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Political Instability and Organizational Performance: A Case Study of Afribank PLC (Mainstreet Bank) Maiduguri Branch

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ABSTRACT - Political *instability and investment Performance is becoming more complex to organization. The performance of an organization is enhanced if the environment of the business is well known in terms of stability to the operation of the organization. This paper therefore is set to examine the performance of organizations under unstable political environment. There are certain factors however that affects the performance of the business. This may include the change in government (political risks) associated with the performance of organization. Data used was on the political instability and the performance of organizations in the country from 1979 to 1993. The chi-square and correlation statistical tools are used to determine and to ascertain the relationship and the level of performance of organizations. The study concludes that the performance of organization depends on stability of government. However, the study recommends that a country with high instability of government makes difficult for organizations to perform. Thus, organizations require relatively stable operating environment for better performance.*

Keywords- Business environment, political instability, investment, organizational performance.

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1. INTRODUCTION

Over the years, the global economy has continued in the pattern of unrelenting changes, which has undermined the pillars of a nation as an agency for the promotion of democracy, protection of property, peace as well as revitalizing the world economy. In the African content, economic progress is greatly hampered by the spike of unfulfilled match toward democracy. Lanyi (1987) reported that capital flows into Africa from the European community were on the decline in favor of other countries. The impact of this on the Nigerian economy is significant to the extent that the performance of the economy is rather unimpressive. Hambagda (1994) indicated that a major factor in the economic doldrums was the political uncertainty and social unrest that engulfed the country thereby affecting the investment climate and performance of the organizations. Giwa (1995) indicated that Nigeria is bless with resources, vast land for agricultural resources and a number of organizations, which open a great opportunity and prospects for investment and organizational performance. On the basis of the opportunities and prospects, organizations are expected to perform satisfactorily. However, the rate of change in government does not argue well for enhanced organizational performance. What is responsible for the lack of organizational performance in unstable political environment? Do organizations perform better in the short, medium, or long-term investment given the unstable political environment? It is against this background that this study is set to examine the relationship between political instability and organizational performance as it affects the banking sector with special reference to Afribank plc (Mainstreet Bank) Maiduguri.

1.2 Statement of the problem

Many times, organization have made great effort in a variety of long-term investment activities but their effort has been fruitless due to political instability in the form of military coups, civil war, and various civil riot that followed the first and the second republic resulting into poor organizational performance. To improve their performance, individuals as well as corporate bodies have watched with keen interest the policies that may likely affect their operation as new government come into power. They have embarked on among others, short, and medium term plans for investment instead of long-term investment for immediate return. Their aim was to avoid the frequent change in investment policies by new government of the day. This, however, does not bring about economic growth and development as organizations fail to perform satisfactory due to frequent changes in the investment environment. It is against this background that this study is set out to examine:

a) Impact of political instability on economic growth of organizations;
b) How political instability has affected the performance of organizations;

c) If the effect of political instability is greater in the long, medium, or short run investment of the organization;

d) The opportunities and strategies available to improve the performance of the organization and how to extend this to other organization in Nigeria

On the basis of these statements, the paper believe strongly to determine whether organizations perform better under stable political environment or otherwise.

