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The Nexus between Downsizing and Financial Performance of Selected Commercial Banks in Nigeria: A Comparative and an Empirical Exploration

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Authors' contributions

This research was carried out in collaboration between both authors. Author NCNI conceptualized the study, sourced and organized relevant literature. He wrote the first draft of the manuscript and critically reviewed it thereafter and corrected the grammatical error noticed therein. Author AAC sourced the data, performed the analysis and interpreted the results. Both authors read and approved the final version of the manuscript.

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ABSTRACT

Downsizing popularly is a situation in which a firm reduces its workforce tremendously as a measure to improve profit by cutting down operating and overhead costs. In this study, we explored the relationship between downsizing and financial performance of five selected commercial banks in Nigeria from 2010 to 2015. These banks over the years have rolled out computerized transaction channels leading to reduction in their workforce. The study applied the paired sampled T-Test to assess if there is any significant difference between financial performance expressed with return on assets and return on equity before and after downsizing. The panel data analysis was used to explored the relationship between the variables of interest. The result of our paired sample T-Test indicates that there is no significant difference between financial performance indices (return on

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assets and return on equity) before and after downsizing. The random effect estimation depicts that selected commercial banks failed to achieve their objectives of increasing overall assets level by way of downsizing its workforce. On the other hand, we found no evidence that downsizing is a good corporate strategy for improving the wealth of shareholders in Nigeria. Downsizing not effecting the return on assets and return on equity may be because of the global financial meltdown within the period covered by this study. In view of our finding and considering the level of economic growth and development in Nigeria, downsizing should be discouraged in view of its inability to spur expansion in assets base of banks and obvious economic and social problems. On downsizing insignificant positive relationship with return on equity, it should be noted that Nigeria do not have opportunities and enabling competing environment as their counterpart in developed economies.

Keywords: Downsizing; financial performance; commercial banks.

1. INTRODUCTION

Downsizing may be defined in the context of a special case of the labour input strategy of a firm. From the perspective of popular sense, downsizing is a situation in which a firm slashes its workforce tremendously (higher than 10% of active full time employees) as measures to improve profit, regardless of the financial position of the firm [1]. In this paper, downsizing will be a case in which the firm chooses the number of people on its payroll as the variable that maximize the stock price. Such firm is in a perfectly competitive industry and acts as a price taker. Its choice of the level of employment determines how much it can produce and sell at a given price and therefore, what its profit will be. Downsizing is probably also one of the most misunderstood and misinterpreted contemporary phenomena [2]. Downsizing process was first introduced in American firms. The American economy in the 1980s was strong, inflation was falling, and the Gross National Product (GNP) was growing at a steady, confident pace. Corporate profits had reached historically high level, and investors were on buying spree in the stock market, pushing it from one record to close at the next. Unemployment has fallen to a level that many economist felt was consistent with non-accelerating inflation. Expectation of inflation were abated and the boom seemed to be poised to last for a long time, with no economic downturn in sight. At the same time the major corporation in the United States of America (USA) appeared to be firing workers by the hundreds of thousands and job insecurity has risen to a surprisingly high level [3]. Regardless of the seniority, the company's profitability or the surging demand for the firm's output, the threat to an employee finding a pink slip in the next stage envelop was real and widespread. No job seemed safe any longer.

The scenario of the United States of America economy in the mid-1990s seem inconsistent not only with a standard textbook characterization of an economic boom, but also with historically observable relationship between the labour market and other economic arenas, such as the financial market or the goods market [3]. Politicians and unions pointed to the greed of corporate America and the intensity of management to the contributions and value of workers. Standard microeconomics was at a complete loss to explain the phenomenon. If strong firms were anticipating greater demand for their products during the economic boom, and labour cost of their products were not rising excessively relative to productivity, the question therefore was why were firms firing workers?

The right size of workforce that enhances the survival of any organization is vital and indispensable [4]. Downsizing emerged to describe an action of dismissing a large proportion of firm's workforce in a very short period of time, particularly when the firm was highly profitable. The essential of downsizing as carried out by various organisations across the globe is to enhance efficiency by way of reducing operating costs, improving revenues or strengthening competitiveness [2]. In practice, it is expected that when a firm downsizes or reduces its labour force, efficiency and profitability measured through return on assets, return on equity, net profit margin, growth in revenues, etc. would improve [5]. In a standard downsizing story, a profitable firm-well poised for growth would announce that it was firing a large percentage of its workforce. The equity market would get excited, and initiate a buying frenzy of the firm's stock. This goes counter to a standard microeconomic analysis in which a weak firm anticipates a slump in the demand for its products, and lay off workers, while a strong firm forces a jump in the demand for its products and hires more workers to increased production [5].

