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Effect of Downsizing on Work Productivity and Employees Morale in Nepalese Commercial Banks

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Abstract

This study examines the effect of downsizing on employee productivity and employee morale in Nepalese commercial banks. Employee productivity and employee morale are the dependent variables. The selected independent variables are training and development, employee motivation, employee engagement, career development opportunities and workload. The primary source of data is used to assess the opinions of the respondents on downsizing and level of productivity and morale in Nepalese commercial banks. The study is based on primary data with 110 respondents. To achieve the purpose of the study, structured questionnaire is prepared. The correlation coefficients and regression models are estimated to test the significance and importance of downsizing on employee productivity and employee morale in Nepalese commercial banks.

The study showed that training and development have positive effect on employee productivity and employee morale. This reveals that higher the training and development in the banks, higher would be the employee productivity and employee morale. Similarly, employee motivation has a positive impact on employee productivity and employee morale. This shows that higher the level of motivation in the banks, higher would be the employee productivity and employee morale. Likewise, employee engagement has a positive impact on employee productivity and employee morale. This reveals that increase in employee engagement in the banks leads to increase in employee productivity and employee morale. In addition, career development opportunities have positive effect on employee productivity and employee morale. This reveals that increase in career development opportunities in the banks leads to increase in employee productivity and employee morale. Furthermore, workload has a negative impact on employee productivity and employee morale. It implies that increase in workload in the banks leads to decrease in employee productivity and employee morale.

Keywords: employee productivity, employee morale, training and development, employee motivation, employee engagement, career development opportunities, workload

1. Introduction

Downsizing is restructuring strategy in which a firm reduces the number of employees, its overall size and scope permanently with the ultimate goal of

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improving efficiency and/or effectiveness. Downsizing has been a major effort to revitalize organizations. According to Trahms *et al.* (2013), downsizing is a radical form of corporate reorganization that aims to reestablish alignment between strategy and organization. Despite the advantages of downsizing, it is also seen as a hindrance to employee innovation that is directly related to the destruction of the organizational social fabric. Datta *et al.* (2010) defined downsizing as an organized set of organizational strategies undertaken to cut down work force in a bid to contain redundant costs with the ultimate objective to improve firm profitability. Downsizing is deliberate overhaul or piecemeal approach to which a firm reduces size of human resource employed in the organization. Downsizing can lead to a leaner organizational structure, potentially reducing bureaucracy and speeding up decision-making processes. With fewer layers of management, communication can become more direct, leading to quicker implementation of ideas and projects. After downsizing, remaining employees might feel a greater sense of responsibility and ownership over their tasks. This can lead to a more focused workforce that is driven to maintain or even improve productivity in order to meet the demands of the reduced workforce. Smaller teams can foster a greater sense of accountability, as individuals are often more visible and responsible for their contributions. This can promote a culture of higher individual performance (Freeman, 1999).

Rehman and Naeem (2012) found that downsizing affected employees' loyalty, perception about the job insecurity and their commitments toward the organization and resulting in the poor performance of the employees as well as the organization. Downsizing can create a sense of job insecurity among employees who fear that they might be the next to lose their jobs. This can lead to decreased morale, motivation, and overall job satisfaction, which can in turn negatively impact productivity. When experienced employees are laid off, the organization may lose valuable institutional knowledge and expertise. This loss can result in decreased efficiency and productivity as remaining employees attempt to fill the gaps. Likewise, Kemal and Shahid (2012) examined the effect of mergers, acquisitions and downsizing in a financial sector. The study indicated that employees faced different psychological problems and ultimately, they become least efficient and effective due to the merger acquisitions and downsizing. After downsizing, remaining employees might need to take on additional tasks or responsibilities to compensate for the reduced workforce. This can lead to burnout and decreased overall productivity, especially if employees are stretched too thin. Similarly,

Ikyanyon (2012) analyzed the perceptions of organizational downsizing and job satisfaction among survivors in Nigerian banks. The study revealed that downsizing negatively affects the job satisfaction of survivors. The effect of downsizing on work productivity is a nuanced issue that depends on various factors. While downsizing can lead to short-term cost savings, it's crucial for organizations to carefully manage the process, provide clear communication, offer support to affected employees, and take steps to mitigate potential negative impacts on morale, teamwork, and overall productivity. Furthermore, Gandolfi (2013) found that downsizing negatively affects the job satisfaction and life satisfaction of employees. While downsizing might theoretically streamline communication, it can also lead to information gaps and misunderstandings if the right communication structures are not in place. This can hinder productivity as tasks and projects become disjointed.

