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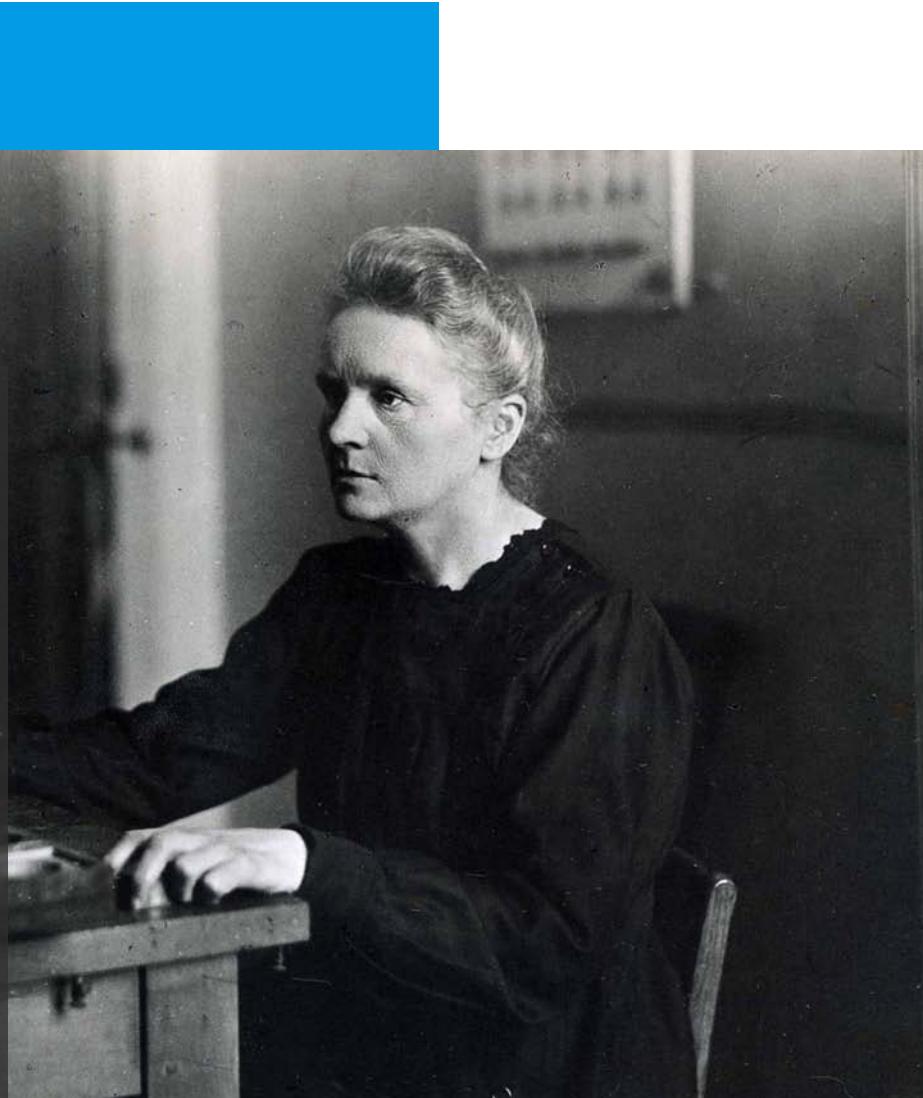
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Twenty-Five Years of Direct Tax Reforms in India (2001-2025)

Dr. Parul Jain

ABSTRACT

Tax receipts are needed to meet the basic functions of the State. During the last twenty-five years a number of reforms have been introduced in the arena of direct taxes. Direct taxes are grouped under two heads-corporation tax and taxes on income other than corporation tax. Direct tax reforms in India mainly comprise of reforms in corporation tax and reforms relating to exemption limit/threshold limit, rate structure, standard deduction, expanding tax base, improving tax collections and administrative reforms. Companies which comprise of domestic and foreign companies are subjected to flat rate. Reforms in this area have mainly comprised of reduction in tax rates. An attempt has been made in India to make the concept of income as broad as possible and tax is levied on 'slab system basis'. During the last twenty five years, the general trend has been to increase the exemption limit /threshold limit, revise the tax slabs tax rates in different income slabs, revise the period of holding and rates in respect of capital gains tax and has made tax administration more transparent, efficient and tax-payer friendly . As a result tax base has expanded and direct tax collections have gone up considerably. However, certain areas of concern still remain which include nearly constant tax-GDP ratio, lower tax buoyancy, continued tax avoidance and evasion and problems of arrears of assessment and collections, as also pendency of appeals.

Keywords: direct tax reforms, exemption limit/threshold limit, taxable slabs and tax rates, tax administration, tax-gdp ratio, tax buoyancy, tax administration.

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Tax receipts are needed to meet the basic functions of the State. During the last twenty-five years a number of reforms have been introduced in the arena of direct taxes. Direct taxes are grouped under two heads—corporation tax and taxes on income other than corporation tax. Direct tax reforms in India mainly comprise of reforms in corporation tax and reforms relating to exemption limit/threshold limit, rate structure, standard deduction, expanding tax base, improving tax collections and administrative reforms. Companies which comprise of domestic and foreign companies are subjected to flat rate. Reforms in this area have mainly comprised of reduction in tax rates. An attempt has been made in India to make the concept of income as broad as possible and tax is levied on 'slab system basis'. During the last twenty five years, the general trend has been to increase the exemption limit /threshold limit, revise the tax slabs tax rates in different income slabs, revise the period of holding and rates in respect of capital gains tax and has made tax administration more transparent, efficient and tax-payer friendly . As a result tax base has expanded and direct tax collections have gone up considerably. However, certain areas of concern still remain which include nearly constant tax-GDP ratio, lower tax buoyancy, continued tax avoidance and evasion and problems of arrears of assessment and collections, as also pendency of appeals.

Broadening of tax base is necessary to ensure growth of revenue . there should be sustained expansion of coverage and judicious use of differential rates. There should be complete integration of agricultural and non-agricultural incomes for tax purposes. The fight against tax evasion and corruption should be continuous and

sustained and family should be the unit of assessment.

Keywords: direct tax reforms, exemption limit/threshold limit, taxable slabs and tax rates, tax administration, tax-gdp ratio, tax buoyancy, tax administration.

Author. Assistant Professor of Economics DAV PG College, Varanasi, India.

