

ECONOMIC RECESSION AND PRIVATE UNIVERSITY PERFORMANCE AND SUSTAINABILITY IN NIGERIA

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Abstract

The present study took advantage of the very few studies that exist in the area of private universities performance and sustainability in Nigeria. This study examined the extent to which the present economic recession in Nigeria has affected private universities performance and sustainability of in Nigeria. A quantitative data was generated from 41 respondents derived from a questionnaire distributed via self-administered procedure. The respondents were selected through convenient sampling technique from a private university located at Ibadan, Oyo State, Nigeria. The data gathered was analysed using the SMART partial least square. The results revealed that economic recession has effect on both the performance and sustainability of the private university examined. The study concluded that economic recession significantly affected both the performance and sustainability of the private university in Nigeria. Private universities can reduce the pressure of economic recession through tapping into other areas by a way of diversification - consultancy services and strategic business services and alliance with industries and also try to become more aggressive in their business activities by organizing more programmes outside the mainstream academic function.

Keywords: Economy, Recession, Performance, Sustainability, Private-Universities,

1. Introduction

In the last few decades, Nigeria as a country has witnessed the proliferation of many tertiary institutions especially in the area of private universities (Charles & Lucky, 2016, National Universities Commission (NUC), 2014). It is one of the newest lucrative businesses the rich and the religious bodies are investing their funds. There is no doubt, Nigeria may be one of those countries with highest number of private universities across the world particularly in Africa. Currently, there are more than 50 registered private universities across the 36 states of Nigeria (Charles & Lucky, 2016; NUC, 2014).), each offering their services according to their individual educational objectives and purposes. Although Nigeria is yet to record any closure of private university, however, the well-being of some of these private universities are questionable and sympathetic. For example, while some of these private universities are doing excellently well others are believed to be struggling to find their feet. Thus, it is not about the establishment of the private universities but about their overall performance and sustainability. It is important to note that private universities in Nigeria are not funded by the government like their counterparts that are funded by the government rather they are funded by their individual owners.

The performance and sustainability of private university has been a major issue of concern to every stakeholder in the country particularly when you consider that the performance and sustainability of private universities is crucial to overall educational system in Nigeria. Over the years, very little attention has been paid to the performance and sustainability of Nigerian private universities until very recently when government agencies such as the NUC are beginning to see this as a priority and efforts are now being put together to address this issue. Private universities are left to fend for themselves with the belief that they are there to make profit. Therefore, why should people be concerned about them? On the other hand, we should not forget that the private universities have come to play a crucial and significant role in the overall educational system of many countries across the globe including Nigeria. Private universities assist in the delivery of higher education services (Allen, 2007).

Furthermore, it would be wrong to talk about private universities' performance and sustainability without reckoning on the economic environment in which they operate. Now, the present economic situation in Nigeria is such that one begins to wonder how these private universities would be sustained in the midst of this

economic recession in the country. Although authors such as Ravi (2011) argued that businesses including universities offer training services have higher tendency of survival during economic recession like this. He noted that while other business sectors were crying, training services like the universities were booming, because people need new skills and competencies to combat economic recession, and this can be acquired through training. However, since environment differs, this therefore may not be applicable in the Nigerian environmental context.

The effect of economic recession is very devastating which is very visible in many areas such as; closure of businesses and above all economy damage in which the private universities in Nigeria are not left out (Iwere, 2010). The effect of economic recession is more pronounced on the private universities than the public universities since they do not receive any funding from the government. Acknowledging the effect of economic recession on the private universities, the Vice Chancellor of one private university in Nigeria (Redeemer's University, Ede, Osun State), Prof. Debo Adeyewa, recently aired his view regarding the recession. His comments suggests that the economic recession in Nigeria is affecting the private universities. According to Sahara eporters (2016), Nigeria's current economic recession has taken a toll on the country's institutions of learning including the private universities as many parents and guardians have been forced to withdraw their wards from the private universities. Parents and guardians are currently finding it very difficult to pay the school fees of their children and provide other basic needs, and this is consequently affecting the private universities in Nigeria. With decreasing revenues and rising costs, the private universities are now forced to make tough decisions if they still want to make profit and sustain the university. In other words, it is a case in which they have to balance their budgets and still meet the needs of their students and staff with the major objective of making profit and sustaining the university. Therefore, economic recession must be checked in order to guide against it for better effectiveness and sustainability of the private universities in Nigeria (Lucky, 2012; MAN, 2009; Ravi, 2011).

