018). In the context of Oman, Al-Muharrami (2019) notes that merger transactions raise market concentration, causing high interest rates that dampen economic growth. Indupurnahayu et al. (2022) discovered no meaningful stock return changes following a mega-merger of an Indonesian Islamic bank; while on the contrary, Ullah et al. (2023) noticed that increased economies of scale are being enjoyed by the larger banks in the GCC and Pakistan. Conversely, Bunmi et al. (2020) demonstrated enhanced financial performance after merger in Nigeria, while Mainrai & Mohania (2020) reported cultural and HR problems in India. Musah et al. (2020) found evidence of a hybrid effect on profitability in Ghana - further complicating the issue of mergers themselves.

M&A literature in banking has shown mixed results across regions. While Nagrani and Nerul 2023 reported that M&A improved

profitability along with liquidity, Umashankar et al. 2022 reported improved profitability as well as liquidity in the Indian context. Al-Hroot et al. 2020 did not find any significant evidence for Jordanian banks, which was followed by insignificant impacts of Ansari et al. 2021 for Pakistani microfinance banks. These studies depict the subtlety and context specificity of M&A impacts, in which profitability and liquidity benefits often depend on the regional environment.

Customer impact studies of bank mergers have reflected various attitudes of customers. In India, Kanniammal, 2023 found mixed satisfaction of customers after the merger, though the awareness level was very high. Ali et al. (2020) identified dissatisfaction with the services of Omani banks, requiring improved technology and customer service. Almajid, 2021 studied the customer attitude change of bank mergers in Qatar, particularly for ethical behavior in Islamic banks. These results underscore a customer-centric approach, ethical behavior, and technological changes that would enhance post-merger experiences.

Banking sector mergers and acquisitions increase competition, innovation, and improvement in customer experience. According to Gallo (2023), economies of scale and industry consolidation remain major drivers, though there are still problems with cultural integrations and regulatory compliance issues. Nagrani and Nerul (2023) found M&A had assisted India in terms of profitability and liquidity, while Babicci (2021) reported the modernization of Oman's banking sector. These accounts stress both the growth potential of M&A and the pitfalls, referring to the need for careful management in a way that will ensure long-term industry health and customer welfare.

3. Objectives of the Study

The main objective of this project is to examine perceptions and a comprehensive understanding of the impacts and potential customer consequences arising from the recent merger of HSBC Bank Oman and Bank Sohar International while analysing the impact of wider industry dynamics on these developments to fulfil the objectives outlined in Vision 2040. Specifically, the objectives are:

- To assess the perceptions, attitudes, and experiences of HSBC Oman customers following the merger with Sohar International Bank.
- To explore the impacts of the merger of HSBC Oman and Sohar International Bank on customer satisfaction, banking behaviour, and trust within the Omani banking industry.
- To analyse the impact of bank mergers on industry dynamics and how it will help achieve Oman Vision 2040.

2. Hypothesis of the Study

H0¹: There is no significant impact of customers' demographic profile on customer Implications on merging process.

H1¹: There is a significant impact of customers' demographic profile on customer Implications on merging process.

H0²: There is no significant impact of customers demographic profile on Customer perceptions on industry dynamics.

H1²: There is significant impact of customers demographic profile on Customer perceptions on industry dynamics.

3. Methodology of the study

This research adopts a mixed-methods design that gives an in-depth analysis of the effects of the August 2023 merger of HSBC Oman Bank and Sohar International Bank. A combination of qualitative and quantitative methods, the nature of questions in the questionnaire will range from demographic, Likert-scale, to close-ended questions. To obtain firsthand customers' thoughts and opinions on the issue at hand, the research intends to survey 300 past customers of HSBC Oman's Muscat branches using convenience sampling. Data collection will involve an online self-administered questionnaire that shall be translated into Arabic to be all-inclusive; this shall take two weeks. Secondary data shall also be obtained from research journals and websites, inclusive of the websites of the Central Bank of Oman.