I. INTRODUCTION

We often wonder why we should pay taxes. Justice Wendell Homes once said, "With taxes, I buy Civilisation". Tax receipts are needed to meet the basic functions of the State. Taxation, by definition, is a compulsory payment under the law and there is no one-to-one link between the tax that one pays and the services one receives. There are certain taxes which are clearly visible because a person on whom the tax is legally imposed directly pays it and its impact and incidence is borne by the same person. Such taxes are termed as direct taxes. On the other hand, there are certain taxes which are embedded in the price of goods and services that one purchases. In such cases, impact and incidence of tax are different on different persons. Such taxes are termed as indirect taxes. Since the advent of Economic Reforms in 1991, a number of reforms have been introduced in the arena of direct taxes which is the subject matter of the present paper. Direct taxes can be grouped into two categories (i) taxes on income and expenditure which includes corporation tax, taxes on income other than corporation tax(except agricultural income) and expenditure tax, (ii) taxes on property and capital transactions which have included estate duty, gift tax, wealth tax, etc. Expenditure tax was introduced in India in 1958, abolished in 1962, re-introduced in 1964 and again abolished in

1966. Estate duty was introduced in 1953 but it was abolished in 1985. Similarly, gift tax was introduced in 1958 but it was finally abolished in 1998. Wealth tax was introduced in India in 1957 but this tax was also finally abolished by Finance Act, 2015. Banking Cash Transaction Tax was introduced from June 1, 2005 but was withdrawn from April 1, 2008. Direct taxes also include taxation of fringe benefits, presumptive taxation, minimum alternative tax. The Direct taxes in India presently comprise of Corporation tax which is levied at specific rates on profits that enterprise make from their business by public and privately registered companies and income which is imposed on net income on profit other than companies from their earnings or gains. Another prevailing direct tax is Security Transaction Tax (STT) which is levied on the value of taxable securities purchased and sold through a recognised stock exchange in India. Since the yield from STT is small the present paper discusses reforms since 2001 only in respect of corporation tax and taxes on income other than corporation taxes. The important areas discussed comprise of changes in tax structure of direct tax, reforms in corporation tax, reforms relating to exemption limit/threshold limit, rate structure, standard deduction, expanding tax base and improving tax collections, administrative reforms, etc.

II. REFORMS IN CORPORATION TAX

Corporation tax is levied on income of companies and corporations. It is justified on the ground that corporation /company is a separate entity and, therefore, has a separate liability to pay, apart from the ability of its shareholders. Separate taxation of corporate income arises primarily out of financial needs of the governments and has become a regular, universal and indispensable feature of the tax system. At present, companies are classified for income tax purposes into (i) domestic company (which has made prescribed arrangements for the declaration and payment of dividend in India), and (ii) foreign company. Companies have always been subjected to a flat rate of tax, although rates have varied according to the nature of company. The incidence of tax has always been lowest in the case of companies in

which public are substantially interested. The rate of tax for such companies was 35 per cent for the assessment year (assessment year in one year ahead of the financial year) 1998-99 to 2005-06. This rate was reduced to 30 per cent up to 2017-18. The Union Budget for 2018-19 reduced the tax rate to 25 per cent for those domestic companies whose total turnover or gross receipts did not exceed Rs.250 crore –thus benefiting 96 per cent companies and the entire class of Micro Small and Medium Enterprises (MSMEs). Foreign companies have, however, been subjected to a higher rate of tax which was 48 per cent for the assessment year 1998-99 to 2002-03 and was reduced to 40 percent for the assessment year 2003-04 onwards. The tax rate was lowered to 29 per cent for companies with turnover up to Rs.5 crore and manufacturing companies incorporated on or after 1.3.2016 were given an option to be taxed at 25 per cent without claiming any deductions. During 2017-18, tax rate on domestic companies with turnover or gross receipts less than or equal to Rs.50 crore in financial year 2015-16 was reduced from 30 per cent to 25 per cent. The Budget for 2018-19 affirmed Government's intention on fiscal consolidation and the rate of income tax for companies with a turnover up to Rs. 250 crore in financial year 2016-17 was reduced to 25 per cent. On September 20,2019, corporation tax rates were slashed from 30 per cent to 22 per cent and from 25 per cent to 15 per cent for new manufacturers. As a result, the effective corporate tax rate went down from 26.89 per cent in 2016-17 to 22.54 per cent in 2019-20 and further to 22.2 per cent in 2020-21. In 2020-21, the effective tax rate was 16.98 per cent for public limited companies and 23.37 per cent for private limited companies. In this year, effective tax rate was 25.68 per cent for manufacturing companies and 20.75 per cent for non-manufacturing companies. The Union Budget of 2024-25 maintained status quo in respect of corporation taxes on domestic companies. However, tax rates for foreign companies were reduced from 40 per cent to 35.40 per cent on income excluding income subject to special rates.

III. REFORMS IN TAXES ON INCOME OTHER THAN CORPORATION TAX

Income is a flow concept . An attempt has been made under the Income Tax Act to make the concept of income as broad as possible. The Income Tax Act enumerates the source of income under various heads which comprise of (i) salaries, (ii) income from house property, (iii) profit and gains of business and profession, (iv) capital gains, and (v) income from other sources. The aggregate income under these heads is termed as 'gross total income'. Further, separation of agricultural and non-agricultural incomes for taxation purposes is perhaps unique in India because under the Indian Constitution, only the State Government are empowered to tax agricultural incomes. However, since 1973-74 partial integration of agricultural and non-agricultural has been done in the sense that agricultural income is added to non-agricultural income tax rate purposes on non-agricultural income but it is still not taxes. Income tax in India is levied on income of the 'previous year' which is the financial year and 'assessment year' is one year ahead of the 'previous year'. On the basis of residence, tax payers are classified as (a) resident in India and, (b) non-resident. Taxable entities comprise of (i) individuals, (ii) Hindu Undivided Families, (iii) Association of Persons, (iv) Firms (registered and unregistered), (v) Companies (Domestic and Foreign), (vi) Co-operative Societies, (vii) Religious and Charitable Trusts and (viii) Local Authorities. For tax Rate purposes, these different taxable entities are treated differently . Income tax in India has a long and chequered history. In its modern form it was first introduced in 1860 but it became a permanent feature since 1886. Since 1886, the structure of taxation of income has undergone a series of changes. Since 1939, the rate structure has been built on 'slab system' under which rates increase progressively with an increase in each slab of income. At present, taxation of income is governed by the Income Tax Act, 1961.

Reforms in the area of taxes on income other than corporation tax during the last twenty-five years have been undertaken broadly in the following areas:

- (i) Reforms in Exemption Limit/Threshold limit
- (ii) Reforms in the taxable slabs and rates of Income tax
- (iii) Reforms in Capital Gains tax
- (iv) Reforms in Tax Administration
- (v) Expanding the Tax Base and improving Tax Collections