Investors care about downsizing, since it contain severe implications for the short term profitability and even the long term growth of a firm. Conventionally, downsizing is quite unlike layoff; a worker is asked to temporarily leave during periods of weak demand but will be ask back when business picks up. This is most applicable in the construction firms in Nigeria. In a downsizing, the separation between a worker and a firm is permanent. A downsizing is not a dismissal for individual incompetence, rather a decision on the part of the management to reduce the overall workforce. Downsizing does not just occur to an organisation, it is not something that happens it is a change that the management of an organisation makes by purpose hence, downsizing is an ensemble of intentional activities [6].

1.1 Problem Statement

Banks are considered as critical sector of the economy and it is important that the workforce supporting these banks are well motivated and effective in delivering the services [7]. The banking industry in Nigeria witnessed the highest act of downsizing during the consolidation exercise of 2004/2005. A lot of employees were laid off as a result of restructuring, re-engineering, takeovers, mergers and acquisition thus, increasing the level of unemployment in the country.

Studies on the nexus between downsizing and corporate performance of banks in Nigeria are scarce. The online available study on the subject matter by [8] did not indicate any proxy (return on assets, return on equity, net profit margin, etc.) for measuring corporate performance. Secondly, the use of mere questionnaire responses without recourse to employee's efficiency and profitability indices available in financial position and annual report of the banks in analysing the relationship between downsizing and corporate performance is a source of criticism. The few other studies focused on job satisfaction among survivors e.g. [7] and [9,10] on attitude of layoff survivor and [6] on ethical perspective of downsizing practice.

Consequently, in bridging the gap in literature, it is the sole aim of this study to explore the relationship between downsizing and financial performance of selected commercial banks in Nigeria for the period 2010 to 2015 using return on assets and return on equity as performance indices. To the best of our knowledge based on internet searches, this study is the first to cautiously explore the relationship between downsizing in Nigeria and bank financial performance measured with return on assets and return on equity of selected commercial banks.

This study is structured as follows. In the first section, it begins with an introduction. The second section is the review of related literature which succinctly clarified the concept of downsizing and corporate performance, empirical studies. The third section briefly explains research methodology. In the fourth section, the findings of the study were discussed. Finally, some implications for this study along with the conclusion and limitations were presented in section five.

2. REVIEW OF RELATED LITERATURE

2.1 Concept of Downsizing

Downsizing in a layman's language is the reduction in the workforce of an organization in order to improve efficiency and profitability. Downsizing refers to an ensemble of actions carried out by the management of an organisation in order to ameliorate its productivity, efficiency and competitiveness. The objectives of downsizing are to increase efficiency and productivity, control over costs, fewer underutilized human resource, lessen management layers which will overcome communication gap and speed up communication, improvement in decision making process by reduction in time consumption [4]. Downsizing could be interpreted as a simple diminution of the organisational size, however this explanation leads to misinterpretation [6]. From organizational management perspective, downsizing is a normal practice and necessary for continuous existence of the organization. On the other hand, most employees sees downsizing as unfair corporate practice even when they receive favourable severance package. Downsizing is a phenomenon that is unwanted and unprovoked by either the organization or the employees. Therefore, from whatever angle one views redundancy in organizations, the nature and types of redundancy may be identified according to their causes [7]. There have been downsizing in

Nigeria both in the public and private sector, but the manner and ways in which it is done, undermine the good reasons for downsizing hence unintended consequences [10].

2.2 Financial Performance

Financial performance is how well a firm has performed relative to the use of its assets resulting in revenue generation over a period of time. Financial performance address the financial health of a firm over a specified time frame. The primary motive of any business entity is profit maximization translated into financial performance. The ability of a firm to ascertain its operations and policies in monetary value over a given period of time would be referred to as financial performance. Financial performance would be measured using various variables such as return on assets, return on equity, profit before or after tax, net profit margin, sales growth, growth in revenue, earnings per share, dividend per share and price earnings ratio among others. However, for the purpose of this study, we applied only return on assets and return on equity to measure financial performance of selected banks as these are the two major proxies for measuring financial performance of any firm. Financial performance measures such maximization of profit, maximizing the profit on assets, as well as maximizing the benefits that accrue to shareholders are at the centre of measure of effectiveness of the firm [11].

2.3 Downsizing as a Corporate Strategy in Nigeria

There are some reasons for adoption of downsizing as a corporate strategy by commercial banks in Nigeria. These reasons are briefly discussed as follows:

2.3.1 Restructuring or re-engineering

The banking sector reform of the Central Bank of Nigeria in 2004/2005 accelerated downsizing as a major corporate strategy in order for banks to survive competition. In other to avoid revoking of operating licence, many banks were forced to go into mergers and acquisition. The number of commercial banks in Nigeria reduced to 25 as at 1st January, 2006 against 89 in operation before the 31st December, 2005 deadline for banks to recapitalize. This exercise led to massive retrenchment of workers in the name of restructuring and re-engineering of operations in the banks.