The nature of data analysis will include descriptive and inferential statistical methods. Subsequent findings will, therefore, be robust, considering the SPSS software that will be used. Response differences between groups will be analysed using the Kruskal-Wallis test to ensure that the conclusions derived are meaningful. This integrated approach provides an overall view of the merger's qualitative and quantitative effect: customer reaction, stakeholder perceptions, and organizational conduct. The research will try to provide pragmatic understanding of how the merger impacts customer experiences and, altogether, the banking sector in Oman by combining both primary and secondary data.

4. Data Analysis and Interpretation:

5.1 Analysis of customer implications on merging process:

	Strongly Disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly Agree 5	Total
The communication from HSBC Oman regarding the merger was clear and informative.	47 15.7%	58 19.3%	45 15.0%	102 34.0%	48 16.0%	300 100.0%
HSBC Oman demonstrated a commitment to minimizing any negative impact on customers during the merger.	40 13.3%	74 24.7%	56 18.7%	85 28.3%	45 15.0%	300 100.0%
I was informed about any changes to terms and conditions resulting from the merger in a timely manner.	38 12.7%	83 27.7%	49 16.3%	86 28.7%	44 14.7%	300 100.0%
I experienced disruptions or inconveniences in accessing banking services during the merger process	32 10.7%	81 27.0%	53 17.7%	72 24.0%	62 20.7%	300 100.0%
The customer service quality of HSBC Oman remained consistent during the merger process	55 18.3%	89 29.7%	60 20.0%	57 19.0%	39 13.0%	300 100.0%
The merger process was transparent from the customer's perspective	28 9.3%	81 27.0%	63 21.0%	100 33.3%	28 9.3%	300 100.0%
I feel that there is change in the approach of employees towards customers	31 10.3%	65 21.7%	54 18.0%	105 35.0%	45 15.0%	300 100.0%
I think customer relationships are well maintained	55 18.3%	75 25.0%	47 15.7%	86 28.7%	37 12.3%	300 100.0%

I received substantial support from HSBC Oman throughout the transition period	48	71	73	66	42	300
	16.0%	23.7%	24.3%	22.0%	14.0%	100.0%
HSBC Oman addressed any concerns or queries I had about the merger effectively.	53	76	74	59	38	300
	17.7%	25.3%	24.7%	19.7%	12.7%	100.0%
I think merging led to increase in performance of bank	45	57	74	91	33	300
	15.0%	19.0%	24.7%	30.3%	11.0%	100.0%
I feel that after merging process different new products are available	29	54	75	104	38	300
	9.7%	18.0%	25.0%	34.7%	12.7%	100.0%
I feel that after bank merging better quality services is available	42	36	74	104	44	300
	14.0%	12.0%	24.7%	34.7%	14.7%	100.0%
In my opinion there is difference in interest rates post-merger	38	32	60	92	78	300
	12.7%	10.7%	20.0%	30.7%	26.0%	100.0%
I believe that banking services have become more accessible after the merger	25	59	67	91	58	300
	8.3%	19.7%	22.3%	30.3%	19.3%	100.0%
I feel that merging increased the reliability of banking services	30	63	66	102	39	300
	10.0%	21.0%	22.0%	34.0%	13.0%	100.0%
I feel that merging led to impartment of new technologies	33	60	68	99	40	300
	11.0%	20.0%	22.7%	33.0%	13.3%	100.0%

The survey data reveals mixed customer experiences during the HSBC Oman and Sohar International Bank merger. While 34% of customers found the merger communication clear, significant gaps left many dissatisfied, with notable disruptions in services and decreased satisfaction levels. Transparency, support, and responses to customer concerns received divided opinions, with many expressing neutrality or

discontent. Some observed improvements in service accessibility, reliability, and technology post-merger, but others noted challenges, unmet expectations, and a lack of awareness about new products. Overall, the findings highlight the need for better communication, proactive measures, and customer-focused strategies during such transitions.