2. CONCEPTUAL FRAMEWORK AND LITERATURE REVIEW

Instability is a great threat to both local and international investors. Instability is of different forms-social, economic, political, cultural, etc. Abayomi and Ayobami (2012), opined that political instability is one of the environmental factors that negatively affect the performance of organizations. Agimael (1976) and cited by Gadzama (1995) reported that political instability refers to "wars, revolution or frequent coups that affect the day to day business operation in the forms of stoppages of work, strikes, supply and distribution problems…negative impact on sales or profits." Apart from revolutions and coups political assassination as a measure of political instability negatively affects the growth of organizations (Barro, 1991 and, Barro and Wolf, 1989). Thus political instability is a situation of socio-political disturbances that directly can or indirectly affect the performance of organizations. Bruno (1991) also reported that political instability is "a situation where a system lack coherence and where individuals in authoritative position are unable to contain the downward slide in the political system thereby making the nation vulnerable and susceptible to manipulation and forcible changes of regimes. Political instability here is seen from the view point of disturbances that result into corrupt practices. Adebayo (1988) reported that, political instability refers to "the absence of a political formula, a weak legitimacy of government due to lack of organization." Political instability here means lack of clearly defined and closely followed method of political succession. This means that no matter the odds, the government of the day will live to complete its tenure after which it could be either be re-installed or replaced through due processes recognized by law of the land usually by election. However, a nation is politically unstable if the government of the day is removed before the expiration of its tenure as specified by the constitution and this could be through coups and counter coups as prevalent in Nigeria. Bekefi and Epstein (2006) viewed the continuum of political instability as trade restrictions, endemic corruption, engagement with national military, executive instability (frequent regime change), foreign currency exchange rate changes, foreign wars, nationalization, predatory government and weak legal system. The question is what have been the causes of political instability in Nigeria? Amdi (1992) blames it on historical experience and therefore the introduction of policies, which are inconsistent with African lifestyle and party. On his part, Ayam (1992) and cited by Ayam (1990) put it as "the constant military intervention in the country's rule which is likely to continue as long as the military is unable to realize its market under the civilian regimes." Looking at political instability from investment view, no individual or organization will want to commit fund for future benefit when the investment environment is not stable. Gaddbrough (1985) cited by Lanyi (1987) and Gadzama (1995) noted that the provision of a stable economic environment and the adoptions of appropriate financial and exchange rate policies are crucial for encouraging the flow of foreign investment and benefits to the host country. Similarly, Lanyi (1987) reported that the supply of foreign direct investment depends on economic growth in the host country, its political stability and its macro-economic policy environment. Within the context of this work, political instability is defined as "a situation of frequent change in government and policies thereby influencing the economic environment, which affects the investment climate and reduces the performance of the financial institution under study. No serious nation can achieve economic growth without stability in the government of its economy. Similarly, no economic growth can be achieved by foreign/local organizations or investors if they are skeptics about performing or investing in an unstable economic climate. As observed by Babatunde, and Adebisi (2012), either directly or indirectly the organizations' effective and efficient growth depends on the kind of environment in which it operates. As various regimes came to power, they come with different policies that affect the performance of organizations. However, Easterly et al (1993), and Easterly and Rebelo (1993) established that assassinations, coups, revolutions, and war casualties variables have no significant effect on economic growth but Polachek and Sevastianova (2010) opined that these studies lack robustness regarding the effect of political instability.

3. METHODOLOGY

The explanatory research and the available method of data collection are used for this study. It involved examination of archival records and any documents available for interpretation of what took place in the past about the relationship between the two variables (political instability and the performance of organization). The primary sources of information are based on scheduled face-to-face questions while the secondary sources involved the use of documented information related to the topic of study. The information is obtained from public document like official records, private documents, mass medium, archival materials, historical records, and Newspapers. This was because current and past information have is used to answer the question 'what happened' and 'Why it happened'. In this case, we made use of past and current information about the impact of the environmental factors on business performance. Efforts were also made to collect, examine, verify, and at the same time classify facts from authentic sources and documents to explain the impact of political instability on organizational performance in Nigeria. Thus past and current information on political instability and investment in the organization and hence their performance were collected by the researchers, analyzed, and interpreted for the period under review. To determine the population of study, the entire senior staff of (123) as at the time of study (1995) was targeted. For the purpose of the study, only employees of Afribank plc (Mainstreet Bank) Maiduguri branch (30) were taken as a sample size for the study. The method of data analysis was through the use of correlation techniques, percentages, and chi-square test as statistical tools that can assist to explain the relationship between unstable political environment and performance of organizations.