2.3.2 Poor operating profit

To enhance operating profits, banks embarked on downsizing of their workforce. Some of the banks were making comfortable profits in their operation, they only wanted to maintain a lead in the banking industry in the country. In USA, unlike in Nigerian system, the corporate aim of downsizing is to enhance the stock values of the companies involved in the exercise and probably enhance profit earnings in the long run.

2.3.3 Fluctuations in marginal productivity of capital or labour

Banks could add or remove workers based on changes in the marginal productivity of labour, given that demand was constant. If workers' productivity increased the firm would need a smaller head-count in order to produce the same output. Presumably, the workers would be compensated for their increased productivity, so the total wage bill of the bank would not change when certain number of workers are fired. If the wage bill and demand do not change, then presumably profitability and cash flow will be stagnant, as will the stock price.

2.3.4 Adoption of technology in operations

The computerization of banking transactions in Nigeria has contributed to reduction in the workforce despite the expansion in branches of commercial banks. Immediately after the consolidation exercise of 2005, commercial banks rolled out various technology service delivery channels to attract more customers to stay in the business and compete favourable in the industry.

2.3.5 Changes in Government policy

Changes in financial policies of the government have resulted in retrenchment of workforce by banks. For instance, the closure of all federal government agencies and parastatals accounts held in commercial banks effective 15th September, 2015 for Treasury Single Account (TSA) implementation by the federal government of Nigeria has ripped banks of government funds thus, shortage of credit to advance to customers for various economic activities. The treasury single account links all revenue receipts and payments of government agencies and parastatals through a consolidated revenue account at the Central Bank of Nigeria. The commercial banks are allowed to maintain collection of revenue but must remit same to consolidated revenue account at the end of each working day. On 25th April, 2016, First Bank of Nigeria Holdings Plc, the parent company of First Bank Nigeria Limited said it would cut jobs and focus less on providing loans to the oil and gas industry in a bid to reverse last year's 82 percent slump in profit. Similarly, Diamond Bank of Nigeria Plc on 1st June, 2016 fired 200 workers. In the same time, Eco Bank plc sacked 1, 040 of its workers. This generated condemnation by the government. The fear of the economic consequences of downsizing led the federal government on 4th June, 2016 to issue directive to banks to suspend further downsizing. That notwithstanding, the banks have went ahead to sack some workers on the argument that government does not have such rights on the business of banking in Nigeria.

2.4 Downsizing, It's Effect in the Economy

Nigeria situation is completely different from what is obtained in USA and other advanced countries of the world. For instance, in the USA during the mid-1990s under the Clinton administration, the American economy boomed. There was massive job creation so that many people who lost their jobs in one firm or the other, picked up jobs and very little percentage (3-5%) unemployment situation was observed. Most people who lost their jobs as a result of downsizing in different firms gained new employment. In some cases, they got better jobs with better condition and higher pay. Displaced people affected by the downsizing exercise were given a good package in recognition of their valuable contributions to the growth of these firms. In Nigeria's situation, most employees who were laid off never got absorbed into other sectors simply because there is no jobs and stigmatization associated with job loss, especially in the banking sector. In Nigeria, bank workers as considered as the big guys, the guys on money. Jobs are never created, and it will be a tragedy in this country for one to lose his job involuntary. Cases of voluntary resignation in Nigeria very rarely occurs. According to the Central Bank of Nigeria monthly report of June, 2016, over 80% of youths are unemployed and declared that unemployment remains a severe threat to Nigeria's economy.

Despite all the incentive that a worker may receive in the event of downsizing, a good number of them never fared well years after being laid off. This is because most of them never get new jobs. The general economic situation is nothing to write home about especially with decline in government revenue from oil as a result of fall in crude oil price in the international oil market. Jobs were not created and high inflation level was equally a threat particularly were the fund paid were not properly invested and managed. Many of the laid off workers never prepared or anticipated retirement from the job they had put a greater part of their adult age and energy and grew with these banks. Those who could not cope with the harsh economic condition of the time even lost their life as a result of heart failure and some could not comfortably manage their families, and their social life became unimpressive. Some were never given opportunities to work in the banking industry by the regulatory authority (Central Bank of Nigeria) for no convincing reasons. They could not comfortably pay their children's school fees especially those of them whose children were not enjoying banks scholarship.

This exercise increased labour mobility in the banking industry because of the inherent uncertainty (no safety) witnessed in the job. Highly educated and experience ones move from one bank to another in search of higher pay because of uncertainty. It equally encouraged more frauds in the banks through internal collision and to-get rich quick syndrome in the country.

2.5 Empirical Studies

[4] conducted a study in order to measure whether the banking sector are successful in achieving their objectives of downsizing or not. The banks that downsized during the last decade were selected as sample of the study. Pre-downsizing and post-downsizing financial data were analysed at two time spans. Six different ratios were calculated as the indicators of financial performance which were: loan per employee, deposit per employee, return on assets, return on equity, loan to assets and non-performing loans to loan ratio. To test the hypothesis statistically, paired sample test was used. It was observed that banks could not achieve their desired results of profitability.

