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Impact of Layoff on Profitability of Selected Service Sector Industries in India

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Abstract: In recent days, layoff has become an essential requirement of the businesses to stay fit in the competitive market. In recent days, IT has also adopted layoffs in the organization. Sometime it could be a deliberate organizational decision as well to reduce the manpower, to increase organizational performance. The objective of the study is to determine the impact of layoff on the operations and profitability of the IT sector firms by looking at the service quality, technological levels, profitability and employee morale after the downsizing exercise. This study is based on 16 Indian IT service firms from the financial year of FY2010-FY2016. Data has been extracted from their financial statements which is published in official as well as different websites and tabulated. The study applied paired sampled t test has been done to know the impact of layoff and estimated the p value for conclusion. Later on company wise ROA (Return on Assets) and ROE (Return on Equity) details have also being pulled from company's official website and formed a model to check the effect of downsizing through the financial aspects. Fixed and random model has been used to drawn conclusion based on p values. From the results, it is concluded that, downsizing plays a significant role in the company's profitability.

Key words: Downsizing, layoff, profitability, return on assets, return on equity, financial aspects

INTRODUCTION

In an organization, downsizing/layoff means cutting down the number of employees from the payroll. Couple of people relate downsizing with layoff in reality downsizing anticipated to be a permanent solution of scaling down in terms of number of employees and a layoff anticipated to be a transitory downscaling where the workforce may be hired later. Organization uses numerous techniques or methods for downsizing such as transfer to a subsidiary company provide incentives to take early retirement etc. But the most common method or technique is to simply ask the employment to leave the company. Some organisation does layoff in the faith that a venture will operate well with fewer people. Which is also called resizing where as dumb sizing is downsizing that retrospect, its failure to accomplish the desired outcome (De Meuse *et al*., 1994; Dolan *et al*., 2000).

Downsizing has become the most common phenomenon in the last few decades. With economies around the world stumbling, companies being dissolved, operations being stopped and budgets are being cut, worldwide employees are being laid off. In the modern world where competition do not permit firms to work without efficiency and effectiveness, it has become significant for corporations of every kind to reduce their costs and increase their profitability (Khan, 2010) with the help of modern cost-cutting techniques, irrespective of whether the firms are public or private or of any other type (Koech, 2006).

Downsizing in India: Giant companies such as reliance infosys and other similar competing companies have undergone downsizing by taking out all those 'non-needed' staffs for the existing period. Infosys BPO section in its call centre process has decreased new hirings and have practiced downsizing. It's all about outsourcing units.

India has given opportunity for the entry of multi-national companies to lengthen the global market and for economic stability of the developing country resulted in providing employment opportunities to the people. In the meantime a tactic called "Corporate Downsizing" gets in progress by MNC's (Tripathi, 2014). Where as many of the literatures stated that "Downsizing" as a form of corporate reconstruction or

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restructuring. From the employer's viewpoint "Downsizing" is a method to cut-down the overweight size of their company but in the respect to employee's view "Downsizing" is an abnormal weight loss of the typical size of the company. The majority of the social researchers signify that the success of downsizing in corporate companies is to be considered a well-planned, people oriented and long-term approach which it facilitates the organization as well as employees to deal effectively with the negative consequences of the implementation of "Downsizing" (Kajapoiya and Surya, 2015).

Taking everything into account, downsizing refers to administration activities which focus to make an association or a firm more proficient to meet the continuous changes of business sector condition. It is an administration device which has turned into an outstanding methodology itself.

Theoretical background

Literature review: Munoz-Bullon and Sanchez-Bueno (2010) the researcher mainly focused on the study of financial consequences occurring from downsizing and the use of dis-engagement incentives. Sampling data were taken from the downsizing announcements made in the Spanish press and variables were obtained from the SABI database from 1995-2001 and computed with the help of a statistical data, i.e, Return on Assets (ROA). This research has three major results concerning the downsizing execution approaches: labour force reduction strategy, business redesign strategy and a systematic strategy. The researcher concludes saying that Downsizing may not be a quick remedy for financial performance, than the decision of downsizing how it will be implemented is more important. Hence, the results shows that the amount of downsizing is not considerably related to post-downsizing profitability, the proof supports the result that the use of dis-engagement incentives is negatively correlated to firm performance (Cameron *et al*., 1991).