3.1 Reforms in Exemption Limit/Threshold Limit

The basic exemption limit also called the 'Threshold Limit' refers to the limit of the total taxable income up to which an individual or other taxable entities would not have to pay any tax. The payment of tax begins only after the taxable income crosses this limit. The theoretical rationale for prescribing a minimum exemption limit is that it is not administratively feasible to assess small income earners because in their cases the cost of collection is likely to be much higher than the revenue yield. Further, the endeavour of Indian Government has always been to keep the incidence of tax at relatively low level for small income groups. Hence, there has been a gradual increase in basic exemption limit for taxpayers. The exemption limit was gradually increased from Rs.22000 in 1990-91 to Rs.50000 in 1998-99, to Rs.100000 in 2006-07, to Rs. 150000 in 2008-09 and to Rs.250000 in 2014-15. For senior citizens (60 years and above), the exemption limit was fixed at Rs. 300000 and for very senior citizens (80 years and above) it was fixed at Rs.500000. The Union Budget of 2023-24, increased the basic exemption limit from Rs.250000 to Rs.300000. The tax regime was classified into two tax regime-the old tax regime and the new tax regime (henceforth termed as default regime). While the exemption limit under the old tax regime was Rs.250000 (with different deductions allowed), the exemption limit was raised to Rs.300000 under the new tax regime (with only certain specified deduction). Further, the tax payer will henceforth have the choice either to opt for old tax regime or new tax regime. The minimum threshold at which taxes will not have to be paid was also increased from Rs 5 lakh to Rs.7 lakhs under the new tax regime but the limit was continued at Rs.5 lakh under old tax regime. The Union Budget 2025-26 has made the new tax regime more attractive by increasing the

exemption limit to Rs.4 lakh and increasing the threshold limit from Rs.7 lakh to Rs.12 lakh. This means that the person with taxable income up to Rs.12 lakh will henceforth not have to pay income tax. In addition, standard deduction (for salaried individuals and pensioners) of Rs.75000 is allowed which means that salaried tax payer will not have to pay any income tax if his/her salary is up to Rs.12.75 lakh. Further, provision of marginal relief has also been made. This means that a person having income up to Rs.12.10 lakh will pay only Rs.10000. Tax payer with taxable income of Rs.1270000 will pay Rs.70000 instead of Rs.70500 without marginal relief.

3.2 Reforms in the Taxable Slabs and Rates of Income Tax

Progressivity is an essential feature of a modern income tax system. Towards this end, income taxation in India has been made progressive. Direct taxes in India are collected by the way of tax deduction at source, advance tax, self-assessment tax and regular assessment. There was a tendency to increase the statutory marginal rates up to 1973-74-when the marginal rate was 97.75 per cent (including surcharge) for income above Rs.200000. Since these high rates were confiscatory and encouraged tax evasion, the maximum rate of income tax was brought down to 50 per cent in 1990-91. The limit was brought down to 40 per cent in 1992-93 and further to 30 per cent in 1997-98. This rate continues to this day. The highest rate of 30 per cent was applicable on income above Rs.2.5 lakh in 2005-06, Rs.5 lakh in 2008-09, Rs.8 lakh in 2010-11, Rs. 10 lakh in 2013-14. For the financial year 2023-24, 30 per cent slab is applicable on taxable income above Rs.15 lakh. The Finance Act 2025 has made 30 per cent tax applicable on taxable income above Rs.24 lakh.

Reforms have also been introduced in respect of tax slabs. In 1973-74, there were over 11 tax slabs but it was realised that greater is the number of slabs, larger is the distortion due to 'bracket creep'. Hence, in later years, government has reduced the number of slabs and rearranged the slabs. In 2004-05, the tax slabs were 10 per cent between Rs.50000 to Rs.60000, 20 per cent

between Rs.60000 to Rs.150000 and 30 per cent above Rs. 150000. In the Union Budget for 2005-06, there was restructuring of income tax slabs. Henceforth, tax was levied at the rate of 10 per cent on incomes between Rs.1 lakh to Rs.1.5 lakh, 20 per cent between Rs.1.5 lakh to Rs.2.5 lakh and 30 per cent on incomes exceeding Rs.2.5 lakh. As already pointed out, a new income tax regime (termed as default regime) was introduced from April1, 2023 but the old tax regime was also continued. Under the old tax regime, there were 4 slabs of 5% (Rs.2.5 lakh to Rs.5.lakh), 15% (Rs.5 lakh-Rs.7.5lakh), 20% (Rs.7.5lakh to Rs.10 lakh) and 30% (above Rs.10 lakh). But under the new tax regime, 5 slabs were introduced. No tax would be levied on income up to Rs.3 lakh, income from Rs.3 lakh to Rs.6 lakh would be taxed at 5%, Rs.6 lakh to Rs.9 lakh at 10%, Rs.9lakh to Rs.12 lakh at 15%, Rs.12 lakh to 15 lakh at 20% and above Rs.15 lakh at 30 per cent. For salaried individuals and pensioners , the benefit of standard deduction of Rs.50000 was extended in the new tax regime also. For the financial year 2024-25, there was a revision in the tax slab. Henceforth, tax rate of 5 per cent would be applicable to incomes between Rs.3 lakh to Rs.7 lakh, 10 per cent in the income slab of Rs.7 lakh to 10 lakh, 15 per cent for income slab of Rs.10 lakh to 12 lakh, 20 per cent for income slab of Rs.12 lakh to 15 lakh and 30 per cent for taxable income above Rs.15 lakh. The standard deduction was also increased from Rs.50000 to Rs.75000 for salaried taxpayers and pensioners. In the Union Budget for 2025-26, income tax slabs have again been restructured . Beyond the exemption limit of Rs.4 lakh, the tax rate would henceforth be 5 per cent between Rs.4 lakh-Rs.8lakh, 10 per cent Rs.8 lakh-Rs.12,15 per cent between Rs.12 lakh-Rs.16 lakh, 20 per cent between Rs.16 lakh-Rs.20 lakh, 25 per cent between Rs.20 lakh-Rs.24 lakh and 30 percent on taxable income above Rs.24 lakh. As a result , tax will be lower by 25 per cent on taxable incomes up to Rs.15 lakh and by 30.8 per cent on income of Rs.19 lakh (resulting in saving of Rs.80000. In addition, tax payer has to pay 4 per cent health and education cess on the amount of tax. The slabs and rates under the old tax regime, however, remain unchanged .All these changes have made new income tax regime more attractive by offering

higher tax free limits, lower tax rates and simplified compliance. Consequently, the tax compliance has improved. The total number of income tax payers has increased from 18 million in 1998-99 to 29.8 million in 2005-06, 34.1 million in 2009-10 39.1 million in 2014-15, 63.9 million in 2020-21 and 79.7 million in 2023-24.

3.3 Reforms In Capital Gains Tax

By including realised capital gains in income, India has come closer to the economic definition of income as 'the net accretion in spending power between two points of time'. Profits and gains arising from the transfer of capital asset made in the previous year are termed as 'capital gains'. Under Indian Income Tax Act, 1961, assets are classified as long term capital assets and short term capital assets. A long-term capital asset has been one which is held by the taxpayer for more than 36 months immediately prior to its date of transfer. However, in case of equities and securities listed in a recognised stock exchange, etc., the period of holding was 12 months. While short-term capital gains were earlier included in income, they can be taxed at 15 per cent. In case of listed shares/securities, the tax payer has the option either to pay 10 per cent tax without cost of inflation indexation or 20 per cent with cost of inflation index (with the base year of 1981). In the case of long-term capital gains, tax was payable at 20 per cent, after allowing for indexed cost of acquisition and improvements are deducted. Cost of inflation index has been gradually increased with the passage of time. In the Union Budget for 2017-18, period of holding for computation of long term capital gains in case of immovable property was reduced from 36 months to 24 months to give filip to the housing sector and base year was shifted from 1981 to 2001. The Union Budget for 2018-19 introduced Long Term Capital Gain(LTCG) by imposing 10 per cent LTCG from April 1,2018 exceeding Rs.1 lakh. For calculating such capital gains, the highest quoted price as on 31st January, 2018 or cost of purchase, whichever is higher, would be taken as cost of purchase. The Union Budget for 2024-25 made holding period for LTCG or STCG uniform at 12 months but increased the rate from 10 per cent to 12.5 per

cent (without indexation), with exemption limit of Rs.1.25 lakh.