4. RESULTS AND DISCUSSIONS

To achieve the objectives of the study, researchers designed a total of 30 questionnaires and administered on only senior staff employees of the organization within the rank of a manager and deputy managers. However, only 22 out of the 30 questionnaires researchers were able to collect back after the exercise. The major areas investigated by the study include:

a) Number of government regimes witnessed.
b) Types of investment
c) The effect of government policy on the performance of organizations, especially on long-term, medium term, short term and, total investment.
d) Suggested strategies for better organizational performance.

These questions raised in an attempt to answer the aims and objectives of the study as mentioned earlier. A detail presentation of the data collected on a-d above is as follows:

a) Number of Regime witnessed between (1979 – 1993)

We considered 1993 because instability in the country was high. We made attempt to seek the views of workers in public service regarding the Number of changes in government witnessed while with the organization and responses shown on table (a)

Table (a): Number of Regimes Witnessed (1979 – 1993).

No. Regimes Witnessed 1979 – 1993	Respondents	Percentage (%)
1	4	18.18
2	4	18.18
3	7	31.82
4	6	27.27
5	1	4.55
Total	22	100%

Sources: Field Work; 2011.

From table (a), equal number of respondent experienced one or two change in government respectively within 1979-1993, while majority of respondents experienced 3-4 years change in government within 1979-1993. The effect of this, lead to labor turnover from one organization to another. The political reason was that most of the employees were appointed as captains of one organization or the other.

b) Types of Investment

The researcher tried to discover the type of investment (short, and long term) undertaken by organizations during the instability in the political activities of the country and hence the outcome shown on table (b) below.

Table (b): Types of Investment undertaken by organizations

Investment	Frequency	Percentage (%)
Long term	8	36.36
Short term	14	63.64
Total	22	100%

Sources: Field Work; 2011

The types of investment undertaken by organizations depend on the policies of government in power. Most of the respondents (63.64%) were workers with different outfits prefer short-term investment because they would be able to make provision in the short-term planning horizon. While 36.36% are of the view that long-term investment is good for development but very risky due to frequent change in government. From the responses, there is an indication that organizations embark on long-term investment mainly for economic development and for uncovering new areas of investment. While that of the short-term investment is mainly because of political instability and for generating quick returns on investment before situations/government policies change.

c) Effect of government policy on organizational performance

When government changed, there are bound to be new captains of government who in turn will come along with the set of rules and regulations that will guide their activities. The effect of the rules and regulations on the performance of the organization according to the responses were presented on table (c) below.

Table (c): Effect of Change in Government Policy on organizational performance

Effect	Frequency	Percentages
10%	7	3.82
10-29	12	54.55
30-49	3	13.64
50-69	0	0
70-89	0	0
70-89	0	0
90-99	0	0
100-above	0	0
Total	22	100%

Sources: Sources: Field Work; 2011.

The effect of government policy on organizational performance was a yardstick used for the study. From table (c) 54.55% indicated that change in government policies had effect on the performance of their organization. Reason was that government has direct transaction with the institution in which diversification of profit and tax model that the organization embarked upon. This bring a situation which organizations have more no control over their own transaction and hence may not direct fund into investment activities as required by the C.B.N guidelines.

d) Suggested strategies for better organizational performance

The result from table (c) above prompted the researcher to discover if there are suggested strategies to alleviate the effect of change in policy on the performance of the organizations and hence the outcome on table (d) below.

Table (d) Suggested Strategies Given Respondents

Responses	Frequency	Percentages
Strategies suggested	9	40.91
No strategies suggested	13	59.09
Total	22	100%

Sources: Sources: Field Work; 2011.

Table (d) represents the views of the respondent in the study area. 59.09% or 13 respondents gave no strategies due to their inability to predict the frequent change in policies by governments in power. While 40.91 or 9 people gave suggested strategies, which include the following:

- Banks should diversify by investing in industries that uses local raw materials for production.
- Commit their resources in shares and stock of a more viable institution that have sound financial and management team.
- Go on backward integration for raw materials for the organization
- Make provision or adjust to changes in government's monetary and fiscal policies.
- They should invest where there will be fast returns to enable them invest more, e.g., involve themselves in short-term investment or use short-term plans for their operations.