Williams *et al*. (2011) very less research has inspected the effect of downsizing on customers the researcher has taken a step via a case study of a fortune 100 company and calculated the outlooks in a telephonic survey of 534 B2B service customers before a noteworthy downsizing occasion and 994 customers later. Downsizing impacts on 3 different ways to customer satisfaction such as the attitude of the survivors in the supply chain specially in a business to business system, downsizing reduces the quality of service delivery and customer dissatisfaction can arise through personal relationship between employees and clients. Therefore, downsizing has a direct negative impact on consumer satisfaction levels and on anticipated retention rates which will escort to a direct negative financial blow on the service contributor due to loss of expected upcoming consumer profits.

Udokwu (2012) has made an objective to know the effect of downsizing on the laid off survivors attitude towards the work in their bank. Researcher underwent primary data survey of 21 banks from Nigerian Stock Exchange (NSE) and a population size of 2.304 workforce out of a sample of 341 workers were selected randomly. Questionnaires data was gained in the form of using a 5-point likert scale which was computed with the help of Statistical Package for Social Sciences (SPSS) and Statistical Analysis Software (SAS). Resulted that laid off survivors take downsizing as a wicked practice, they feel less secured as their work is affected by downsizing practice.

Brauer and Laamanen (2014) done a study based on correlation between the downsizing and firms performance in an organizational regular perspective. Samples are been extracted from the organizations that are listed either on the STOXX Europe 50 or the Dow Jones Eurostoxx. A set of 73 firms in which total section has 803 company. And samples consists only from the manufacturing sector from 1996-2006 and computed with the help of Generalized Least Square (GLS), cross-sectional time series regression, random effects and robustness test methods. The findings says that small scale downsizing leads to effectiveness improvements without distracting the existing routines and large-scale downsizing tends to be more valuable than medium scale downsizing.

Ikechukwu and Chijindu (2016) downsizing is a situation where a firm decreases its workforce immensely in order to improve their profits by cutting down operating and overhead costs. The researcher discovered the link between layoff and financial performance of selected five mercantile banks in Nigeria during 2010-2015. Return on assets and equity before and after downsizing with the help of paired sampled t-test is computed to estimate whether there is any noteworthy difference between the financial performances. And to explore the bond between the variables panel data analysis was used. Hence, it resulted that there is no noteworthy differentiation between return on asset and return on equity pre and post of downsizing (Ikechukwu and Chijindu, 2016).

MATERIALS AND METHODS

Objectives and methodology of the study: The main objective of the study is to evaluate the financial

performance before and after the layoff event in selected IT firms in India and to build a model to know the effects of layoff on the company's financial performance in Indian markets. In order to achieve the above mentioned objectives, secondary data has been collected from different available books, articles, journals, periodicals, other published/unpublished sources, electronic databases and companie's official websites. Library of Indian Institute of Science, Management Studies-Bangalore has been consulted to collect the required data (Datt *et al*, 2010). Present study deals with group of 16 big tycoons of IT sectors, the sector which affected maximum because of global recession from 1999 to till date. Because of sustainability in the sector they opted downsizing the company by job cuts/reduction of operating expenses and so on.

To know more about the effect of downsizing in the company, 16 company's data is taken from their balance sheet which is published in official website and tabulated. The variables opted for the study is ROA and ROE. 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.

Then compared the mean of the year downsizing took place and the year after downsizing using statistical tools. Computed paired sample t-test using Minitab which computes the difference between the two variables for each case and tests to see if he average difference is significantly different from zero.

To examine the relationship between the variables of interest, panel data analysis has been applied for the financial year FY2010 till FY2016. Two different models have been developed based on the dependent and independent variable, i.e., before and after layoff. The hausman specification test was conducted to determine the suitability of fixed and random effect estimation.

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:

- H_0: there is no significant impact on the company's profitability because of downsizing strategy
- H_1: there is a significant impact on the company's profitability because of downsizing strategy

Decision criteria: If the p-value as determined by the suitability of fixed or random effect estimation is <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.