3.4 Reforms in Tax Administration

Tax policy and tax administration are inextricably linked. Tax administration must, therefore, evolve as internal dynamic process to promote an effective application of tax policy. With increased revenue from existing sources, there is need for constant search for new sources of revenue. This calls for building up a professional cadre of administrators who may implement the tax system more equitably and efficiently. In the long run, it has to be ensured that tax administration instruments facilitate the implementation of tax policy goals. The Central Board of Direct Taxes (CBDT) under the Department of Revenue in the Ministry of Finance provides essential inputs for policy and planning of direct taxes in India. Tax administration process in the Income Tax Department involves allotment of Permanent Account Number (PAN) filling of Income Tax Returns (ITRs), processing of ITR, appeal process, etc. In the Year 2020-21, government adopted reform measures in order to provide long term more transparent, efficient and tax-payer friendly tax administration. 'Honouring the Honest' platform was launched in August 2020. The key feature of the platform are:

Usage of technology, data analytics and Artificial Intelligence, and Recognising tax payer as partners in nation building.

Today, this platform stands on three pillars of tax administration reforms namely faceless assessment, faceless appeal and tax payer charter.

3.5 Expanding the Tax Base and Improving Tax Collections

Broadening the tax base is necessary to ensure growth of revenue. With increasing reliance on voluntary compliance, it becomes important for the Tax Department to put in place an effective mechanism for collecting information from various sources to identify persons who are liable to pay tax but have avoided payments so as to bring them into the tax net –thereby broadening the tax base. The government has taken a number

of measures to increase taxpayers base. Some of the measures include introduction of (i) Presumptive scheme of computation of income for persons engaged in retail trade, (ii) Estimated Income Method of assessment for certain categories of tax payers, (iii) Minimum Alternate Tax(MAT) or Alternate Minimum Tax (AMT) on Companies and Non-Companies Assesses from 2012-13, enlarging the scope of deduction of tax at source, (iv) Obligatory filing of Income Tax Return based on certain economic indicators, (vi) Providing for penalty of wrong return of income, (vii) Compulsory mention of bank account umber in income tax return. In addition, the government has also made it compulsory to quote Permanent Account Number (PAN) in high value transactions and has undertaken several measures to check avoidance and evasion of income tax. As a result, despite increase in exemption limit, threshold limit, rationalisation of tax rates and reliefs granted in various areas, voluntary compliance has improved.

Consequently, tax receipts from direct taxes has considerably gone up in respect of income tax, corporation tax and total direct tax, as shown in Table 1. Total direct tax collection increased from Rs.68306 crore in 2000-01 to Rs.445995 crore in 2010-11, to Rs. 950000 crore in 2020-21 and is projected to be Rs.2520000 crore in 2025-26 (BE 36.9 times in 25 years). Within direct taxes, yield from corporation tax increased from Rs.35696 crore in 2000-01 to Rs.298688 crore in 2010-11, to Rs.460000 crore in 2020-21 and is estimated to be Rs.1080000 crore in 2025-26 (BE-30.2 times in 25 years). Increase in receipts from corporation tax, despite reduction in corporation tax rates over the years has been possible on account of increasing importance of company form of organisation, increased profitability due to various economic reforms and consequent increase in the number of tax payers. Similarly, gross tax receipts from income tax have increased from Rs.31764 crore in 2000-01 to Rs.139102 crore in 2010-11, to Rs.490000 crore in 2020-21 and is expected to be Rs.1440000 crore in 2025-26 (BE-45.3 times in 25 years). Composition of direct tax receipts has also changed. A significant feature of change in direct tax receipts

is that up to 2019-20, yield from corporation tax was higher than income tax but in 2020-21, receipts from income tax were higher than receipts from corporation tax , more so during the last two years. Another notable feature is that share of direct tax collection in gross tax revenue has gone up with the passage of time . This share was only 38.42 per cent in 2002-03 but increased to 60.46 per cent in 2009-10 and in 2025-26 it is estimated to be 59.0 per cent. During last 25 year, the share of direct taxes in gross tax revenue has been more than 50 per cent in 18 out of 25 years. The increased contribution of direct taxes to gross tax revenue over the years has been in line with the government's efforts to enhance progressivity in taxation. The efficiency of tax collection has also increased over time. Table 2 and 3 throw light on the rates of growth and tax GDP ratios during last 25 years in respect of corporation tax, income tax and total direct taxes. While rate of growth in respect of total direct taxes has been positive in 23 out of 25 years, it has varied in different years. The highest rate of growth was in the year 2006-07 when it was 39.33 percent, followed by 35.63 per cent growth in 2007-08. Similarly, the rate of growth in respect of corporation tax was 42.50 per cent in 2006-07 and 33.67 per cent in 2007-08. Almost similar trend is witnessed in respect of income tax when rate of growth in income tax collection was 34.13 per cent in 2006-07 and 36.71 per cent in 2007-08. While growth rate in corporation tax collections was negative in 2019-20 and 2020-21, it has been higher than growth rate of collection in income tax during the last five years.

IV. AREAS OF CONCERN

India has witnessed increased collections in absolute terms from taxes. Gross tax revenue has increased from Rs.188603 crore in 2000-01 to Rs.793307 crore in 2010-11, to Rs.2027102 crore in 2020-21 and is expected to be Rs.4270000 crore in 2025-26(BE). Thus, during a span of 25 years, gross tax revenue has become 22.6 times. But there are certain areas of concern which need to be addressed. These are: (i) Tax-GDP ratio, (ii) Tax-Buoyancy, (iii) Tax avoidance and tax evasion and (iv) Tax Administration.

4.1 Tax-Gdp Ratio

Despite increased collections in absolute terms from taxes, a cause of concern has been that the tax-GDP ratio has not shown much improvement. Gross tax revenue has become 18.4 times from Rs.188604 crore in 2000-01 to Rs.3470000 crore in 2023-24. But India's GDP is nominal terms has also become 13.9 times during the same period from Rs.2089499 crore in 2000-01 to Rs.29104354 crore in 2023-24. Hence, the tax-GDP ratio has only shown moderate improvement. During the last 25 years between 2000-01 to 2023-24. total tax/GDP ratio which was 8.7 in 2000-01 increased moderately. The ratio was highest at 12.6 in 20007-08 but again declined in later years. The ratio was 11.7 in 2023-24,11.9 in 2024-25 (RE) and is expected to be 12.0 in 2025-26(BE). If we analyse the tax-GDP ratio of direct taxes, the situation is better. This ratio was 3.3 in 2000-01, 5.7 in 2010-11,6.0 in 2021-22 and 6.2 in 2023-24. The breakup of direct tax to GDP ratio into corporation tax and income tax reveals that ratio of corporation tax to GDP was 1.7 in 2000-01, it was highest at 4.15 in 2012-13 and was 3.2 in 2023-24. Against this, income tax/GDP ratio was 1.5 in 2000-01, 2.1 in 2007-08, 2.5 in 2020-21 and was highest at 3.1 in 2023-24.