4.2 Analysis of impact of demographic factors like age and educational qualifications on

Customer implications on merging process:

	The communication from HSBC Oman regarding the merger was clear and informative.	HSBC Oman demonstrated a commitment to minimizing any negative impact on customers during the merger.	I was informed about any changes to terms and conditions resulting from the merger in a timely manner.	I experienced disruptions or inconveniences in accessing banking services during the merger process.	The customer service quality of HSBC Oman remained consistent during the merger process.
Chi-Square	3.651	2.694	3.505	23.616	2.340
df	3	3	3	3	3
P value. Sig.	.302	.441	.320	.000	.505

	The merger process was transparent from the customer's perspective.	I feel that there is change in the approach of employees towards customers.	I think customer relationships are well maintained.	I received substantial support from HSBC Oman throughout the transition period.	HSBC Oman addressed any concerns or queries I had about the merger effectively.	I think merging led to increase in performance of bank.
Chi-Square	7.828	.678	4.965	1.796	15.843	8.677
df	3	3	3	3	3	3
P value. Sig.	.050	.878	.174	.616	.001	.034

	I feel that after	I feel that after	In my opinion there	I believe that banking	I feel that merging	I feel that merging led to
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	merging various new products are available	merging better quality service is available	is difference in interest rates post-merger	services have become more accessible after the merger	increased the reliability of banking services	impartment of new technologies
Chi-Square	4.398	7.182	9.413	3.503	1.013	9.335
df	3	3	3	3	3	3
P value. Sig.	.222	.066	.024	.320	.798	.025

With an emphasis on customer service, product offerings, and technical improvements, this analysis assesses the association between respondents' age and their perceptions on several aspects of the merger between HSBC Oman and Sohar International. The analysis assesses whether age has a substantial impact on how these

things are perceived using the Kruskal-Wallis test. For each question, the Chi-Square statistic, degrees of freedom (df), and P value Significance (P value. Sig.) values provide a summary of the test results. A significance level of 0.05 is used to the results' interpretation.

5.3 Analysis of customer perceptions on industry dynamics:

	Strongly Disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly Agree 5	Total
The merger between HSBC Oman and Sohar International Bank has positively impacted the banking industry in Oman.	17	33	62	123	65	300
	5.7%	11.0%	20.7%	41.0%	21.7%	100.0%
The merger has increased competition among banks in Oman.	3	23	61	109	104	300
	4.0%	12.7%	22.3%	38.0%	23.0%	100.0%
The merger has influenced my perception of the overall stability of the banking sector in Oman.	12	38	67	114	69	300
	4.0%	12.7%	22.3%	38.0%	23.0%	100.0%
I believe the merger will lead to innovations in banking services offered in Oman.	17	36	39	123	85	300
	5.7%	12.0%	13.0%	41.0%	28.3%	100.0%
The merger has created new opportunities for customers in the banking sector in Oman.	9	46	36	117	92	300
	3.0%	15.3%	12.0%	39.0%	30.7%	100.0%
The merger has led to changes in the market share of different banks in Oman.	11	28	86	103	72	300
	3.7%	9.3%	28.7%	34.3%	24.0%	100.0%

I anticipate further consolidation in the banking industry in Oman following this merger.	18	15	41	116	110	300
	6.0%	5.0%	13.7%	38.7%	36.7%	100.0%
The merger has affected my confidence in the regulatory oversight of the banking sector in Oman.	16	38	60	114	72	300
	5.3%	12.7%	20.0%	38.0%	24.0%	100.0%
I expect changes in the pricing of banking products/services in Oman due to this merger.	8	25	46	123	98	300
	2.7%	8.3%	15.3%	41.0%	32.7%	100.0%
The merger has influenced my decision-making process when selecting a bank for my financial needs in Oman.	10	19	39	117	115	300
	3.3%	6.3%	13.0%	39.0%	38.3%	100.0%
I believe the merger has had a significant impact on the overall economy of Oman.	12	28	55	102	103	300
	4.0%	9.3%	18.3%	34.0%	34.3%	100.0%