Sumera and Faiza (2015) examined the effects of downsizing on job satisfaction of existing employees in banking sector of Pakistan. The results indicated that there is a significant relationship between downsizing and employee's job satisfaction, job security and communication in an organization. Likewise, Akdogan and Cingoz (2009) examined how organizational downsizing affects survivors' commitment to the organization. The study found that downsizing affected employees' loyalty, perception about the job insecurity and their commitments toward the organization and resulting in the poor performance of the employees as well as the organization. Downsizing could potentially lead to a focus on short-term survival rather than long-term innovation. Organizations may be hesitant to invest in research and development, which can hinder their ability to adapt and compete in the future. Similarly, Kao and Chen (2020) determined the effect of announced downsizing on workplace performance. The study found that there is a negative effect of downsizing on individual workers' attitudes, perceptions, workplace behaviors and individual work performance. If downsizing is poorly executed or perceived as unfair, it can create a negative organizational culture characterized by distrust, resentment, and decreased collaboration. Such a culture can significantly impede productivity.

Morale tends to decline when employees feel disconnected from the organization's goals and uncertain about their future. This can lead to a loss of engagement, where employees become less invested in their work and less motivated to contribute their best efforts. Razak *et al.* (2021) investigated the effect of downsizing strategy and organizational resilience of Aero structure manufacturer in Malaysia. The study concluded that organizational reduction

strategy has a positive and significant relationship with adaptability but has a significant and negative relationship with flexibility. Similarly, the study also concluded that the downsizing strategy directly affects the organizational structure. Likewise, Ifeoma and Patience (2021) analyzed the causes, effect and strategies of downsizing. The study concluded that downsizing improves performance in the short run because dismissals decrease expenses and thus improve profitability. Kim *et al.* (2009) discovered that employee engagement is positively related to job satisfaction and organizational commitment, which in turn lead to higher levels of job performance. Likewise, Sargent and Terry (2016) argued that high workload can lead to decreased job satisfaction and increased stress, which can negatively affect employee productivity and well-being. Similarly, Kubat and Karatas-Ozkan (2017) examined the impact of training and development on employee performance and organizational growth. The study found that there is the positive association between training and development with employee productivity. Similarly, Abbas (2018) determined the effect of downsizing strategy on organizational performance. The study indicated that downsizing strategy has positive and significant effect on organizational performance. The study also indicated that downsizing strategies significantly influence organizational performance. If employees perceive that the downsizing decisions were made unfairly or without proper consideration, trust in the leadership can erode. This lack of trust can lead to decreased morale as employees question the organization's intentions and decisions.

In the context of Nepal, Adhikari (2019) investigated the determinants of job satisfaction and its impact on employee performance in Nepalese commercial banks. The results showed that employee empowerment, job loyalty and workplace environment are positively correlated to job satisfaction and employee performance. Downsizing can create a negative atmosphere characterized by fear, stress, and uncertainty. Such an environment can foster negative interactions, hinder teamwork, and ultimately lead to a decrease in morale. When a downsizing event occurs, teams often lose valued members, leading to a sense of loss and disruption within the team. This can affect team cohesion, collaboration, and overall morale. The study also showed that better the employee empowerment, job loyalty, higher would be the job satisfaction and employee performance. Similarly, Chalise (2019) determined the effect of employee retention in Nepalese Commercial Banks. The result showed a significant positive relationship between career opportunities, work life policy and employee retention. Furthermore, Parajuli and Shrestha (2021)

concluded that higher the motivation level, lower would be the employee turnover. Moreover, Chaudhary (2022) investigated the effect of employee retention strategies used by Nepalese Banks. The study showed that workplace environment, career growth and development opportunity, compensation management and job security have significant impact with the employee's retention.

The above discussion reveals that the empirical evidences vary greatly across the studies concerning the effect of downsizing on work productivity and employee's morale. Though there are above mentioned empirical evidences in the context of other countries and in Nepal, no such findings using more recent data exist in the context of Nepal. Therefore, in order to support one view or the other, this study has been conducted.

The main purpose of the study is to analyze the effect of downsizing on work productivity and employee's morale in Nepalese commercial banks. Specifically, it examines the effect of training and development, employee motivation, employee engagement, career development opportunities and workload on work productivity and employee's morale in Nepalese commercial banks.