Acquiring the responses from the respondents, we looked at the major areas investigated by the survey as earlier mentioned. This leads directly to the aims and objectives of the research work.

Effect of change in government on performance of organizations

The effect of change in government on the investment performance of organizations may not be the same on long, short, and total investment of organizations. The research in an effort discovers this will analyze the effects on the basis of the following:

i) Long-term investment
ii) Short-term investment
iii) Total investment

i) Effect of change in government policy on long-term investment on organizations.

The researcher sought to discover if change in government policies has impact on the long-term investment of organizations. The outcome is reported on table (f) below.

Table (f) Effect of change in government policy on long-term investment

Frequency of Change in Government	Long Term Investment
1	1
2	3
3	2
4	1
5	1
Total 15	8

Sources: Field Work; 2011.

From table f above, it shows few organizations will commit funds in long term investment because of the unpredictable nature of change in government. To obtain a clear result, the researcher examined the relationship between the frequency of change in government and long-term investment of organizations by correlating the two variables. In this case;

a) Frequency of change in government = X
b) Long-term investment = Y

Note that C x Y mean correlation between x and y in the context of this research.

Table (g): Effect of change in government policy on long- term investment

X	Y	XY	X^2	Y^2	$(X-Y)^2$
1	1	1	1	1	0
2	3	6	4	9	1
3	2	6	9	4	1
4	1	4	16	1	9
5	1	5	25	1	16
15	8	22	55	16	27

Sources: Field Work; 2011.

Equation 1: $Cxy -½[\sum x^2 + \sum y^2 - \sum(x – y)^2]$

Putting the values of x and y we have:

$$Cxy = ½(55 + 16 – 27)$$
$$– \quad ½ (44)$$
$$– \quad 22$$

This indicates a positive correlation result reflecting that change in government whether favorable or unfavorable affect long-term investment. However, this may not show extent of deviation. We use the standard deviation formula to get the true/actual result of the relationship between x and y

$$Cxy = \frac{cxy - \frac{1}{n}(\Sigma x)(\Sigma y)}{\sqrt{\left[\Sigma x^2 - \frac{1}{n}(\Sigma x)^2\right]\left[\Sigma y^2 - \frac{1}{n}(\Sigma y)^2\right]}}$$

$$= \frac{22 - \frac{1}{5}(15)(8)}{\sqrt{\left[55 - \frac{1}{5}(225)\right]\left[16 - \frac{1}{5}(64)\right]}}$$

$$= \frac{22 - 24}{\sqrt{(10)(3.2)}}$$

$$= \frac{-2}{\sqrt{32}}$$

$$= \frac{-2}{5.65685}$$

= -0.35

Cxy = -0.4

This shows a strong negative – 0.4 correlatives between change in government and long-term investment. With change in government, there will be a corresponding failure in long –term investment.

Table (h): Effect of change in government policy on short-term investment

Frequency of change in Government	Short –Term Investment	Percent
1	3	21.4
2	1	7.2
3	5	35.7
4	5	35.7
5	0	00.0
15	14	100%

Sources: Field Work; 2011.

a) Frequency of change in government = x
b) Short-term investment = y

Table (i): Computed effect on change in Government

X	Y	XY	X^2	Y^2	$(X-Y)^2$
1	3	3	1	9	4
2	1	2	4	1	1
3	5	15	9	25	4
4	5	20	16	25	1
5	0	0	25	0	25
15	14	40	55	60	40

Sources: Field Work; 2011.

$$Cxy - ½(\sum X^2 + \sum y^2 - \sum (x - y)^2)$$

Putting the values of X xY
Cxy –½(55 + 60 – 35)

- ½(80)
= 40

This shows that change in government and short-term investment are positively correlated, but how? We discovered the true value of x and y by using the standard deviation formula.