The data indicates overwhelmingly positive customer sentiment regarding the merger's benefits, with 62.7% viewing it favorably for the banking sector, particularly in fostering competition, innovation, and new opportunities. While a minority expressed concerns about stability, regulatory trust, and pricing impacts, most respondents anticipate transformative changes in the industry,

including market dynamics and economic outcomes. Confidence in further consolidation and price adjustments reflects widespread optimism, though some remain neutral or skeptical. The merger has also influenced customer decision-making and is seen by many as a driver of economic stability and growth.

5.4: Impact of demographic factors like age and educational qualifications on customer perceptions on industry dynamics:

	The merger between HSBC Oman and Sohar International Bank has positively impacted the banking industry in Oman.	The merger has increased competition among banks in Oman.	The merger has influenced my perception of the overall stability of the banking sector in Oman.	I believe the merger will lead to innovations in banking services offered in Oman.	The merger has created new opportunities for customers in the banking sector in Oman.	The merger has led to changes in the market share of different banks in Oman.
Chi-Square	11.588	3.967	2.690	5.307	2.676	3.133
df	3	3	3	3	3	3
P value. Sig.	.009	.265	.442	.151	.444	.372
	I anticipate further consolidation in the banking industry in Oman following this merger.	The merger has affected my confidence in the regulatory oversight of the banking sector in Oman.	I expect changes in the pricing of banking products/services in Oman due to this merger.	The merger has influenced my decision-making process when selecting a bank for my financial needs in Oman.	I believe the merger has had a significant impact on the overall economy of Oman.	
Chi-Square	1.028	9.745	11.906	10.393	18.120	
df	3	3	3	3	3	
P value. Sig.	.794	.021	.008	.016	.000	

This analysis looks at how respondents' opinions about several aspects of the merger between HSBC Oman and Sohar International Bank relate to their age. The purpose of the study is to determine whether age has a substantial impact on opinions about important topics including competition, innovation, stability, and the merger's economic impact. To do this, results from various age groups were compared using the non-parametric Kruskal-Wallis test. The Chi-Square statistics, degrees of freedom (df), and the P value Significance (P value. Sig.) values for every survey item summarize the test results.

5. Major Findings of the Study

The reaction to the merger was that 50% of clients thought that the communication was clear, and the other half remained neutral or disagreed. The intention to minimize negative impacts was agreed to positively by 28.3%, but negatively disagreed by 24.7%. More than 40% were negative or neutral about the change in terms and conditions and 44.7% encountered service disruption. Just 19% believed the level of service remained the same while 48% believed it had worsened. Transparency was valued by 42.6%, although 36.3% disagreed. Organizational change was cited by 35%, and although 43.3% indicated that relationships were well maintained, the same figure remained neutral or dissatisfied. Support during the merger satisfied only 36%, and only 32.4% felt their problems were adequately addressed. Although 41.3% indicated that the merger improved performance, 58.7% were neutral or disagreed. To this fact, new services were added and appreciated by 47.4%, though the same figure either remained neutral or

disagreed. Service quality improvement was achieved by 49.4%, though 26% still remained unsatisfied. Interest rate changes were observed by 30.7% while 23.4% disagreed. Ease of access to services was achieved by 30.3%, while 19.7% disagreed. Reliability of banking services improved for 47%, with 31% disagreeing. Lastly, only 46.3% perceived that the merger introduced new technologies.

Of the total, 62.7% believe that the bank merger will improve the service performance and increase customer satisfaction, and 69.3% strongly agree that the merger will have a positive effect on the improvement of banking services. Furthermore, 71.0% believe that it will promote competition, while 8.7% are skeptical. It is expected that 38.0% believe the industry will be stable after the merger, while 16.7% believe otherwise. Also, 69.7% believe that new customer choices will be created by the merger, though 18.3% are unconvinced. This represents 63.0% who perceive changing market shares, while 12.9% disagree. As many as 75.4% expect further consolidation of the sector, although 11.0% are uncertain. A lack of confidence in regulatory oversight is underlined by 62.0% of the sample, for which only 18.0% are positive. Finally, 68.3% believe that the merger will benefit the economy of Oman, while 13.3% are unsure.