4.2 Tax Buoyancy

Changes in the tax receipts of government takes place with changes in Gross Domestic Product (GDP). The overall responsiveness of the tax revenue to changes in GDP is called tax buoyancy.

Buoyancy is calculated by applying the formula-

$$B = \frac{\Delta T/T}{\Delta Y/Y}$$

Where ΔT = percentage change in tax revenue and ΔY is the percentage change in national income. If the buoyancy factor is greater than 1, it implies that tax receipts grow more than the growth rate in GDP. The direct tax, buoyancy factor was 2.27 in 2000-01. It was highest at 2.53 in 2002-03 but declined in later years to a low of 0.8 in 2015-16 but again improved to 1.8 in 2023-24. Buoyancy factor has fluctuated more in respect of corporation tax and income tax. In certain years it

has also been less than one. It was 0.6 in 2016-17 for corporation tax and 1.9 in respect of income tax. Higher buoyancy factor in recent years in respect on taxes other than corporation tax has been possible due to rapid increase in receipts from income tax. But we think that buoyancy factor needs to be improved in respect of direct taxes by deploying several steps.

4.3 Tax Avoidance And Tax Evasion

Any planning of tax which, although done strictly according to legal requirements but defeat the basic intention of legislature behind the statue, is termed as tax avoidance. On the other hand, tax evasion denotes downright defrauding of revenue through illegal acts and deliberate suppression of the facts relating to one's true tax liability. But the consequences of tax avoidance and tax evasion are to reduce revenue for the government and need to be checked to the greatest extent possible.

The avoidance and evasion are worldwide phenomenon, including India, although its intensity and scale varies. The problem of tax avoidance and tax evasion is more serious in the case of direct taxes because the incidence of direct taxes is borne by the person who pays them in the first instance. There is no reliable estimate of black money generation but it is well accepted that tax evasion in India is increasing with passage of time. There is a parallel black money economy which is playing havoc in India. Although, Government of India has undertaken several measures to combat black economy but the fact is that the malady of tax evasion continues and that too on an increasing scale. We think that fight against tax evasion and black money has be at ethical, socio-economic and administrative level.

V. TAX ADMINISTRATION

Tax policy and tax administration are inextricably linked. There is need for building up a professional cadre of administrators who may implement the tax system more equitably and efficiently. The tax administration machinery should vendor quality tax payers' services to encourage voluntary compliance of tax laws and

to detect and penalise non-compliance. Efficient tax administration would necessitate minimising arrears of assessment and collection reduce pendency of appeals and improve tax payers compliance. However, data reveal that uncollected demand in respect of direct taxes increased from Rs. 56431 crore in 2000-01 to Rs. 201276 crore in 2008-09, to Rs.291629 crore in March, 2011, Rs.1114182 crore in March, 2018 and further to Rs.1927347 crore in 2022-23. Uncollected demand was Rs.995446 crore in respect of corporation tax and Rs.931901 crore in respect of income tax in 2022-23. Similarly, the number of pending scrutiny assessments in respect of direct taxes was 3829250 cases in 2003-04, 441035 cases in 2009-10, 405487 cases in 2011-12 and 3.66 lakh cases in 2015-16. Further, the appeals pending with the Commissioners (Appeals) was 62795 on 31st March, 2005. The number of such pending appeals increased to 1.81 lakh cases on 31st March, 2010, 2.32 lakh cases on 31st March, 2015, 3.04 lakh cases on 31st March, 2018 and 4.58 lakh cases on 31st March, 2020. Number of appeals pending with High Courts increased from 32678 cases on 31st March, 2005 to 39016 cases on 31st March, 2018 and 38539 cases on 31st March, 2019. With the Supreme Court the number of pending appeals, however, declined from 6375 cases on 31st March, 2017 to 4526 cases on 31st March, 2020.

VI. THE WAY OUT

Broadening the tax base is necessary to ensure growth of revenue. With increasing reliance on voluntary compliance , it becomes important for the Tax Department to put in place an effective mechanism for collecting information from various sources to identify persons who are liable to pay tax but has avoided payments so as to bring them into the tax net. There are increasing concerns in India that even medium and large businesses ,which are capable to maintain accounts, prefer not to file returns. Cash economy has been a major handicap. Similarly, agriculture income of non-agriculturalists is being used as a conduct to avoid tax. A method to improve

collection would be to ask firms and companies to pay tax in equal instalment, as in case of salaried tax payers so that money flows regularly in government account .In order to improve the tax-GDP ratio and buoyancy, it is desirable that there should be sustained expansion in coverage and judicious use of differentiated rate. The present scheme of partial integration of agricultural and non-agricultural income is inadequate because agricultural income of non-agriculturalists is being increasingly used as a conduct to avoid tax. The remedy lies on taxing both non-agricultural and agricultural income under the central income tax. There is need to develop a better understanding of the underground/ black economy both in terms of its size as also economic and behavioural factors that motivate players in the economy. Another desirable step in this direction would be to adopt 'family' as the basis for taxation as against the prevailing 'individual' basis of assessment which generally reduces the marginal rate of tax, leading to the substitution effect in favour of work effort. To check tax evasion, there is a need for stricter imposition of penalties and follow a vigorous prosecution policy. Corruption must generate a substantial loss of social status and fight against corruption must be continuous and sustained and success in this regard would depend upon comprehensiveness of measures and commitment of political leadership.