The remainder of this study is organized as follows. Section two describes the sample, data and methodology. Section three presents the empirical results and the final section draws the conclusion.

2. Methodological aspects

The study is based on the primary data. The data were gathered from 110 respondents through questionnaire. The respondents' views were collected on training and development, employee motivation, employee engagement, career development opportunities and workload. The study is based on descriptive and causal comparative research designs.

The model

The model estimated in this study assumes that employee productivity and employee morale depend on training and development, employee motivation, employee engagement, career development opportunities and workload. Therefore, the model takes the following form:

$$EP = \beta_0 + \beta_1 WCL + \beta_2 CDO + \beta_3 EE + \beta_4 EM + \beta_5 TD + e$$

$$EM = \beta_0 + \beta_1 WL + \beta_2 CDO + \beta_3 EE + \beta_4 EM + \beta_5 TD + e$$

Where,

EP= Employee productivity

EM= Employee morale

WL= Workload

CDO= Career development opportunities

EE= Employee engagement

EM= Employee motivation

TD= Training and development

Training and development, was measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly agree and 5 for strongly disagree. There are 5 items and sample items include “The company provides sufficient training opportunities to help me develop and enhance my skills.”, “I am satisfied with the quality and effectiveness of the training programs offered by the company.” and so on. The reliability of the items was measured by computing the Cronbach’s alpha ($\alpha = 0.740$).

Employee motivation was measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly agree and 5 for strongly disagree. There are 5 items and sample items include “I feel motivated to come to work each day and contribute to the success of the company.”, “The company provides clear goals and objectives that align with my personal career aspirations.” and so on. The reliability of the items was measured by computing the Cronbach’s alpha ($\alpha = 0.861$).

Employee engagement was measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly agree and 5 for strongly disagree. There are 5 items and sample items include “The company provides a positive and inclusive work environment that encourages collaboration and teamwork”, “I have a good working relationship with my colleagues and immediate supervisor.” and so on. The reliability of the items was measured by computing the Cronbach’s alpha ($\alpha = 0.881$).

Career development opportunities was measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly agree and 5 for strongly disagree. There are 5 items and sample items include “The company provides me with opportunities for professional growth and career advancement”, “I am satisfied with the career development resources and support provided by the company” and so on. The reliability of the items was measured by computing the Cronbach’s alpha ($\alpha = 0.834$).

Workload was measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly agree and 5 for strongly disagree. There are 5 items and sample items include “I feel that my workload allows me to maintain a healthy work-life balance”, “The company values work-life balance and supports employees in managing their workload” and so on. The reliability of the items was measured by computing the Cronbach’s alpha ($\alpha = 0.876$).

Employee productivity was measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly agree and 5 for strongly disagree. There are 5 items and sample items include “The company provides the necessary resources and tools for me to perform my job efficiently” and so on. The reliability of the items was measured by computing the Cronbach’s alpha ($\alpha = 0.842$).

Employee morale was measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly agree and 5 for strongly disagree. There are 5 items and sample items include “The company encourages open communication and feedback among employees and supervisors” and so on. The reliability of the items was measured by computing the Cronbach’s alpha ($\alpha = 0.831$).

The following section describes the independent variables used in this study along with the hypothesis formulation.

Career development opportunities

Career development opportunities refer to activities, programs, or initiatives that are designed to help employees enhance their skills, knowledge, and experience in order to advance their careers within an organization. DeFillippi and Arthur (1994) concluded that career development opportunities have a positive relationship with employee productivity. Likewise, Rynes *et al.* (2005) found the positive relationship between career development opportunities and employee morale. Similarly, Ng *et al.* (2005) indicated that there is the direct relationship between career development opportunities and employee productivity. Furthermore, Forrier *et al.* (2015) found that there is the positive association between career development opportunities and employee productivity. In additional, Farooq *et al.* (2018) found that there is the positive relationship between career development opportunities, employee morale and productivity. Based on it, this study develops the following hypothesis:

H₁: There is a positive relationship of career development opportunities with employee productivity and employee morale.