The results indicate some important demographic divisions in customer attitudes and experiences during the merger transition. Trend: The younger ones below 30 years had higher mean ranks of satisfaction with how issues were addressed, faith in technological innovation following the merger, and

expectations achieved, with means of 171.06, 176.85, and 166.35, respectively. Participants over 60 years of age always tended to have lower mean ranks in the aspects mentioned above, thus low satisfaction and adaptability. The most affected were the 45–60 age group with a mean rank of 181.19, indicating that older consumers are less tolerant of service disruption or expect smoother transitions. Education levels also influenced attitudes: professional or doctorate degree holders reported higher mean ranks for disruption, with a mean rank of 194.91, and satisfaction with consistency in services, with a mean rank of 182.69, while high school graduates felt better supported during the transition, with a mean rank of 182.97. These findings illustrate a generationally and educationally determined expectation-performance gap, supported by P-values that are significant (< 0.05), confirming the demographic profile influences on customer experiences.

Results have shown significant demographic variations in the opinions of the merger of HSBC Oman and Sohar International Bank. The mean ranks for respondents who are 60 years and above have consistently been higher, depicting more positivity in attitude toward the aftermath of the merger in the banking industry, regulatory control, the prices of banking products, and the overall economy, whereas the attitude for respondents less than 30 years was either neutral or pessimistic. The 30-45 age group was both more hopeful and aware of the economic impact than the younger participants. The level of education also made a distinction: the respondents with bachelor's and master's degree were more inclined to foresee positive industry effect and general economic

transformations, Professional/Doctorate qualified demonstrated critical thinking while High School diploma holders demonstrated less financial awareness. The findings point to generational and educational gaps in market force expectations and comprehension supported by P-values less than 0.05, proving the decisiveness of demographic profiles on customer attitudes.

6. Suggestions and Conclusion

The study has taken the case of the merger between HSBC Oman and Sohar International Bank right from consumer attitude to demographic variables and implications for the Omani banking sector. The focus was on the positive impacts and critical problems of customer service inconsistency, communication breakdown, and disruption of services, which again have troubled older customers and those with high education levels. The feelers-respondents in younger age brackets were optimistic about merger prospects in terms of expectation related to technological innovation and service reliability, while those in older brackets resisted change for fear of disruption. Business stakeholders anticipated innovation, competitiveness, increased customer focus, but remained skeptical of transparency in operations, efficacy of communication, and regulation. Although the merger promised much in the way of growth and customer satisfaction, it must be transformed into curing the operating inefficiencies, restoring consumer confidence, and providing service level gains that are palpable, so it may chart a course over the long term for confidence and loyalty.

The next strategic action would involve maximizing the post-merger result in

customer satisfaction improvement. It would include communication and openness through multi-channel information about the changes or introduction of new things. This will be minimized by investments in robust IT infrastructure, training staff, and operational rationalization. Personalized support and targeted surveys will help address demographic-specific needs of elderly and professionally qualified customers. Incentives and user-friendly interfaces can motivate technology adoption, adding to convenience; competitive pricing and service levels will help retain the customers. These translate into foundation-based imperatives of strengthened regulatory supervision and customer trust-building initiatives. Developments in customer-oriented products, including personalized financial services, are also at their essence. Regular performance appraisals and feedback mechanisms will reveal and address emerging issues, and investments in employee training will enhance the customer-focused service provision. Marketing initiatives must also promote novel offerings to maximize customer take-up. By adopting these suggestions, the banks will be able to address client issues, enhance trust, and become market leaders in Oman's banking industry.

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