From equation 1:

$$\frac{40 - 1/5\,(15)\,(14\,)}{}$$

$$\frac{40 - 42}{(10)\,(20.8)}$$

$$\frac{-2}{208}$$

$$\underline{-2}$$

14.422

-0.1387
-0.14

This means that the degree of correlation between change in government and short-term investment is -0.14. This indicates a weak negative correlation between short-term investment and changes in government.

Table (j): Effect of change in government on total investment.

Frequency of change in Government		%
1	4	18.8
2	4	18.2
3	7	31.8
4	6	27.3
5	1	4.5
15	22	100%

Sources: Field Work; 2011.

Using the same method as in table (c and f), we have:

a) Frequency of change in government = X
b) Total investment = y

Table (k):

X	Y	XY	X^2	Y^2	(X-Y)
1	4	4	1	16	9
2	4	8	4	16	4
3	7	21	9	49	16
4	6	24	16	36	4
5	1	5	25	1	16
15	22	62	55	60	49

Sources: Field Work; 20011.

$$Cxy - ½(\sum X^2 + \sum y^2 - \sum (x-y)^2)$$

Putting the values of X and Y
Cxy = ½ (55+ 118-49)
(124)
62

From this result, 62 shows that change in government whether favorable or unfavorable affect total investment. However, we may need to determine how far this result is deviating from the observation.

From equation 1:

$$Cxy = \frac{cxy - \frac{1}{n}(\Sigma x)(\Sigma y)}{\sqrt{\left[\Sigma x^2 - \frac{1}{n}(\Sigma x)^2\right]\left[\Sigma y^2 - \frac{1}{n}(\Sigma y)^2\right]}}$$

$$= \frac{62 - \frac{1}{5}(15)(122)}{\sqrt{\left[55 - \frac{1}{5}(225)\right]\left[118 - \frac{1}{5}(484)\right]}}$$

$$= \frac{62 - 66}{\sqrt{(10)(21.2)}}$$

$$= \frac{-4}{\sqrt{212}}$$

$$= \frac{-4}{14.560}$$

$$= -0.27$$

$$Cxy = -0.3$$

This indicates that the degree of correlation between change in government and total investment is -0.3 showing a strong negative correlation. This means, there will be adverse effect on total investment. However, it may not be as that which is found in the long-term investment. From the analysis done so far, we would be able to conclude that change in government tends to affect long-term and total investment more as compared to short-term investment. We shall, however, look at the correlation between total deposit and investment in relation to change in government from a specified example of the case under study for the year of 1989-1993.

Table (I) Correlation of Total Deposit/investment.

Year	Total deposit	investment			
	X	Y	XY	X^2	Y^2
1989	1,654.4	10.20	16,874.88	2737039.40	104.04
1990	2,476.2	12.20	30,246.24	6146432.60	148.84
1991	3,388.4	14.90	50,487.16	11481255.00	222.01
1992	4,907.3	15.40	75,572.42	24081593.00	237.16
1993	8,476.8	23.52	199,374.52	71856308.00	553.19
	20,906.11	76.22	372,555.27	116,302,628.00	1,265.24

Sources: Annual report Afribank plc 1993.

$$\text{Given} \quad C = \frac{XY}{X^2Y^2}$$

$$CXY = \frac{372{,}555.\ 27}{(116{,}302{,}268)\ (1265.24)}$$

$$= 0.372$$

$$CXY = 0.4$$

This indicates that the condition between deposit and investment is strong. This shows that with every increase in deposit, there will be a corresponding increase in investment – positively correlated. We shall, however, look at the percentage increase in annual investment given the unstable economy.

Table (m) Percentage Increase in Annual Investment

	1989	1990	1991	1992	1993
Deposit (₦m)	1654.4	2479.2	3388.4	4907.3	8476.8
Investment (₦m)	10.20	12.2	14.9	15.4	23.5
% Increase in annual Investment from 1989 base year	-	20%	22%	03%	53%

Sources. Afribank plc annual report; 1993.