Training and development

Training and development refer to the process of providing employees with learning opportunities and experiences that are designed to enhance their skills, knowledge, and capabilities. Both training and development are important for the growth and development of employees and the success of the organization. Salas et al. (2012) found a positive relationship between training and development with employee productivity. Likewise, Garavan and McGuire (2010) concluded that there is the positive association between the training and development with employee morale. Similarly, Chen and Huang (2018) indicated that training and development are directly related to the employee performance. Furthermore, Joo et al. (2016) found that the employee performance has a positive relationship with training and development. In addition, Kubat and Karatas-Ozkan (2017) found that there is the positive association between training and development with employee productivity. Based on it, this study develops the following hypothesis:

H₂: There is a positive relationship of training and development with employee productivity and employee morale.

Employee engagement

Employee engagement refers to the extent to which employees are committed to their work, feel a sense of connection to their organization, and are motivated to perform their job to the best of their abilities. Macey and Schneider (2008) found that employee engagement is positively related to employee productivity and morale. Likewise, Wright (2017) indicated that there is the positive association between employee engagement and employee productivity. Similarly, Kreissl (2017) found that employee engagement has a positive impact on employee productivity and morale. Furthermore, Rich et al. (2010) found that employee engagement is positively associated with job performance and organizational citizenship behavior. In additional, Kim et al. (2009) found that employee engagement is positively related to job satisfaction and organizational commitment, which in turn lead to higher levels of job performance. Based on it, this study develops the following hypothesis:

H₃: There is a positive relationship of employee engagement with employee productivity and employee morale.

Employee motivation

Employee motivation refers to the internal and external factors that drive employees to perform their job to the best of their abilities. Motivated

employees are those who are energized, committed, and enthusiastic about their work. Nohria et al. (2008) found that there is the significant relationship between employee motivation and employee productivity. Likewise, Deci and Ryan (2008) indicated that intrinsic motivation is positively associated with job performance, creativity, and well-being. Similarly, Gagne and Deci (2005) found that intrinsic motivation is a key driver of employee productivity. Furthermore, Grant (2008) concluded that employee motivation is a critical factor in determining job performance and organizational success. In additional, Harter et al. (2020) found that employee motivation is positively associated with productivity and profitability. Based on it, this study develops the following hypothesis:

H₄: There is a positive relationship of employee motivation with employee productivity and employee morale.

Workload

Workload refers to the amount of work or tasks that an individual or a team is responsible for completing within a given period of time. It can be measured in terms of the number of tasks, projects, or hours of work that an individual or a team is expected to complete. Demerouti et al. (2001) found that high workload is negatively related to job satisfaction, whereas job resources (such as social support and autonomy) are positively related to job satisfaction and work engagement. Hakanen et al. (2006) indicated that high workload and low job resources are risk factors for burnout, which can lead to decreased productivity and work engagement. Likewise, Kinnunen et al. (2006) showed that high workload is associated with decreased work engagement. Similarly, Podsakoff et al. (2007) found that high workload is negatively related to organizational commitment. Furthermore, Sargent and Terry (2016) found that high workload can lead to decreased job satisfaction and increased stress, which can negatively affect employee productivity and well-being. In additional, Van den Broeck et al. (2008) indicated that high workload is associated with decreased work motivation and well-being. Based on it, this study develops the following hypothesis:

H₅: There is a negative relationship of workload with employee productivity and employee morale.

3. Results and discussion

Correlation analysis

On analysis of data, correlation analysis has been undertaken first and for this purpose, Kendall's Tau correlation coefficients along with means and

standard deviations have been computed, and the results are presented in Table 1.

Table 1

Kendall’s Tau correlation coefficient matrix

This table presents Kendall’s Tau correlation coefficients between dependent variable and independent variables. The correlation coefficients are based on 110 observations. The dependent variables are EP (Employee productivity) and EM (Employee morale). The independent variables are WL (Workload), CDO (Career development opportunities), EE (Employee engagement), EM (Employee motivation) and TD (Training and development).

Variables	Mean	S.D.	EP	EM	TD	EEM	EE	CDO	WL
EP	2.126	0.867	1						
EM	2.156	0.909	0.658**	1					
TD	2.142	0.914	0.620**	0.708**	1				
EM	2.109	0.893	0.518**	0.684**	0.565**	1			
EE	2.058	0.897	0.486**	0.692**	0.655**	0.595**	1		
CDO	2.118	0.913	0.480**	0.663**	0.654**	0.672**	0.675**	1	
WL	2.215	0.97	-0.572**	-0.611**	0.615**	0.620**	0.546**	0.716**	1

Notes: The asterisk signs (**) and (*) indicate that the results are significant at one percent and five percent level respectively.