RESULTS AND DISCUSSION

Data analysis and interpretation: The data of IT firms that have downsized their workforce from 2010-2016 are presented in Table 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

Table 1: Paired sample t-test statistic for return on assets

Companies	Years	ROA @ t	ROA @ t+1	Changes (%)
IBM	2010	0.13	0.14	-3.99
Microsoft	2010	0.22	0.21	2.30
Intel	2010	0.18	0.18	-0.30
Yahoo	2010	0.08	0.07	16.29
Corning	2010	0.14	0.10	36.74
JP Morgan	2010	0.01	0.01	-2.06
Weatherford	2010	-0.01	0.01	-145.61
Sony	2010	0.00	-0.02	-105.91
Goldman	2010	0.01	0.00	90.52
Delta	2010	0.01	0.02	-30.06
Credit suisse	2010	0.01	0.00	115.72
Pfizer	2010	0.04	0.05	-20.47
Lockheed	2010	0.08	0.07	19.14
Merck	2010	0.01	0.06	-86.36
HSBC	2010	0.01	0.01	-18.44
Google	2010	0.15	0.13	9.58
IBM	2011	0.14	0.14	-2.23
Microsoft	2011	0.21	0.14	52.12
Intel	2011	0.18	0.13	39.48
Yahoo	2011	0.07	0.23	-69.24
Corning	2011	0.10	0.06	71.23
JP Morgan	2011	0.01	0.01	-7.17
Weatherford	2011	0.01	-0.03	-136.24
Sony	2011	-0.02	-0.03	-43.11
Goldman	2011	0.00	0.01	-39.59

Table 1: Continue

Companies	Years	ROA @ t	ROA @ t+1	Changes (%)
Delta	2011	0.02	0.02	-13.32
Credit suisse	2011	0.00	0.00	82.20
Pfizer	2011	0.05	0.08	-32.11
Lockheed	2011	0.07	0.07	-1.37
Merck	2011	0.06	0.06	2.66
HSBC	2011	0.01	0.01	26.17
Google	2011	0.13	0.11	17.21
IBM	2012	0.14	0.13	6.66
Microsoft	2012	0.14	0.15	-8.79
Intel	2012	0.13	0.10	25.26
Yahoo	2012	0.23	0.08	183.74
Corning	2012	0.06	0.07	-14.57
JP Morgan	2012	0.01	0.01	21.60
Weatherford	2012	-0.03	-0.02	117.41
Sony	2012	-0.03	0.01	-508.74
Goldman	2012	0.01	0.01	-9.71
Delta	2012	0.02	0.20	-88.77
Credit suisse	2012	0.00	0.00	-45.23
Pfizer	2012	0.08	0.13	-38.66
Lockheed	2012	0.07	0.08	-13.80
Merck	2012	0.06	0.04	39.41
HSBC	2012	0.01	0.01	-14.12
Google	2012	0.11	0.12	-1.73
IBM	2013	0.13	0.10	27.67
Microsoft	2013	0.15	0.13	19.87
Intel	2013	0.10	0.13	-18.16
Yahoo	2013	0.08	0.12	-33.03
Corning	2013	0.07	0.08	-16.26
JP Morgan	2013	0.01	0.01	-12.27
Weatherford	2013	-0.02	-0.03	-49.23
Sony	2013	0.01	-0.01	-187.57
Goldman	2013	0.01	0.01	-10.91
Delta	2013	0.20	0.01	1556.60
Credit suisse	2013	0.00	0.00	30.97
Pfizer	2013	0.13	0.05	136.88
Lockheed	2013	0.08	0.10	-15.50
Merck	2013	0.04	0.12	-65.61
HSBC	2013	0.01	0.01	16.73
Google	2013	0.12	0.11	5.75
IBM	2014	0.10	0.12	-14.31
Microsoft	2014	0.13	0.07	85.07
Intel	2014	0.13	0.11	14.87
Yahoo	2014	0.12	-0.10	-225.89
Corning	2014	0.08	0.05	75.31
JP Morgan	2014	0.01	0.01	-18.63
Weatherford	2014	-0.03	-0.13	-76.97
Sony	2014	-0.01	-0.01	5.22
Goldman	2014	0.01	0.01	40.19
Delta	2014	0.01	0.09	-85.71
Credit suisse	2014	0.00	0.00	-156.73
Pfizer	2014	0.05	0.04	29.86
Lockheed	2014	0.10	0.07	32.85
Merck	2014	0.12	0.04	177.75
HSBC	2014	0.01	0.01	-7.40
Google	2014	0.11	0.11	-0.65
IBM	2015	0.12	0.10	18.12
Microsoft	2015	0.07	0.09	-20.22
Intel	2015	0.11	0.09	21.72
Yahoo	2015	-0.10	0.00	2063.46
Corning	2015	0.05	0.13	-64.58
JP Morgan	2015	0.01	0.01	4.68
Weatherford	2015	-0.13	-0.27	-49.88
Sony	2015	-0.01	0.01	-189.76
Goldman	2015	0.01	0.01	-17.89
Delta	2015	0.09	0.09	-0.15
Credit suisse	2015	0.00	0.00	8.51
Pfizer	2015	0.04	0.04	-1.14
Lockheed	2015	0.07	0.11	-33.84
Merck	2015	0.04	0.04	6.19
HSBC	2015	0.01	0.00	437.61
Google	2015	0.11	0.12	-4.67