In literature, very few studies have been conducted in the area of private universities performance and sustainability. This present study took advantage of this research gap. Therefore, the study raised a pertinent question. What is the performance and sustainability of the private universities in Nigeria? In the light of this question, the study objective therefore, is to investigate whether economic recession affected the performance and sustainability of private universities in the development of manpower in the country.

Hypotheses development

A conceptual model as shown in Figure 1 indicates that there is a relationship between Economic recession and private university performance and private university sustainability.

Based on that model, the following hypotheses were formulated:

H_{01} : Economic recession has no significant effect on the performance of private universities

H_{02} : Economic recession has no significant effect on the sustainability of private universities

The paper is sub-divided into six sections. The introduction is followed by literature review as section two, methodology as section three, data analysis and results in section four while sections five and six presents conclusions and recommendations.

2. Literature Review

Economic recession and Private Universities Performance and Sustainability

Generally, in economics, an *economic downturn* is a general slowdown in economic activity over a long period of time, or a business cycle contraction (Lucky & Minai, 2016). Also, IMF regards periods when global growth is less than 3% to be economic downturn (Lucky & Minai, 2016; Minai & Lucky, 2012). In simple terms, a recession is defined as a period of temporary economic decline during which trade and industrial activities are reduced, generally identified by a fall in the Gross Domestic Product (GDP) in two successive quarters (Sunday & Atueyi, 2016).

According to Sharrif and Saud (2009) and as equally reported by Minai and Lucky (2012), there is a strong link between economic situation and any business as well as the success or failure of such business. Emma (2000) argued that economic downturn is so drastic that the business and trade activities slows down, thus, affecting the all business performances and their sustainability including the private universities.

Furthermore, the recent theoretical study by Minai and Lucky (2016) argued that economic recession affects every aspect of business organization. For instance, they pointed out that the economic recession in Nigeria is affecting the education sector particularly the teaching profession in Nigeria. It has pushed many unqualified people into teaching profession, thus, contributing to the poor quality of education in the country.

Iwere (2010) noted that economic condition has a lot of influences on the business activities in any country. Adding to this, Brunello (2009) noted that during economic downturn human capital which includes; entrepreneurs, small businesses and other factors may suffer. Therefore, during economic down turn the environment may become inconducive and unfavourable for business organizations to properly function and conduct their business activities. For instance, Ravi (2011) and MAN (2009) observed that during economic downturn many firms and businesses are found to close down or ceizes to exist. The effect of economic downturn cannot be undermined. It is very devastating, it is very visible in many areas such as; unemployment, downsizing of employees, folding of businesses and above all economy damage (Iwere, 2010). Ravi (2011) reported that the recent economy downturn affected virtually every sector of the economy including universities. Also, as reported by Sunday and Atueyi (2016), tertiary institutions are not alone in this dilemma, as the impact of the hard-hitting economic malaise has engulfed the entire education spectrum, in one way or another. Its impact in the education sector, many parents and stakeholders fear, could lead to poor quality service delivery in these institutions, some of which are already lying belly up, owing to multi-faceted challenges. At the tertiary level, only the management of a few federal-owned institutions have come out to openly state the grueling impact of recession on their operations, while many, afraid of being sanctioned by the government have remained taciturn. Even those that elect to divulge any details of their sufferings prefer to do so anonymously.