[12] used a unique dataset to study the short term effects of downsizing on operational and financial performance of large German firms. The operational and financial performance measures were retrieved and calculated from the Amadeus

database, made available by Bureau van Dijk. They focus on various indicators of firm performance such as labour, capital and total factor productivity as well as average wage costs and profit margin and applied a Difference-in-Difference approach to identify the impact of downsizing on these indicators. Combining both subsamples, they found that productivity as well as profitability drop during downsizing and do not surpass their before-restructuring levels afterwards. Differentiating on the reason behind the downsizing decision, some differences emerged. Productivity after downsizing seems to have decreased especially for those firms that tried to increase their efficiency, while firms downsizing due to business downturn, only witnessed a contemporaneous drop in productivity.

[13] on clarifying the background of downsizing as a strategy, measuring the profitability effects of downsizing and finding out the signal value of downsizing announcements in the capital markets. The research focused on deriving the effects of downsizing among Finnish large cap companies between 2005 and 2010. The sample of 197 downsizing events consists of stock exchange releases regarding new downsizing actions from Helsinki stock exchange OMX 25 companies. The study shows evidence that downsizing does not have a significant impact on profitability on an aggregate level. Market adjusted return on assets and return on equity improve roughly 1% whereas earnings before interest and taxes margin decreases by the same amount among downsizers during three years after the announcement.

[14] explored the relationship between downsizing decisions and corporate financial performance after top management has decided to downsize. Their focus was on the financial consequences arising from the amount of downsizing and the use of disengagement incentives. They used a sample of downsizing announcements in the Spanish press from 1995 up to 2001. Although the results showed that the amount of downsizing is not significantly related to post-downsizing profitability, the evidence provided supports the finding that the use of disengagement incentives (which motivate workers to leave the organization) is negatively related to firm performance. The analysis of the study helps to understand the role that strategic downsizing decisions play in explaining observed variance in the performance of downsized firms.

[15] used data set of Chinese state-owned enterprises (SOEs) and private firms to evaluate the effects of labour downsizing on firms' technical efficiency, financial performance, and employee wages. Since downsizers and non-downsizers differ greatly in firm characteristics, they used propensity score matching to deal with firm heterogeneity. They found that downsizing has serious short-term costs in terms of allocation efficiency and financial performance. For mild downsizing, SOEs suffer more in profitability, and private firms more in allocative efficiency. The distribution of surplus after downsizing is more favourable to owners in private firms, and labour in SOEs. For severe downsizing, SOEs and private firms exhibit lower technical efficiency and financial performance growth with similar magnitudes.

[16] examined whether Portugal's eight largest banks realized their financial objectives upon the execution of downsizing activities during 2008-2010. Financial performance was measured through employee efficiency, profitability, and asset quality. Six hypotheses were defined using six different financial ratios which were deemed as integral tools for measuring financial performance of deposit-accepting banks. The secondary data were analysed within a defined framework of two distinct phases: pre- and post-downsizing phases. A key statistical tool, the paired sample t-test, was applied to determine whether there were statistically significant differences in the ratios between the two timeframes. The analysis demonstrated that there were statistically significant differences between the pre- and post-downsizing ratios of loans per employee and deposits per employee. In contrast, no statistically significant difference was found in return on assets, return on equity, loans to assets, and non-performing loans to loans ratios. On the basis of this analysis, the study has concluded that downsized large Portuguese banks have largely failed to achieve their projected financial objectives.

[17] examined the relationship between downsizing and financial performance of Turkish banks. The scope of the study is deposit accepting banks operating in Turkey. There is a great amount of decrease in the number of employees working at banks between 2000 and 2003. In this study, the pre and after downsizing performance of the banks was measured by using Paired Samples T-Test. According to the hypothesis test results, there is no significant difference between the profitability of Turkish

banks before and after downsizing. Four of the performance variables in the hypotheses did not reveal any significant relation between downsizing and performance. Turkish banks could not achieve the intended results by downsizing between 2000 and 2003.

3. METHODOLOGY

To explore the relationship between downsizing and financial performance of banks in Nigeria, five commercial banks listed on the floor of the Nigeria Stock Exchange were chosen. [1] noted that on the postulation of literature, a firm is said to downsize if such a firm should decrease its work force by 10% or above annually compared with the previous year. However, based on the peculiarity of Nigerian as a developing country, the selected banks have rolled out major information communication technology transaction infrastructure resulting in reduction in workforce. The action of these banks have made citizens of the country to see banking jobs as the most insecure firm to work. Furthermore, their annual reports and financial statement from 2010 to 2015 are available. The banks are Zenith Bank Plc, United Bank for Africa Plc, Guaranty Trust Bank Plc, First City Monument Bank Plc and Access Bank Nigeria Plc. The data for the period 2010 to 2015 were collected from annual and financial report of banks as relevant. We compared the mean of the year downsizing took place and the year after downsizing using the paired sample T-Test of SPSS version 21. It computes the difference between the two variables for each case and tests to see if the average difference is significantly different from zero [17]. To examine the relationship between the variables of interest, we applied the panel data analysis. The Hausman Specification Test was conducted to determine the suitability of fixed and random effect estimation.