te: Represents the year of downsizing took place and (t+1) reflects the year after downsizing

Table 2: Paired sample t-test statistic for return on equity

Companies	Years	ROE @ t	ROE @ t+1	Changes (%)
IBM	2010	0.64	0.78	-18.30
Microsoft	2010	0.41	0.41	0.18
Intel	2010	0.23	0.28	-17.73
Yahoo	2010	0.10	0.08	17.29
Corning	2010	0.18	0.13	37.96
JP Morgan	2010	0.10	0.10	-4.58
Weatherford	2010	-0.01	0.03	-141.57
Sony	2010	0.00	-0.07	-105.29
Goldman	2010	0.11	0.06	71.11
Delta	2010	0.66	-0.61	-208.07
Credit suisse	2010	0.14	0.07	102.67
Pfizer	2010	0.09	0.12	-22.78
Lockheed	2010	0.79	2.65	-70.25
Merck	2010	0.02	0.11	-86.24
HSBC	2010	0.08	0.10	-16.01
Google	2010	0.18	0.17	9.83
IBM	2011	0.78	0.87	-10.42
Microsoft	2011	0.41	0.26	58.52
Intel	2011	0.28	0.21	31.16
Yahoo	2011	0.08	0.27	-69.14
Corning	2011	0.13	0.08	65.43
JP Morgan	2011	0.10	0.10	-0.89
Weatherford	2011	0.03	-0.09	-131.09
Sony	2011	-0.07	-0.16	-53.04
Goldman	2011	0.06	0.10	-36.07
Delta	2011	-0.61	-0.47	29.20
Credit suisse	2011	0.07	0.03	112.86
Pfizer	2011	0.12	0.18	-32.09
Lockheed	2011	2.65	70.38	-96.23
Merck	2011	0.11	0.11	-0.96
HSBC	2011	0.10	0.08	32.03
Google	2011	0.17	0.15	11.85
IBM	2012	0.87	0.72	21.67
Microsoft	2012	0.26	0.28	-7.62
Intel	2012	0.21	0.17	30.15
Yahoo	2012	0.27	0.10	159.61
Corning	2012	0.08	0.09	-13.20
JP Morgan	2012	0.10	0.08	22.89
Weatherford	2012	-0.09	-0.04	109.78
Sony	2012	-0.16	0.04	-509.07
Goldman	2012	0.10	0.10	-3.65
Delta	2012	-0.47	0.91	-152.30
Credit suisse	2012	0.03	0.05	-35.31
Pfizer	2012	0.18	0.29	-37.88
Lockheed	2012	0.70	0.61	16.12
Merck	2012	0.11	0.08	32.13
HSBC	2012	0.08	0.09	-9.97
Google	2012	0.15	0.15	1.17
IBM	2013	0.72	1.00	-28.16
Microsoft	2013	0.28	0.25	12.64
Intel	2013	0.17	0.21	-21.18
Yahoo	2013	0.10	0.19	-46.35
Corning	2013	0.09	0.11	-19.02
JP Morgan	2013	0.08	0.09	-9.49
Weatherford	2013	-0.04	-0.08	-49.35
Sony	2013	0.04	-0.05	-184.13
Goldman	2013	0.10	0.10	0.08
Delta	2013	0.91	0.07	1110.64
Credit suisse	2013	0.05	0.04	18.36
Pfizer	2013	0.29	0.13	125.13
Lockheed	2013	0.61	1.06	-42.98
Merck	2013	0.08	0.24	-65.55
HSBC	2013	0.09	0.07	24.30
Google	2013	0.15	0.14	7.06
IBM	2014	1.00	0.91	9.43
Microsoft	2014	0.25	0.15	61.48
Intel	2014	0.21	0.19	12.06
Yahoo	2014	0.19	-0.15	-229.37