Table 1 shows that training and development is positively correlated to employee productivity. This reveals that higher the training and development in the banks, higher would be the employee productivity. Similarly, employee motivation is positively correlated to employee productivity. This shows that higher the level of motivation in the banks, higher would be the employee productivity. Likewise, employee engagement is positively correlated to employee productivity. This reveals that increase in employee engagement in the banks leads to increase in employee productivity. In addition, career development opportunities are positively correlated to employee productivity. This reveals that increase in career development opportunities in the banks leads to increase in employee productivity. Furthermore, workload is negatively correlated to employee productivity. It implies that increase in workload in the banks leads to decrease in employee productivity.

Similarly, the table shows that training and development is positively correlated to employee morale. This reveals that higher the training and development in the banks, higher would be the employee morale. Similarly, employee motivation is positively correlated to employee morale. This shows that higher the level of motivation in the banks, higher would be the employee morale. Likewise, employee engagement is positively correlated to employee morale. This reveals that increase in employee engagement in the banks leads

to increase in employee morale. In addition, career development opportunities are positively correlated to employee morale. This reveals that increase in career development opportunities in the banks leads to increase in employee morale. Furthermore, workload is negatively correlated to employee morale. It implies that increase in workload in the banks leads to decrease in employee morale.

Regression analysis

Having analyzed the Kendall's Tau correlation coefficients matrix, the regression analysis has been carried out and the results are presented in Table 2 and Table 3. More specifically, Table 2 shows the regression results of workload, career development opportunities, employee engagement, employee motivation and training and development on employee productivity.

Table 2

Estimated regression results of workload, career development opportunities, employee engagement, employee motivation and training and development on employee productivity

The results are based on 110 observations using linear regression model. The model is $EP = \beta_0 + \beta_1 TD + \beta_2 EEM + \beta_3 EE + \beta_4 CDO + \beta_5 WL + e$, where dependent variable is EP (Employee productivity). The independent variables are WL (Workload), CDO (Career development opportunities), EE (Employee engagement), EM (Employee motivation) and TD (Training and development).

Model	Intercept	Regression coefficients of					Adj. R _{bar} ²	SEE	F-value
		TD	EMM	EE	CDO	WL			
1	0.543 (4.084)**	0.739 (12.949)**					0.605	0.545	167.67
2	0.614 (4.258)**		0.717 (11.384)**				0.541	0.587	129.59
3	0.683 (4.760)**			0.701 (10.973)**			0.523	0.599	120.41
4	0.706 (4.734)**				0.67 (10.362)**		0.494	0.617	107.36
5	0.716 (4.909)**					-0.636 (10.534)**	0.502	0.611	110.97
6	0.44 (3.274)**	0.51 (5.079)**	0.281 (2.730)**				0.627	0.529	92.571
7	0.441 (3.263)**	0.524 (4.415)**	0.299 (2.274)**	0.034 (1.225)			0.624	0.532	61.183
8	0.448 (3.320)**	0.586 (4.524)**	0.353 (2.541)*	0.032 (1.198)	0.184 (1.184)		0.625	0.531	46.411
9	0.422 (3.132)**	0.553 (4.245)**	0.315 (2.250)*	0.025 (1.165)	0.283 (1.713)	-0.182 (1.647)	0.631	0.526	38.277

Notes:

- Figures in parenthesis are t-values
- The asterisk signs (**) and (*) indicate that the results are significant at one percent and five percent level respectively.
- Employee productivity is the dependent variable.

Table 2 shows that the beta coefficients for training and development are positive with employee productivity. It indicates that training and development have positive impact on employee productivity. This finding is similar to the findings of Kubat and Karatas-Ozkan (2017). Likewise, the table shows that the beta coefficients for employee motivation are positive with employee productivity. It indicates that employee motivation has a positive impact on employee productivity. This finding is similar to the findings of Harter *et al.* (2020). Similarly, the table shows that the beta coefficients for employee engagement are positive with employee productivity. It indicates that employee engagement has a positive impact on employee productivity. This finding is similar to the findings of Kreissl (2017). Further, the table shows that the beta coefficients for career development opportunities are positive with employee productivity. It indicates that career development opportunities has a positive impact on employee productivity. This finding is similar to the findings of Farooq *et al.* (2018). Furthermore, the table shows that the beta coefficients for workload are negative with employee productivity. It indicates that workload has a negative impact on employee productivity. This finding is similar to the findings of Sargent and Terry (2016).