3.1 Model Specification

To explore the relationship between downsizing and financial performance of selected commercial banks in Nigeria, we developed a model based on the peculiarity of Nigeria environment. Our expectation is that reducing workforce by banks will have positive relationship with financial performance particularly with implementation of the Treasury Single Account (TSA) by the federal government of Nigeria. This is in line with the adoption of downsizing as a corporate strategy. Furthermore, commercial banks in Nigeria are majorly dependent on government fund. With the closure of all government agencies accounts by the current administration, banks are left with only deposits of its private or corporate customers hence, downsizing as a means of cutting down overheads and operating expenses. Our models are advanced as follows:

Model 1

$$ROA_t = \beta_0 + \beta_1 DWS_t + \mu_t \tag{3.1}$$

Model 2

$$ROE_t = \beta_0 + \beta_1 DWS_t + \mu_t \tag{3.2}$$

Where ROA_t and ROE_t are return on assets and return in equity respectively in year t; β_0 is the coefficient constant; β_1 is the coefficient of downsizing; DWS_t is downsizing in year t; and μ_t is the error term in year t.

Note: We measured downsizing by the number of workers retrenched/sacked during each year. In other word, the difference between the workforce in previous year and current year (for instance, the difference between the workforce in 2010 and 2011).

3.2 Hypothesis

On the premises of the objective of this study, we tested this hypothesis:

The level of downsizing has a positive and significant relationship with return on assets/ return on equity.

3.2.1 Decision criteria

If the p-value as determined by the suitability of fixed or random effect estimation is less than 0.05, the null hypothesis is rejected. On the other hand, if the p-value is greater than 0.05, the null hypothesis is accepted.

4. DATA PRESENTATION AND DISCUSSION OF FINDINGS

4.1 Data Presentation

The data of banks that have downsized their workforce from 2010 to 2015 are presented in Table 4.1. The data on return on assets and return on equity were computed based on the mathematical expression of return on assets and return on equity. Tables 4.2a -4.2e depict the downsizing statistics of the banks. Tables 4.3a and 4.3b show the data for paired sample T-Test determination for return on assets and return on equity respectively.

4.2 Discussion of Findings

To test the difference between return on assets of selected commercial banks the year downsizing took place and the year after downsizing, the paired sample T-Test was applied. The result in Table 4.4a indicates that there is no significant difference between return on assets of banks before and after downsizing. This is in line with [16] for a study conducted in the context of Portugal. Table 4.4b shows the pooled OLS, fixed and random effect estimation. The Hausman Specification Test discloses the suitability of the random effect to fixed effect estimation as the p-value is insignificant at 5% level of significance.

Table 4.1. Financial performance indices of banks

Bank	B_ID	Year	ROA	ROE
Access Bank Plc	1	2010	2.86	19.11
Access Bank Plc	1	2011	2.02	14.57
Access Bank Plc	1	2012	1.54	10.69
Access Bank Plc	1	2013	2.80	15.07
Access Bank Plc	1	2014	0.55	2.81
Access Bank Plc	1	2015	1.78	7.09
First City Monument Bank Plc	2	2010	1.95	1.97
First City Monument Bank Plc	2	2011	4.10	4.13
First City Monument Bank Plc	2	2012	4.58	4.59
First City Monument Bank Plc	2	2013	1.51	10.11
First City Monument Bank Plc	2	2014	-1.74	-14.82
First City Monument Bank Plc	2	2015	1.38	2.31
Guaranty Trust Bank Plc	3	2010	4.14	23.30
Guaranty Trust Bank Plc	3	2011	4.19	24.78
Guaranty Trust Bank Plc	3	2012	4.49	26.38
Guaranty Trust Bank Plc	3	2013	5.26	29.76
Guaranty Trust Bank Plc	3	2014	3.40	22.06
Guaranty Trust Bank Plc	3	2015	3.37	17.85
United Bank for Africa Plc	4	2010	5.52	16.49
United Bank for Africa Plc	4	2011	1.66	13.79
United Bank for Africa Plc	4	2012	2.51	21.44
United Bank for Africa Plc	4	2013	2.63	23.10
United Bank for Africa Plc	4	2014	-0.23	-2.06
United Bank for Africa Plc	4	2015	0.15	1.15
Zenith Bank International Plc	5	2010	2.63	18.06
Zenith Bank International Plc	5	2011	2.70	18.04
Zenith Bank International Plc	5	2012	2.90	17.65
Zenith Bank International Plc	5	2013	3.93	21.87
Zenith Bank International Plc	5	2014	1.90	11.10
Zenith Bank International Plc	5	2015	1.86	9.51