Table 1: Broad Parameters of Direct Tax Collection (Rs.Crore)

Year	Corporation Tax	Income Tax	Total Direct Tax	Gross Tax Revenue	Direct Tax as percentage of Gross Tax Revenue
2000-01	35696	31764	68306	188603	49.98
2001-02	36609	32004	69197	187060	51.82
2002-03	46172	36866	83085	216266	38.42
2003-04	63562	41387	105090	254348	41.32
2004-05	82680	49268	132948	304958	43.54
2005-06	101277	55985	165216	366152	45.12
2006-07	144318	75093	230195	473512	48.61
2007-08	192911	102659	312217	593147	52.64
2008-09	213395	106075	333857	605298	55.16
2009-10	244725	122417	377594	624527	60.46
2010-11	298688	139102	445995	793307	56.22
2011-12	322816	164525	493987	889118	55.56
2012-13	356326	196843	558989	1036460	53.93
2013-14	394678	237870	638596	1138996	56.10
2014-15	428925	258374	695792	1245135	55.90
2015-16	453228	280390	742012	1455891	51.00
2016-17	484924	340592	849801	1715968	49.50
2017-18	571202	408202	1002738	1919183	52.20
2018-19	663572	461652	1137718	2080465	54.70
2019-20	556876	480348	1050686	2010060	52.30
2020-21	460000	490000	950000	2027102	46.90
2021-22	710000	700000	1410000	2709315	52.00
2022-23	830000	830000	1660000	3054192	54.30
2023-24	922675	900575	1823250	3470000	52.50
2024-25(RE)	1020000	1187000	2207000	3850000	57.30
2025-26(BE)	1080000	1440000	2520000	4270000	59.00

Source: 1. Reports of the Comptroller and Auditor General of India, Direct Taxes , different Years

2. Budget Papers

Table 2: Rates of Growth

Year	Corporation Tax	Income Tax	Total Direct Taxes
2000-01	16.30	23.81	17.85
2001-02	2.56	0.76	1.31
2002-03	21.12	15.19	20.07
2003-04	26.12	12.26	26.48
2004-05	30.08	19.04	26.34
2005-06	22.49	13.63	24.44
2006-07	42.50	34.13	39.33
2007-08	33.67	36.71	35.63
2008-09	10.62	3.33	6.93
2009-10	14.68	15.41	13.10
2010-11	22.05	13.63	18.12
2011-12	8.08	18.28	10.80
2012-13	10.38	19.64	13.20
2013-14	10.80	20.80	14.20

2014-15	8.70	8.60	9.00
2015-16	5.70	8.50	6.60
2016-17	7.00	21.50	14.50
2017-18	17.8	19.90	18.00
2018-19	16.2	13.10	13.50
2019-20	-16.1	14.00	-7.60
2020-21	-17.4	1.00	-9.60
2021-22	15.4	1.40	14.80
2022-23	11.7	1.20	11.80
2023-24	11.1	1.1	11.00
2024-25(RE)	11.0	1.3	12.10
2025-26(BE)	10.6	1.2	11.80

Source: 1. Reports of the Comptroller and Auditor General of India, Direct Taxes , different Years
 2. Budget Papers

Table 3: Tax Parameters As Percentage Of GDP

Year	Corporation Tax	Income Tax	Total Direct Taxes	Share of Tax Receipts
2000-01	1.71	1.52	3.27	8.7
2001-02	1.60	1.40	3.03	7.9
2002-03	1.82	1.46	3.28	8.8
2003-04	2.24	1.46	3.70	9.2
2004-05	2.55	1.52	4.10	9.8
2005-06	2.74	1.52	4.47	10.2
2006-07	3.36	1.75	5.36	11.4
2007-08	3.87	2.06	6.26	12.6
2008-09	3.79	1.88	5.93	10.7
2009-10	3.78	1.89	5.83	9.6
2010-11	3.83	1.77	5.72	10.2
2011-12	3.60	1.83	5.50	9.8
2012-13	4.15	1.99	5.53	10.4
2013-14	3.37	2.20	5.60	10.0
2014-15	3.34	2.32	5.50	10.0
2015-16	3.34	2.06	5.50	10.6
2016-17	3.19	2.24	5.60	11.1
2017-18	3.40	2.43	6.00	11.2
2018-19	3.49	2.43	6.00	11.0
2019-20	2.74	2.36	5.20	10.0
2020-21	2.36	2.51	4.80	10.2
2021-22	3.04	3.00	6.00	11.5
2022-23	3.12	3.12	5.50	11.3
2023-24	3.17	3.09	6.20	11.7
2024-25(RE)	-	-	-	11.9
2025-26(BE)	-	-	-	12.0

Source: Reports of the Comptroller and Auditor General of India, Direct Taxes , different Years
 2. Budget Papers

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Measuring the Costs of Faculty Turnover, Teacher Absenteeism and their Implications for the Performance of Higher Education Institutions: A Case Study at the Faculty of Economics, Uon

Afonso Liberal Câmbizi Barros & Paulo Deco, PhD

University 11 de Novembro

ABSTRACT

The research "Measuring the Costs of Faculty Turnover and Teacher Absenteeism and Their Implications for the Performance of Higher Education Institutions" aims to demonstrate the costs arising from turnover at the Faculty of Economics, University 11 de Novembro (FEUON). This study is relevant for institutional management as it allows the identification of dysfunctions that undermine organisational efficiency and financial sustainability. It is a descriptive-exploratory study with a qualitative approach, conducted through field research. Data collection was carried out using semi-structured interviews applied to the heads of the Human Resources, Financial, and Scientific departments, as well as to the teaching and research units, including both active and former faculty members. The information was analysed using statistical techniques that enabled the explanation of the cause-effect relationship between faculty turnover and absenteeism and the costs incurred by the institution. The findings revealed hidden costs amounting to AOA 6,501,607.20, most of which were intangible and identified through the application of the SOF Method. It was observed that faculty turnover not only increases the visible cost structure but also results in productivity loss, disruption of the teaching-learning process, and organisational demotivation, thereby compromising academic quality and institutional performance.

Keywords: turnover; turnover costs; performance; higher education institutions.

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ABSTRACT

The research “Measuring the Costs of Faculty Turnover and Teacher Absenteeism and Their Implications for the Performance of Higher Education Institutions” aims to demonstrate the costs arising from turnover at the Faculty of Economics, University 11 de Novembro (FEUON). This study is relevant for institutional management as it allows the identification of dysfunctions that undermine organisational efficiency and financial sustainability. It is a descriptive-exploratory study with a qualitative approach, conducted through field research. Data collection was carried out using semi-structured interviews applied to the heads of the Human Resources, Financial, and Scientific departments, as well as to the teaching and research units, including both active and former faculty members. The information was analysed using statistical techniques that enabled the explanation of the cause-effect relationship between faculty turnover and absenteeism and the costs incurred by the institution. The findings revealed hidden costs amounting to AOA 6,501,607.20, most of which were intangible and identified through the application of the SOF Method. It was observed that faculty turnover not only increases the visible cost structure but also results in productivity loss, disruption of the teaching-learning process, and organisational demotivation, thereby compromising academic quality and institutional performance. The analysis, grounded in socio-economic and behavioural theory, demonstrates that the absence of effective policies for the retention and appreciation of human capital raises hidden costs, undermining the competitiveness and

sustainability of FEUON in the medium and long term.

Keywords: turnover; turnover costs; performance; higher education institutions.

Author a & **o**: Master's Candidate in Business Management, Faculty of Economics, University 11 de Novembro.

I. INTRODUCTION

Staff turnover in modern management has posed significant challenges to institutions, as the diverse ways of performing tasks provide workers with multiple employment alternatives. Consequently, institutions face increasing difficulties in maintaining structures aligned with their workforce, resulting in high turnover rates (Locateli, Lima, Domenico, Andreoli & Tissot, 2023), which in turn generate both visible and hidden costs.