The estimated regression results of estimated regression results of workload, career development opportunities, employee engagement, employee motivation and training and development on employee morale in Table 3.

Table 3

Estimated regression results of workload, career development opportunities, employee engagement, employee motivation and training and development on employee morale

The results are based on 110 observations using linear regression model. The model is $EM = \beta_0 + \beta_1 TD + \beta_2 EEM + \beta_3 EE + \beta_4 CDO + \beta_5 WL + e$, where dependent variable is EM (Employee morale). The independent variables are WL (Workload), CDO (Career development opportunities), EE (Employee engagement), EM (Employee motivation) and TD (Training and development).

Model	Intercept	Regression coefficients of					Adj. R _{bar} ²	SEE	F-value
		TD	EMM	EE	CDO	WL			
1	0.262 (2.576)**	0.884 (20.273)**					0.790	0.417	411.001
2	0.266 (2.503)**		0.896 (19.265)**				0.773	0.433	371.17
3	0.331 (3.134)**			0.887 (18.805)**			0.764	0.442	353.64
4	0.343 (3.040)**				0.856 (17.491)**		0.737	0.466	305.92
5	0.405 (3.458)**					-0.791 (16.315)**	0.709	0.491	266.18
6	0.093 (1.048)	0.509 (7.660)**	0.461 (6.779)**				0.852	0.355	314.01
7	0.09 (1.024)	0.447 (5.753)**	0.381 (4.424)**	0.148 (5.504)**			0.853	0.348	212.56
8	0.091 (1.023)	0.451 (5.285)**	0.385 (4.197)**	0.152 (1.444)	0.012 (0.116)		0.852	0.351	157.94
9	0.063 (0.728)	0.415 (4.948)**	0.343 (3.807)**	0.145 (1.422)	0.118 (1.111)	-0.195 (2.732)**	0.861	0.339	135.62

Notes:

- Figures in parenthesis are t-values
- The asterisk signs (**) and (*) indicate that the results are significant at one percent and five percent level respectively.
- Employee morale is the dependent variable.

Table 3 shows that the beta coefficients for training and development are positive with employee morale. It indicates that training and development have a positive impact on employee morale. This finding is similar to the findings of Joo *et al.* (2016). Likewise, the table shows that the beta coefficients for employee motivation are positive with employee morale. It indicates that employee motivation has a positive impact on employee morale. This finding is similar to the findings of Grant (2008). Similarly, the table shows that the beta coefficients for employee engagement are positive with employee morale. It indicates that employee engagement has a positive impact on employee morale. This finding is similar to the findings of Wright (2017). Further, the table shows that the beta coefficients for career development opportunities are positive with employee morale. It indicates that career development opportunities has a positive impact on employee morale. This finding is similar to the findings of Forrier *et al.* (2015). Furthermore, the table shows that the beta coefficients for workload are negative with employee morale. It indicates that workload has a negative impact on employee morale. This finding is similar to the findings of Podsakoff *et al.* (2007).

4. Summary and conclusion

Downsizing is restructuring strategy in which a firm reduces the number of employees, its overall size and scope permanently with the ultimate goal

of improving efficiency and/or effectiveness. Downsizing often leads to disruptions in workflow as employees adjust to new roles, responsibilities, and processes. This initial disruption can lead to a temporary decrease in productivity as people adapt to the changes. It's important to note that the impact of downsizing on work productivity and employees' morale can vary based on how the downsizing is managed. Clear and transparent communication from leadership, providing support to affected employees, offering training for new roles, and actively managing workload distribution are some strategies that can mitigate the negative effects.

This study attempts to determine the effect of downsizing on employee productivity and employee morale in Nepalese commercial banks. The study is based on primary data with 110 observations.

The study showed that training and development, employee motivation, employee engagement and career development opportunities have a positive impact with employee productivity and employee morale. It indicates that increase in training and development, employee motivation, employee engagement and career development opportunities leads to increase the employee productivity and employee morale. However, workload have a negative impact with employee productivity and employee morale. It indicates that increase workload leads to decrease the employee productivity and employee morale. The study concluded that after downsizing, remaining employees may need to take on additional tasks to compensate for the reduced workforce. This can lead to an increased workload, potentially resulting in burnout and decreased productivity as employees struggle to manage their expanded responsibilities. The study also concluded that the most influencing factors that explains the changes in employee productivity is training and development followed by employee motivation.

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