Table (m) indicates instability in the trend of investment even through the deposit figure is assumed to have been increasing from N1654.4m in 1989 to N8476.81m in 1993. Having looked at the percentage increase in money invested, we shall also look at percentage of deposit invested annually.

Table (n) Percentage of Deposit in Annual Investment

	1989	1990	1991	1992	1993
Deposit (₦m)	1654.4	2476.2	3388.4	4907.3	8476.81
Investment (₦m)	10.20	12.2	14.9	15.4	23.5
% Increase in annual investment from 1989 base year	0.6%	0.49%	0.44%	0.31%	0.27%

Sources: Afribank plc annual report; 1993.

From table (n), even though the total deposit has continued to increase from N1,654.4m in 1989 to N8,476.81m in 1993, the total percentage invested annual indicates a decline from 0.6% in 1989 to 0.27% in 1993. Based on the statistical methods mentioned in the methodology, we shall use chi-square to test the effect of changes in government on types of investment.

Table (o): Chi-square statistical test on correlation between total deposit and investment.

Frequency of Change in Government	Long-term Investment	Short-term Investment	Total
1.	1	2	
	1.45	2.25	4
	1.40	.079	
2.	3	1	4
	145	2.55	
	1,657	942	7
3.	2	5	
	2.55	4.45	6
	.119	.068	
4.	1	5	
	2.18	3.82	1
	.639	.365	
5	1.1	0	
	36	64	
	1,138	.640	
Total	8	14	22

Source: Calculated value of Chi-square from sample data = 5.787

(From Chi-square table)

Degree of freedom (DF) = .08

Level of significance (a) Chi-square (critical value).

0.05	15.507
0.01	20.090

Test: A test to discover if there is a relationship between changes in government (table (a) and the type of investment table (b) was done using Chi-square test. The null hypothesis and the alternative hypothesis used are as follows:-

Ho: Change in government affects investment embarked upon is dependent on the frequency of change in government.

Hi. There is no relationship between frequency in change of government and the type of investment. The test was done using KPA 1.0 (Kempt project analyst). The result obtained is given on table (m). From this result, calculated value of Chi-square was obtained from standard tables = 15.507 at significance level of 0.05 and 20.090 at significant level of 0.01. Because the calculated value of Chi-square (5.787) is less than the table value at either 0.05 or 0.01 level at significance, we accept the null hypothesis (H) and therefore conclude that the type of investment is dependent upon the frequency of change in government and hence the performance of any organization.

5. CONCLUSION AND RECOMMENDATIONS

The effect of political instability on organizational performance always has been a problem to individual institution and government. Governments have tried their best to improve the investment environment of the economy through the provision of incentive and the formulation of policies and the provision of incentives that will enable organization perform satisfactorily. From the findings of this research, it shows that political instability affect organizational performance. Despite the diversification made in short-term investment by organizations, the percentage of its investment to total deposit over the year has continue to fall from 0.6% in 1989 to 0. 27% in 1993 with a rising deposit of N1654.4m to N8,476.81m in 1993. Finally, we can therefore, say that change in government (political instability) affects organizational performance. However, the effect is much during long-term investment activities of the organizations than in the short-term investment activities of the organization.

The findings reveal that financial institutions have problems with performance during unstable political environment. In the light of this, the study makes the following recommendations:

1. There should be a relatively stable political environment that will provide security for both foreign and indigenous investors.
2. There should be a consistent government monetary policies/fiscal policies to enable organizations perform better more, especially as the banks and other finance sectors are the heart beat of the economy.
3. Infrastructure or an enabling environment relating to the provision of facilities like electricity, water supply, and telecommunication, and transport systems should be adequately provided to enhance or improve the performance of organizations.
4. There should be improvement in the country's security system to safe guide the safety of properties of investors like the banks.
5. There should be respect for the law and order as provided by the constitution of the federal republic of Nigeria.

These recommendations will surely improve and at the same time enhance the performance of organization given any unstable political environment. However, the political instability and the performance organizations like the banks shall continue to be issues for consideration for the economic development of the country.

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