Source: Annual reports of banks from 2010 to 2016

Table 4.2a. Downsizing statistics of banks 2010-2011

Bank	Number of employees	Number of employees	Percentage change
	2010	**2011**	**2010-2011**
Access Bank Plc	1,317	3,158	-58.2964
First City Monument Bank Plc	2,030	1,779	14.1091
Guaranty Trust Bank Plc	2,566	2,653	-3.2793
United Bank for Africa Plc	10,670	9,853	8.2919
Zenith Bank International Plc	7,190	7,783	-7.6192

Source: Annual reports of banks from 2010 to 2011

Table 4.2b. Downsizing statistics of banks 2011-2012

Bank	Number of employees	Number of employees	Percentage change
	2011	**2012**	**2011-2012**
Access Bank Plc	3,158	2,979	6.0087
First City Monument Bank Plc	1,779	3,023	-41.1512
Guaranty Trust Bank Plc	2,653	2,901	-8.5488
United Bank for Africa Plc	9,853	9,035	9.0537
Zenith Bank International Plc	7,783	7,164	8.6404

Source: Annual reports of banks from 2011 to 2012

Table 4.2c. Downsizing statistics of banks 2012-2013

Bank	Number of employees	Number of employees	Percentage change
	2012	**2013**	**2012-2013**
Access Bank Plc	2,979	2,463	20.9500
First City Monument Bank Plc	3,023	4,202	-28.0581
Guaranty Trust Bank Plc	2,901	3,155	-8.0507
United Bank for Africa Plc	9,035	10,303	-12.3071
Zenith Bank International Plc	7,164	6,615	8.2993

Source: Annual reports of banks from 2012 to 2013

Table 4.2d. Downsizing statistics of banks 2013-2014

Bank	Number of employees	Number of employees	Percentage change
	2013	**2014**	**2013-2014**
Access Bank Plc	2,463	2,721	-9.4818
First City Monument Bank Plc	4,202	4,430	-5.1467
Guaranty Trust Bank Plc	3,155	3,340	-5.5389
United Bank for Africa Plc	10,303	9,993	3.1022
Zenith Bank International Plc	6,615	6,359	4.0258

Source: Annual reports of banks from 2013 to 2014

Table 4.2e. Downsizing statistics of banks 2014-2015

Bank	Number of employees	Number of employees	Percentage change
	2014	**2015**	**2014-2015**
Access Bank Plc	2,721	2,797	-2.7172
First City Monument Bank Plc	4,430	4,143	6.9273
Guaranty Trust Bank Plc	3,340	3,343	-0.0897
United Bank for Africa Plc	9,993	9,891	1.0312
Zenith Bank International Plc	6,359	6,286	1.1613

Source: Annual reports of banks from 2014 to 2015

From Table 4.4b downsizing has a negative and insignificant relationship with return on assets of banks. If downsizing is held constant return on equity would be increased by 2.54 units. A percentage increase in downsizing reduces the return on assets by 0.023 units. This supports the works of [12,14] and [15] that downsizing is negatively related with financial performance in Germany, Spain and China. It can be inferred from Table 4.4b that the selected commercial banks failed to achieve their objectives of increasing overall assets level by way of downsizing its workforce. The Adjusted R-squared reveals that -3.55 variation in return on assets was as result of downsizing exercise of banks over the period of the study. In essence, downsizing has not contributed positively to growth in return on assets of banks in Nigeria. However, the variation in return on assets as attributed to downsizing is not statistically significant. Furthermore, the Durbin Watson value of 1.92 is quite close to the bench mark of 2.0 thus, the model is free from autocorrelation problem.

Table 4.3a. Paired sample T-test statistic for return on assets

Bank	Year	ROA @ (t)	ROA @ (t+1)	Percentage change
Access Bank Plc	2010	2.86	2.02	41.58
First City Monument Bank Plc	2010	1.95	4.10	-52.44
Guaranty Trust Bank Plc	2010	4.14	4.19	-1.19
United Bank for Africa Plc	2010	5.52	1.66	232.53
Zenith Bank International Plc	2010	2.63	2.70	-2.59
Access Bank Plc	2011	2.02	1.54	31.17
First City Monument Bank Plc	2011	4.10	4.58	-10.48
Guaranty Trust Bank Plc	2011	4.19	4.49	-6.68
United Bank for Africa Plc	2011	1.66	2.51	-33.33
Zenith Bank International Plc	2011	2.70	2.90	-6.90
Access Bank Plc	2012	1.54	2.80	-45.00
First City Monument Bank Plc	2012	4.58	1.51	203.31
Guaranty Trust Bank Plc	2012	4.49	5.26	-14.64
United Bank for Africa Plc	2012	2.51	2.63	-4.56
Zenith Bank International Plc	2012	2.90	3.93	-26.21
Access Bank Plc	2013	2.80	0.55	409.10
First City Monument Bank Plc	2013	1.51	-1.74	-186.78
Guaranty Trust Bank Plc	2013	5.26	3.40	54.71
United Bank for Africa Plc	2013	2.63	-0.23	-1,243.48
Zenith Bank International Plc	2013	3.93	1.90	106.84
Access Bank Plc	2014	0.55	1.78	-69.10
First City Monument Bank Plc	2014	-1.74	1.38	-226.09
Guaranty Trust Bank Plc	2014	3.40	3.37	0.90
United Bank for Africa Plc	2014	-0.23	0.15	-253.33
Zenith Bank International Plc	2014	1.90	1.86	2.15