Theoretical Framework

Economic Theory

This theory emphasizes on development, innovation and the cycles which could be expected in a business cycle and therefore making this theory very relevant to this present study which deals on the economic downturn period (Lucky, 2016). The theory of economic development in essence stresses greatly on the internal development effort that would involve the combination of other production in order for the goods and services to be greatly demanded in both local and international markets respectively. Economic theory also reminded people to bear in mind the periods which the economy could change at any point in time. The periods are known as business cycles which also include the economic downturn. It is pertinent for the private universities to think about the environment and the different types of business cycles that are common to every business environment.

According to Schumpeter's (1911), economic theory helps in explaining the different changes that occur in the economic life of the people with the nation. The private universities should always think about the changes in their current economic environment. Economic theory believed that that economic situation affects the level and rate of development to the economy of a country and consequently to every business that exist in that country. Economic theory has been applied in many studies

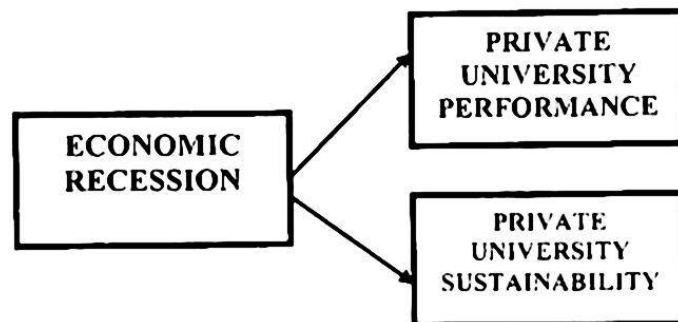


Figure 1: Economic recession on performance and sustainability

Source: Onochie, Esuh, Ighodalo and Idoko (2017)

3. Methodology

Research design

The study applied a cross-sectional research design technique with a quantitative research approach of survey questionnaires.

The population of the study covers all employees of a private university at Ibadan, Oyo state, Nigeria. The sampling technique for this study, was a convenience sampling technique to select 60 employees which was a representation of the population due to the absence of sample frame. Abzakh, Ling and Alkilani (2013)

suggested a convenience/purposive sampling technique where there is lack of sampling frame and where the actual population of the study cannot be identified (Mohammad, Minai & Lucky, 2014).

Instrumentation

This study covered three major variables; economic recession, private university performance and private university sustainability. Economic recession was measured using 5 items adapted from Minai & Lucky (2016). Also, private university effectiveness and sustainability were measured. Apart from that, the study also applied years of experience to include the staff in the study. For example, employees who are less than one year in the university were not included.

Accordingly, all items in the scale were measured on a five-point Likert-scale (1 = strongly disagree, 5 = strongly agree).

Data collection procedure

A survey questionnaire through self-administered procedure was employed to distribute, gathered information and retrieved back the questionnaires from the participants. In all, a total of 60 copies of questionnaires were distributed to the respondents, however, only 41 were retrieved and these 41 returned were considered usable. Hence, the total usable questionnaire for this study was 41 representing 68.3%.

4. Data analysis and results

PLS Estimation

Owing to the small sample size, explanation on endogenous construct and variance-based methods the use of partial least square (PLS) becomes necessary in this study in analysing the data (Mohammad, Minai & Lucky, 2014). Sharma and Kim (2012) noted that the use of PLS becomes necessary under conditions of insufficient sample size. In this vein, Zhang (2009) noted that PLS can deal with both formative and reflective constructs which is the exact situation in this study. Besides, the use of SMARTPLS in this study is to understand the multi-dimensional (reflective) influence of economic recession on both private university performance and sustainability. This is perceived to allow different interactions with a view to produce a more robust result of the analysis.

Measurement Model

For the model measurement, construct validity was conducted using the SMARTPLS with a two-step structural equation modeling (SEM) approach as supported by Anderson and Gerbing (1988). Based on this, the internal reliability and convergent validity for constructs were first conducted and then followed by the assessment of the discriminant validity of constructs as indicated in Tables 1 and 2 respectively. For this, a minimum loading of 0.7 and above value was required for an item to be accepted for cross loadings and composite reliability as suggested by Hair, Ringle and Sarstedt (2011).