Table 2: Continue

Companies	Years	ROE @ t	ROE @ t+1	Changes (%)
Corning	2014	0.11	0.07	60.84
JP Morgan	2014	0.09	0.10	-5.01
Weatherford	2014	-0.08	-0.45	-81.74
Sony	2014	-0.05	-0.04	7.22
Goldman	2014	0.10	0.07	45.97
Delta	2014	0.07	0.42	-82.07
Credit suisse	2014	0.04	-0.07	-163.71
Pfizer	2014	0.13	0.11	19.12
Lockheed	2014	1.06	1.16	-8.68
Merck	2014	0.24	0.10	146.22
HSBC	2014	0.07	0.07	-0.02
Google	2014	0.14	0.14	1.74
IBM	2015	0.91	0.65	41.67
Microsoft	2015	0.15	0.23	-34.74
Intel	2015	0.19	0.16	20.02
Yahoo	2015	-0.15	-0.01	2074.12
Corning	2015	0.07	0.21	-65.50
JP Morgan	2015	0.10	0.10	1.46
Weatherford	2015	-0.45	-1.64	-72.28
Sony	2015	-0.04	0.05	-190.95
Goldman	2015	0.07	0.09	-17.62
Delta	2015	0.42	0.36	17.21
Credit suisse	2015	-0.07	-0.06	2.10
Pfizer	2015	0.11	0.12	-11.19
Lockheed	2015	1.16	3.30	-64.74
Merck	2015	0.10	0.10	2.03
HSBC	2015	0.07	0.01	404.20
Google	2015	0.14	0.14	-3.02

te: Represents the year of downsizing took place and (t+1) reflects the year after downsizing

Table 3: Paired sample t-test

	Paired differences							
				95% confidence interval of the difference				
Pair/Samples	Mean	SD	SE mean	Lower	Upper	t values	df	Sig. (2-tailed)
Pair 1 ROA @ t-ROA @ t+1	0.00530	0.05286	0.00540	-0.00541	0.01601	0.983	95	0.382
Pair 2 ROE @ t-ROE @ t1	-0.72651	6.92202	0.70648	-2.12904	0.67602	-1.028	95	0.302

equity. Table 1 and 2 show the data for paired sample t-test determination for return on assets and return on equity, respectively.

Model 1:

$$ROA_t = \beta_0 + \beta_1 DWS_t + \mu_t$$

Model 2:

$$ROE_t = \beta_0 + \beta_1 DWS_t + \mu_t$$

Where:

ROA_t and ROE_t = Are Return on Assets and Return in Equity, respectively in year t

β_0 = The co-efficient constant

β_1 = The co-efficient of downsizing

DWS_t = Downsizing in year

t and μ_t = 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). To test the difference between return on assets of selected IT firms the year downsizing took place and the year after downsizing, the paired sample t-test was applied. The result in Table 3 indicates that there is no significant difference between return on assets of banks before and after downsizing. Table 4 shows the, 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.