In the current context, the concern of Angolan companies and higher education institutions, particularly those based in Cabinda, should not be restricted solely to the accounting of financial transactions. Instead, attention must be directed towards identifying the origins of costs—such as those associated with turnover—and recording them in order to provide management with necessary, sufficient, and comprehensive information for analysing their cost structure (Deco, 2023).

High turnover rates generate not only economic but also social costs, which may fail to yield returns for institutions, including higher education institutions, directly affecting their

strategies and policies, and specifically their economic and social outcomes. This requires economic agents, such as higher education institutions, to bear the costs of dismissals, for example, severance payments, as well as expenses related to new recruitment, such as interviews, advertisements, and fees for specialised recruitment professionals.

Turnover, understood as the inflow and outflow of personnel within an institution, tends to generate costs that are not always readily identifiable, demanding that organisations adopt effective strategies for recognising and mitigating these impacts. Thus, people management becomes more assertive, whether in cases of resignation initiated by employees or by the employer, contributing to the institution's competitiveness in the market. Within this context, the present study seeks to demonstrate how faculty turnover affects the cost structure of the Faculty of Economics, revealing significant implications for both organisational performance and institutional sustainability.

II. PROBLEM STATEMENT

The core problem of this study lies in the fact that, in increasingly competitive institutional environments, the absence of effective policies for faculty management and retention has led to high turnover rates at the Faculty of Economics, University 11 de Novembro (FEUON). This phenomenon, in addition to undermining the stability of the teaching staff, generates significant hidden costs that are not recorded by traditional accounting practices. Such costs affect not only the financial structure but also the social and academic outcomes of the institution, thereby compromising both teaching quality and management sustainability. In this regard, it becomes essential to understand the extent to which turnover and absenteeism impact institutional costs and how their accurate measurement can contribute to more effective strategies for valuing and retaining human capital, with the ultimate goal of maximising the institution's performance.

III. THEORETICAL FRAMEWORK

3.1. Behavioural Theory

The Behavioural Theory, initially developed by Gilad and Kaish (1984) and later refined by Katona and Sent (2004), seeks to understand how workers respond to institutional structures. From this perspective, human performance results not only from economic rationality but also from emotional and motivational factors such as satisfaction and recognition (Lima, Almeida & Solva, 2023; Deco, 2023). The application of this approach makes it possible to explain organisational dysfunctions that affect productivity, since workers' decisions and attitudes reflect the direct interaction between structure and behaviour. In this context, faculty turnover is interpreted as a phenomenon arising from this relationship, which is why Behavioural Theory constitutes the analytical foundation adopted in the present study.

3.2. People Management

The human element is fundamental within a healthy organisation, and according to Xavier (2006, p. 23), the foundation for effective people management is:

- Believing in human beings and their potential;
- Encouraging subordinates to give their best and achieve higher performance standards;
- Taking pleasure in helping people develop and achieve increasingly challenging goals;
- Assuming a leadership role and the responsibility that comes with it.

It can be stated that investing in people management may help to prevent several negative phenomena within organisations, such as turnover and absenteeism. In this context, and according to Cardozo (2005, p. 9), people are indispensable resources for the growth and development of organisations.

3.3. Concept of Turnover

Turnover is an English term that defines the movement of employees entering and leaving an organisation (Silveira, 2011). Marras (2011, p. 50)

defines turnover as the number of employees leaving the company during a given period in comparison with the average workforce.

Turnover refers to the departure of employees from a company and their subsequent replacement (Pinheiro & Souza, 2013). It describes the flow of people entering and leaving an organisation, that is, new entries to compensate for employee departures. Almost every termination corresponds to the hiring of a replacement (Chiavenato, 2014).

According to Savall and Zardet (2019), within the framework of socio-economic theory, turnover has a hidden dimension, as it represents the investment made in human resources that leave the organisation. This includes the costs of recruitment, training, disruptions in operations, as well as the investments made in their replacements.

3.3.1. Types of Turnover (Separation)

There are two types of separations: those initiated by the employee and those initiated by the organisation.

Employee-initiated separation: occurs when the employee decides, for personal or professional reasons, to terminate the employment relationship with the employer. The decision to resign depends on two main perceptions: the employee's level of dissatisfaction with the job and the level of attractive alternatives available outside the organisation.

Organisation-initiated separation (dismissal): occurs when the organisation decides to terminate the employee's contract.

3.3.2. Turnover Rate

According to Chiavenato (2014), given the recurrence of employee separations within an organisation, it is necessary to measure the level of turnover. The turnover rate measures the proportion of separations in relation to the size of the workforce. This formula considers only departures and does not account for new hires within the organisation. Algebraically, it is expressed as follows:

Turnover Rate (TR)

$$TR = \frac{\text{Number of employees separated}}{\text{Average workforce of the institution}} \times 100\%$$

Source: Chiavenato, 2014, p. 83.

The turnover rate is defined by several authors. Pinheiro and Souza (2013), as cited by Pontes (1996), state that an appropriate turnover rate may be close to or below 10% per year, which corresponds to slightly less than 1% per month.

3.3.3. Consequences of Turnover

One of the main consequences generated by turnover is cost. The departure of an employee, their replacement, and the training of the new employee generate both financial and economic costs for the organisation (Eckert, Mecca & Giacomet, 2011).

Human Resources (HR) costs related to hiring begin as soon as the organisation starts searching for a candidate in the labour market. During recruitment, the company must seek candidates externally, often through advertisements in newspapers, on the radio, and other channels. From the moment an advertisement is placed, costs associated with the hiring process begin to occur. Once candidates are recruited, additional expenses arise, such as the time invested by HR professionals in conducting interviews, psychological testing, and the office materials consumed during the process. These represent some of the "hidden" costs for the purposes of cost analysis. After a candidate has been selected, they must undergo a medical examination, which is also financed by the organisation (Eckert et al., 2011).

3.3.4. Turnover Costs

The costs generated by employee turnover are significantly high for organisations, as they include expenses related to recruitment and selection, exit interviews, hiring, and severance payments (Locateli et al., 2023).

According to the authors, the cost of turnover for a dismissed employee corresponds to the cost of hiring their replacement, or vice versa. In this sense, institutions may calculate dismissal costs

by considering the expenses incurred in the admission of a substitute.

Employee replacement requires time and can generate considerable expenses for organisations. These costs encompass not only the employee's dismissal but also the recruitment and training of their replacement (Santos, M. & Santos, R., 2022).

In general, turnover costs are divided into three groups: training, replacement, and termination of the departing employee (Bohlander & Snell, 2009). Similarly, Chiavenato (2009) asserts that turnover costs can be categorised into three groups: *primary (quantifiable)* costs directly related to separations and hirings; *secondary (qualitative)* costs, which are difficult to measure; and *tertiary (estimable)* costs, which refer to the medium- and long-term effects of turnover.

According to Locateli et al. (2023), turnover costs include recruitment, selection, exit interviews, hiring, and severance payments. Additionally, Santos, M. and Santos, R. (2023) argue that these costs also encompass the expense associated with the departing employee, training of the replacement, productivity loss, reduced service quality, among others.