Both Table 1 and model 1 indicated that only three indicators measuring economic recession variable and coded Economic Recession ECR2, ECR3 and ECR4 were validated and reliable. Also, only two indicators coded private university performance (PRO1 and PRO2), private university sustainability (PERCSUST1 and PERCSUST6) used to measure private university effectiveness and private university sustainability variables respectively were validated and reliable. Others were deleted as they did not meet the loading limit of 0.70 as recommended by Hair, Ringle and Sarstedt (2011).

Table 1. Measurement model result

<i>Latent variables</i>	<i>Items</i>	<i>Loadings</i>	<i>AVE</i>	<i>Cronbachs Alpha</i>	<i>Composite Reliability</i>
ECONOMIC RECEPTION	ECR2	0.831555	0.654004	0.740311	0.849807
	ECR3	0.837697			
	ECR4	0.754182			
PRIVATE UNIV EFFECTIVENESS	PRO1	0.873205	0.680775	0.537224	0.809515
	PRO2	0.773992			
PRIVATE UNIV SUSTAINABILITY	PERCSUST1	0.741306	0.60484	0.348521	0.753381
	PERCSUST6	0.812493			

Notes: a Composite reliability (CR) = (square of the summation of the factor loadings) / [(square of the summation of the factor loadings) + (square of the summation of the error variances)];

b Average variance extracted (AVE) = (summation of the square of the factor loadings) / [(summation of the square of the factor loadings) + (summation of the error variances)]

For the average variance extracted (AVE), a minimum value of 0.5 is considered accepted while the discriminant validity of constructs is determined by the average variance shared between each construct and its measures should exceed the variance shared between the construct and other constructs (Fornell & Larcker, 1981). Table 1 further indicates that all constructs utilised in the study produced AVE values more than the suggested value of 0.5 by Chin (1998). Accordingly, the result also indicated that all constructs yielded factor loading more than 0.7 as suggested by Hair, Ringle & Sarstedt (2011) while the values for composite reliability also indicated 0.7 and above as suggested by Bagozzi, Youjae & Phillips (1991) suggesting that the measurement model has achieved satisfactory internal reliability and convergent validity.

Table 2: Discriminant validity of constructs

	ECONOMIC RECESSION	PRIVATE UNIV PERFORMANCE	PRIVATE UNIV SUSTAINABILITY
ECONOMIC RECESSION	<i>0.808705</i>		
PRIVATE UNIV PERFORMANCE	-0.545463	<i>0.825091</i>	
PRIVATE UNIV SUSTAINABILITY	0.45011	-0.18789	<i>0.777715</i>

Note: Diagonals (*italics*) represent the square root of the AVE while the other entries represent the correlations.