From Table 4 downsizing has a negative and insignificant relationship with return on assets of IT firms. If downsizing is held constant return on equity would be increased by 0.022 units. A percentage increase in downsizing reduces the return on assets by 0 units. It can be inferred from Table 4 that the selected IT firms failed to achieve their objectives of increasing overall assets level by way of downsizing its workforce. The adjusted R^2

Table 4: Fixed effect and random effect regression

	Fixed effect		Random effect	
Variables	Coefficient	Prob.	Coefficient	Prob.
C	0.022432	0.0004	0.022692	0.0005
Dws	0.681923	0	0.677098	0
R^2	0.538672		0.515936	
Adjusted (R^2)	0.507571		0.510787	
S.E. of regression	0.047812		0.047586	
Sum squared resid	0.203454		0.213609	
Log likelihood	159.3018			
F-statistic	17.32023		100.1893	
Prob (F-statistic)	0		0	
Durbin-Watson stat	1.851227		1.766425	
Hausman specification test				
Chi-Sq. statistic	0.111534			
Probability	0.7384			

Dependent variable:Return on Assets (ROA); Dependent variable: ROA 0; Method: Panels Least Squares; Sample: 2010-2015; Periods:16; Cross sections included: 6; Total panel (balanced) observations:96

Table 5: Fixed effect and random effect regression

	Fixed effect		Random effect	
Variables	Coefficient	Prob.	Coefficient	Prob.
C	0.190316	0	0.188472	0.0001
Dws	0.02618	0	0.02814	0
R^2	0.824292		0.482725	
Adjusted (R^2)	0.788705		0.477222	
S.E. of regression	0.180721		0.191896	
Sum squared resid	2.580157		8.353999	
Log likelihood	37.37381			
F-statistic	23.16304		87.72135	
Prob(F-statistic)	0		0	
Durbin-Watson stat	1.932394		1.998182	
Hausman specification test				
Chi-Sq. statistic	12.984079			
Probability	0.0003			

Dependent variable:Return on Equity (ROE); Dependent variable: ROE; Method: Panels Least Squares; Sample:2010-2015; Periods:16; Cross sections included:6; Total panel (balanced) observations: 96

reveals that 5.1 variations in return on assets were as result of downsizing exercise of IT firms over the period of the study. In essence, downsizing has contributed positively to growth in return on assets of IT firms in India.

However, the variation in return on assets as attributed to downsizing is statistically significant. Furthermore, the Durbin Watson value of 1.85 is quite close to the bench mark of 2.0, thus, the model is free from autocorrelation problem.

From the paired sampled t-test in Table 5, we observed also that there is a significant difference between the return on equity before and after downsizing. The p-value of the hausman specification test in Table 5 prefers the fixed effect to random effect estimation. Downsizing has a positive relationship with return on equity. However, this is statistically significant at 5%. A unit increase in downsizing increase return on equity by 0 units. 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^2 reveals that 0.8242 variation in return on equity was explained by downsizing as a corporate strategy over the period of the study. It is clear from Table 3 that downsizing has positively influenced return on equity of selected IT firms.

Again, the fluctuation in return on equity as attributed to downsizing is 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 3 shows that there is a 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 shows that there is positive but insignificant relationship between the level of downsizing and return on equity.

Paired sample t- test: The Sig. value of both ROA (0.382) and ROE (0.302) before and after the downsizing is >0.05

(alpha), so, the alternative hypothesis is rejected and the null hypothesis is accepted which means that there is no positive or significant impact of downsizing on the return on assets or in return on equity of service sector Industry.

Findings:

- There is a significant impact on profit per employee and average business per employee in both the financial year 2015 and 2016
- There is no significant impact on employee expenses and other expenses in both the financial years 2015 and 2016
- The tests like paired t-test as well as panel least square method has given the positive results from the analysis which has been computed
- The model tests showed that layoff has contributed for positive growth in ROA and ROE of selected IT sectors firms in India from the F.Y2010-F.Y2016

CONCLUSION

The relationship between layoff and financial performance of selected IT firms in India was explored in this study. The application of the paired sample t-test demonstrates that there is no significant difference between financial performance of IT sector before and after downsizing. The panel analysis reveals that layoff has increased the assets base of IT firms. Downsizing may be affecting the return on assets and return on equity because of the global financial position within the period covered by this study (Khan, 2010). Downsizing in India is therefore, 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.

IMPLEMENTATIONS

As the model tests proved that there is significant change in ROA and ROE after the implementation of downsizing where p value is <0.05 it proves that there is a effect on profitability of the firm after the downsizing has taken place.

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