Source: Annual reports of banks from 2010 to 2016

Note: (t) represents the year of downsizing took place and (t+1) reflects the year after downsizing

Table 4.3b. Paired sample T-test statistic for return on equity

Bank	Year	ROE @ (t)	ROE @ (t+1)	Percentage change
Access Bank Plc	2010	19.11	14.57	17.43
First City Monument Bank Plc	2010	1.97	4.13	-52.30
Guaranty Trust Bank Plc	2010	23.30	24.78	-5.97
United Bank for Africa Plc	2010	16.49	13.79	19.58
Zenith Bank International Plc	2010	18.06	18.04	1.11
Access Bank Plc	2011	14.57	10.69	37.98
First City Monument Bank Plc	2011	4.13	4.59	-10.02
Guaranty Trust Bank Plc	2011	24.78	26.38	-6.07
United Bank for Africa Plc	2011	13.79	21.44	-35.68
Zenith Bank International Plc	2011	18.04	17.65	2.21
Access Bank Plc	2012	10.69	15.07	-29.06
First City Monument Bank Plc	2012	4.59	10.11	-54.60
Guaranty Trust Bank Plc	2012	26.38	29.76	-11.38
United Bank for Africa Plc	2012	21.44	23.10	-7.19
Zenith Bank International Plc	2012	17.65	21.87	-19.30
Access Bank Plc	2013	15.07	2.81	436.30
First City Monument Bank Plc	2013	10.11	-14.82	-168.22
Guaranty Trust Bank Plc	2013	29.76	22.06	34.90
United Bank for Africa Plc	2013	23.10	-2.06	1,221.36
Zenith Bank International Plc	2013	21.87	11.10	97.03
Access Bank Plc	2014	2.81	7.09	-60.37
First City Monument Bank Plc	2014	-14.82	2.31	-741.56
Guaranty Trust Bank Plc	2014	22.06	17.85	23.59
United Bank for Africa Plc	2014	-2.06	1.15	-279.13
Zenith Bank International Plc	2014	11.10	9.51	16.72

Source: Annual reports of banks from 2010 to 2016

Note: (t) represents the year of downsizing took place and (t+1) reflects the year after downsizing

Table 4.4a. Paired samples test of return on assets before and after downsizing

	Paired differences					t	df	Sig. (2-tailed)
	Mean	Std. deviation	Std. error mean	95% confidence interval of the difference				
				Lower	Upper			
Pair 1 ROA @ (t) ROA @ (t+1)	0.34240	1.75686	0.35137	-.38280	1.06760	.974	24	.340

Source: SPSS version 21 output data

Table 4.4b. Pooled OLS, fixed effect and random effect regression
Dependent variable: Return on Assets (ROA)

Dependent Variable: ROA
Method: Panel Least Squares
Sample: 2010 2015
Periods included: 6
Cross-sections included: 5
Total panel (balanced) observations: 30

Variables	Pooled OLS		Fixed effect		Random effect	
	Coefficient	Prob.	Coefficient	Prob.	Coefficient	Prob.
C	2.540314	0.0000	2.545841	0.0000	2.544047	0.0000
DWS	-0.001609	0.9334	0.000434	0.9803	-0.000229	0.9895
R-squared	0.000254		0.363859		0.000007	
Adjusted R-squared	-0.035451		0.197909		-0.035708	
S.E. of regression	1.664268		1.464772		1.440085	
Sum squared resid	77.55405		49.34783		58.06768	
Log likelihood	-56.81482		-50.03360			
F-statistic	0.007110		2.192586		0.000183	
Prob(F-statistic)	0.933402		0.080944		1.989306	
Durbin-Watson stat	1.829403		1.920804			
Hausman specification test						
	Chi-Sq. statistic		0.064143			
	Probability		0.800100			

Source: E-Views 8.0 output data

Table 4.5a. Paired samples test of return on equity before and after downsizing

	Paired differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% confidence interval of the difference				
				Lower	Upper			
Pair 1 ROE @ (t) ROE @ (t+1)	1.64080	9.23767	1.84753	-2.1723	5.45392	.888	24	.383

Source: SPSS Version 21 output data

From the paired sampled T-Test in Table 4.5b, we observed also that there is no significant difference between the return on equity before and after downsizing. The p-value of the Hausman Specification Test in Table 4.5b prefers the random effect to fixed effect estimation. Downsizing has a positive relationship with return on equity. However, this is not statistically significant at 5%. A unit increase in downsizing increase return on equity by 0.97 units. This agrees with [13] that downsizing improves shareholder's wealth in Finland. This positive relationship between downsizing and return on equity suggest that downsizing is a good corporate strategy for maximizing wealth of the shareholders thus, in line with the aim of downsizing.