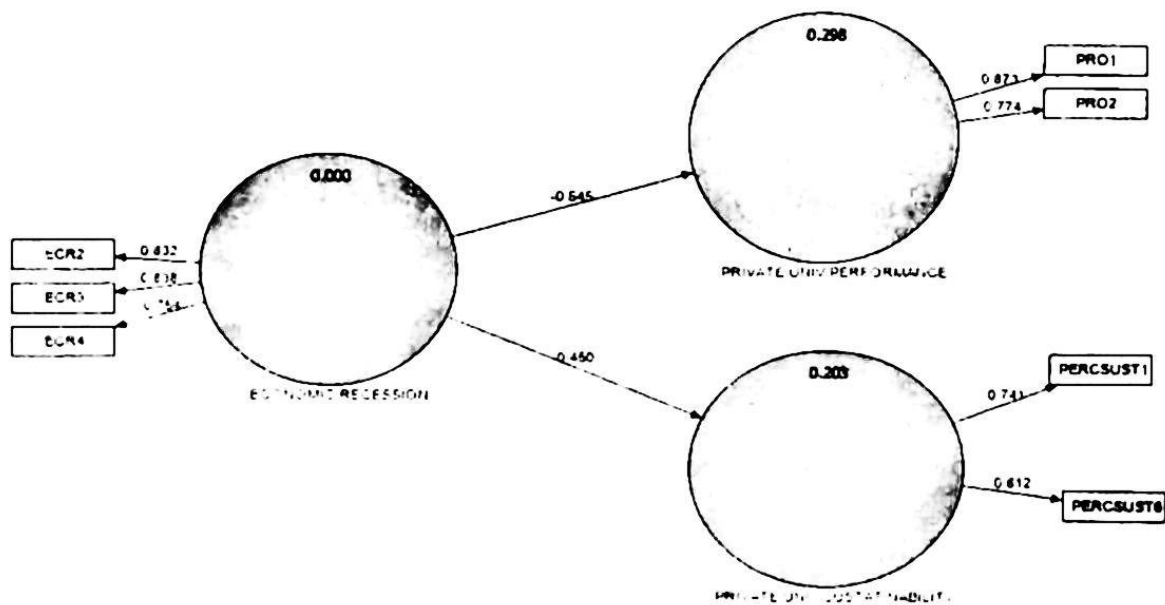


Figure 2: Factor loadings for Economic Recession, constructs

Table 2 shows the result of the discriminant validity for the all the theoretical constructs. It indicates that the correlation for each construct is less than the square root of the AVE suggesting that the measurement model has achieved adequate discriminant validity (Hair, Ringle & Sarstedt, 2011).

Structural model

The results of the SMARTPLS structural model presented in Table 3 depicts the relationship between the exogenous (economic recession) and the endogenous (private university performance and private university sustainability) constructs. First it is shows that economic recession affects private university effectiveness ($\beta = 0.54$; $p = 0.05$). The result further indicates an R Square of 0.297530 which implies that the exogenous variable economic recession can only explain 29% variance of the endogenous construct-private university performance. Secondly, the result revealed that economic recession affects private university sustainability ($\beta = 0.45$; $p = 0.05$). The result indicates an R Square of 0.202599 accounting for 20% variance of the endogenous construct-private university sustainability.

Table 3 Path Coefficients and Hypotheses Testing

Hypothesis	Relationship	Sample Mean (M) Beta	Standard error	t-statistics	P-value	Decisions
H_0	ECONOMIC RECESSION -> PRIVATE UNIV PERFORMANCE	-0.545089	0.078488	6.949674	0.001	Not Supported
H_0	ECONOMIC RECESSION -> PRIVATE UNIV SUSTAINABILITY	0.451042	0.088583	5.081243	0.001	Not Supported

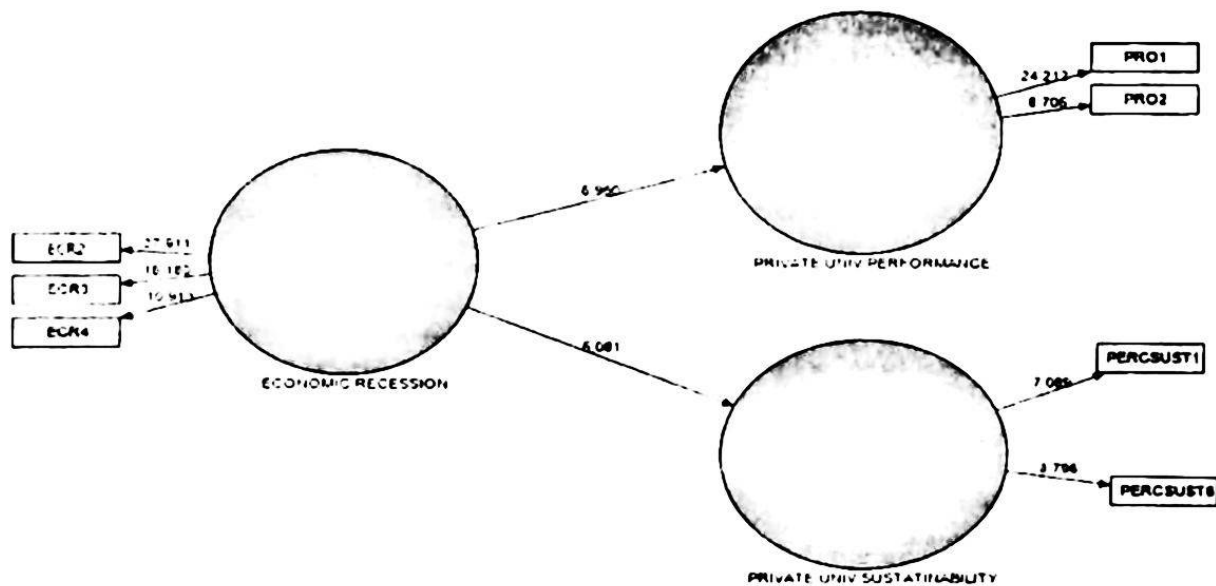


Figure 3: Final Model of the relationship between economic recession and performance and sustainability of the private university

Discussion

The major objective of this present study was to examine whether economic recession affected both performance and sustainability of the private universities in Nigeria. Specifically, the study examined how economic recession affects both the performance and sustainability of the private universities in Nigeria. For this, a smartpls analytical technique was applied to test the hypotheses which stated that economic recession has no effect on the performance and sustainability of private universities in Nigeria.

The study revealed the interesting result that is highly important for the operators of private universities and also for the policy makers in government. Generally, the study failed to find support for the two hypotheses, that economic recession does not affect private university performance and sustainability in Nigeria. Economic recession was found to have direct influence on both performance and sustainability of the private universities in Nigeria. This finding failed to affirm the claim of Ravi (2011) study conducted in Canada. The findings claimed that economic recession failed to determine the performance and sustainability of the small business enterprises in the service sector in Canada. Also, OECD (2009) noted that economic crisis brings certain opportunities. In other words, it brings huge opportunities that could be transformed to wealth.

The finding further revealed that the private universities are likely to reduce the number of staff in their organization. It also shows that the private universities may equally reduce the salaries of the employees while putting a stop at employing more staff into the organization. The findings suggest that economic recession affect the private universities to the extent that they put a halt to further employment, reduction in the workers' salaries and ultimately, opting for reduction in the number of employees. This is consistent with the previous study which claimed that during economic recession organizations resort to pay-cuts and downsizing of employees as the only strategy to overcome economic recession.

The finding also revealed that the private universities were unable to experience positive change in their income rather there was a negative change in their growth during the period in terms of reduction in the number of student's enrollment into the university. Accordingly, there was a general perception that the university would cease to exist and would not be able to pay its present staff. This in line with the study by MAN (2009) which affirmed that economic recession in Nigeria has made many firms to close down while the fate of the remaining ones is uncertain, and others are relocating to the neighbouring country like Ghana.

5. Conclusion

From the foregoing it is possible that private universities can overcome economic recession on the condition that they tap into other areas by a way of diversification through consultancy services and strategic business services and alliance with industries and also try to become more aggressive in their business activities by organizing more programmes outside mainstream academic function (distance learning, foundation and part-time) for better effectiveness and sustainability. This study concludes that economic recession affects the performance and sustainability of private universities.

6. Limitations and recommendations for future studies

As a matter of fact, few limitations are noted in this present study. First, our data set is perceived to be too small to allow for a wider generation of the findings of this study. For example, only 41 sample size was used to make conclusions in this study. This is considered too small. Apart from that, only one private university was included in the study and this may also not allow for a wider generation of the findings obtained in this study. Therefore, future study interested in this area of study should increase the sample size to say 150 and above and also data should be collected from at least more than one private university at different geopolitical zone in Nigeria. Strictly, this study adopted the structural equation modeling particularly the Partial Least Square (PLS), and this has enable us to understand the multidimensional influence of the exogenous constructs on the dependent variable. Future study may want to use other techniques. For example, it could also be possible to replicate this study using the meta-analysis technique. This could provide stronger statistical conclusions than the analysis of a single study since it uses the combination of several findings to draw its conclusion.

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