The Adjusted R-squared discloses that -3.53 changes in return on equity was explained by downsizing as a corporate strategy over the period of the study. It is clear from Table 4.4b

Table 4.5b. Pooled OLS, fixed effect and random effect regression Dependent variable: Return on Equity (ROE)

Dependent Variable: ROE
Method: Panel Least Squares
Sample: 2010 2015
Periods included: 6
Cross-sections included: 5
Total panel (balanced) observations: 30

Variables	Pooled OLS		Fixed effect		Random effect	
	Coefficient	Prob.	Coefficient	Prob.	Coefficient	Prob.
C	13.03365	0.0000	13.09746	0.0000	13.07117	0.0000
DWS	-0.010970	0.9256	0.012612	0.9096	0.002895	0.9788
R-squared	0.000317		0.319681		0.000026	
Adjusted R-squared	-0.035386		0.142206		-0.035687	
S.E. of regression	10.15161		9.240074		9.119283	
Sum squared resid	2885.548		1963.716		2328.517	
Log likelihood	-111.0622		-105.2891			
F-statistic	0.008886		1.801278		0.000735	
Prob(F-statistic)	0.925568		0.143272		0.978569	
Durbin-Watson stat	1.989918		1.604327		1.995528	
Hausman specification test						
	Chi-Sq. statistic		0.272729			
	Probability		0.601500			

Source: E-Views 8.0 output data

that downsizing has not positively influenced return on equity of selected commercial banks. Again, the fluctuation in return on equity as attributed to downsizing is not statistically significant. In addition, the Durbin Watson value of 1.99 is quite close to the bench mark of 2.0 hence, there is no autocorrelation problem in the model.

Table 4.4b shows that there is no significant and positive relationship between the level of downsizing and return on assets. Thus, the null hypothesis that the level of downsizing has positive and significant relationship with return on assets would not be rejected. Table 4.5b shows that there is positive but insignificant relationship between the level of downsizing and return on equity.

5. CONCLUSION, POLICY IMPLICATION AND LIMITATION

5.1 Conclusion

The relationship between downsizing and financial performance of selected banks in Nigeria was explored in this study. The application of the paired sample T-Test demonstrate that there is no significant difference between financial performance of banks before and after downsizing. The panel analysis reveals that downsizing does not increase the assets base of banks. Furthermore, there is no statistical evidence that downsizing has the capability of increasing the wealth of shareholders. Downsizing not effecting the return on assets and return on equity may be because of the global financial meltdown within the period covered by this study. Other factors such as banks corporate governance, not adhering to bank lending principles, withdrawal of government funds from the banks via Treasury Single Account (TSA) implementation with effect from September, 2015 and the regulatory authority intervention through monthly monetary policy committee determination of monetary policy rate may also contribute to insignificant explanation of return on assets and return on equity by downsizing. Downsizing in Nigeria is therefore not really a welcome corporate strategy for growth. Few individual firms may benefit from this, in view of the fact that it has helped in the rise of the profit over the years. However, the percentage of the beneficiaries is quite negligible when the entire economy is compared. For example, the downsizing in 2004/2005 by Fidelity Bank Nigeria Plc was responsible for reduction in bank overheads over the years and the resultant effect been in marginal profit rise.

5.2 Policy Implication

Downsizing should be discouraged in Nigeria in view of its inability to spur expansion in assets base of banks coupled with obvious economic and social problems. Although, the Nigeria Labour Congress (NLC) had tried to fight this in the past and recently the federal government (by issuing directive to banks to suspend further downsizing on 4th June, 2016), but there have limitation as a result of labour laws. On the basis of its positive relationship with return on equity (maximizing shareholders wealth), it should be noted that Nigeria do not have opportunities and enabling competing environment as their counterpart in developed economies. New jobs are never created to take care of displaced people. Even young school leavers do not find new jobs after many years of graduating.

5.3 Limitation

This research has some limitations that would be addressed in future studies. One of the limitations is the scope and period covered. It would be fascinating if all the commercial banks operating in the country is captured and the time frame extended to relatively permit for larger number of observations that would make the result more robust and reliable. The result of this study should not be viewed as conclusive empirical evidence, but rather an additional motivation for further research in the area with regards to other financial performance indices such as dividend per share and earnings per share among others.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

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