Based on the authors' perspectives, turnover costs can be structured as follows:

- Direct turnover costs = Recruitment and selection costs + Training costs + Severance costs
- Indirect turnover costs = Productivity loss + Decline in service quality + Other indirect costs

The sum of direct and indirect costs can be referred to as the *average cost*. Thus:

Formula 1: Turnover Cost (TC)

$$TC = \text{Average cost per employee} \times \text{Number of employees separated}$$

3.4. Concept of Absenteeism and Its Classification

From the perspective of Chiavenato (2014), absenteeism is understood as the "*absence from work due to absences, delays, or medical leave*,

which negatively impact organisational productivity."

It is a management indicator that reflects the number of absences occurring within a given period (Marras, 2011).

Absenteeism can be classified into different categories: justified absenteeism, unjustified absenteeism, voluntary absenteeism, involuntary absenteeism, and presenteeism (Chiavenato, 2004; Marras, 2011).

From a socio-economic perspective, according to Deco (2023), the cost elements of absenteeism may be classified as follows: time spent by supervisors, downtime in production, time spent by workers in reallocating tasks, non-production, occasional quality defects, additional wage costs (overtime, additional staff), and reduced productivity of substitute workers.

Absenteeism Rate (AR)=

$$\frac{\text{Number of days or hours of absence}}{\text{Number of expected days or hours}} \times 100$$

3.5. Socioeconomic Theory

The socioeconomic theory, developed by Savall in the early 1970s, emerged as a complement to Cost Accounting, overcoming its limitations in the identification of hidden costs. It is based on the idea that the organization is a system composed of structures and people who, within the informal sphere, constantly react to the structures at their disposal, often displaying negative behaviour that generates dysfunctions. These dysfunctions are expressed as hidden costs, framed in the indicators of absenteeism, work accidents, staff turnover, deviations in direct productivity, and quality defects (Savall & Zardet, 2006; Deco, 2023). From this perspective, human capital is regarded as a strategic resource, and its devaluation leads to outcomes below expectations (Trejo et al., 2010; Napoleão, 2023). The theory thus enables the measurement and mitigation of these costs, offering institutions a more realistic framework of their economic and social structure, which is essential for ensuring sustainability and organizational effectiveness.

For this purpose, the socioeconomic methodology is structured into four stages: diagnosis, project, implementation, and evaluation, aimed at identifying, measuring, and assessing the dysfunctions that cause hidden costs in organizations.

Functional Diagnosis: consists of identifying and quantifying the dysfunctions that generate hidden costs, such as absenteeism, turnover, and productivity deviations, through interviews, observation, and document analysis (Souza et al., 2013).

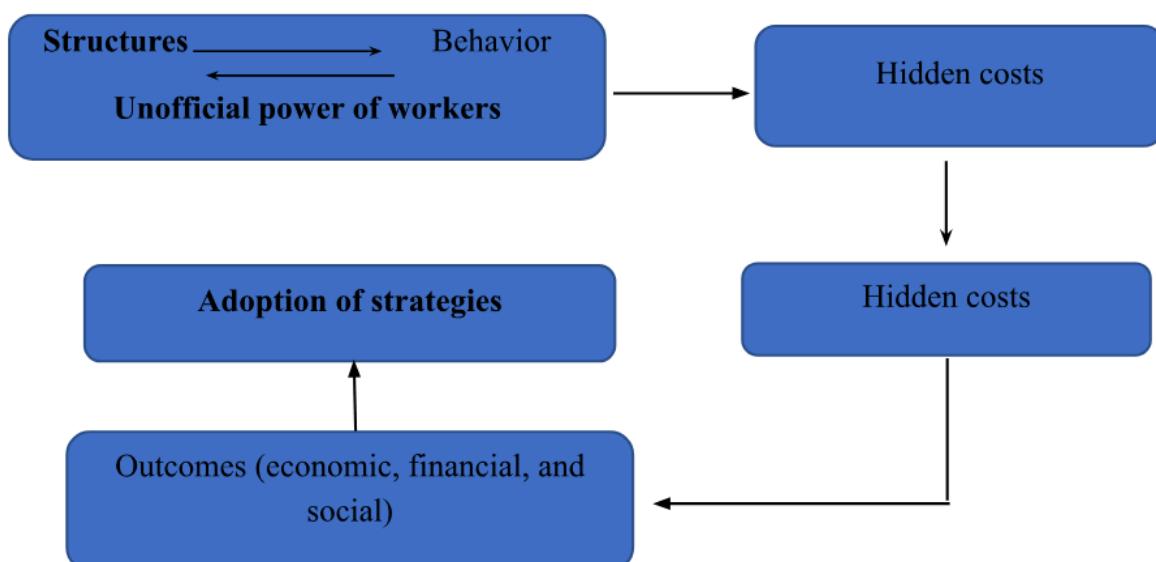
1. *Project:* in this phase, the suggestions collected are organized into improvement projects, assessed in terms of their economic and social impact (Savall & Zardet, 2006).
2. *Implementation of Proposed Actions:* carried out in a monitored and controlled manner, ensuring alignment with institutional objectives.
3. *Evaluation:* compares the results achieved with the socioeconomic indicators defined,

allowing the measurement of performance gains or losses (Button et al., 2015).

For the evaluation of hidden costs, according to Savall and Zardet (2020), the socioeconomic theory uses two methods:

- a) *SOF Method:* through the description and application of the social, organizational, and financial modules, it analyses absenteeism, work accidents, staff turnover, quality defects, and deviations in direct productivity across the three modules.
- b) *Structural Cost Contribution Method (MCCE):* converts into monetary values the time lost due to dysfunctions, based on the hourly contribution margin over variable costs.

This approach enables institutions to measure hidden costs and, consequently, adopt more effective strategies for their mitigation.



Source: Adaptation with reference to DECO (2023)

Figure 3: Socioeconomic Theory

IV. METHODOLOGY

The research has a historical, comparative, exploratory-descriptive, and explanatory character, with a predominantly qualitative approach. The comparative character was

manifested in the analysis of the causes of turnover resulting from the attitude of workers toward the structures made available to them, including working conditions. The exploratory-descriptive character stemmed from the practical investigation of the phenomenon

under study, "faculty turnover and absenteeism," as well as from the description of the higher education institution. The explanatory character was present insofar as the research sought to understand the factors that give rise to faculty turnover and its consequences in terms of hidden costs in institutional performance.

In order to address the research problem and the hypotheses raised, a field study was conducted, which, according to Marconi and Lakatos (2005), consists of seeking answers to a hypothesis to be tested with the aim of acquiring knowledge about a problem.

For data collection, a semi-structured interview of approximately 30 minutes was conducted with those responsible for the Human Resources section, the financial area, the scientific area, the teaching and research departments, as well as with active and dismissed (terminated) faculty members of the institution. The research was carried out at the Faculty of Economics of the 11 de Novembro University between 2018 and 2023.

The institution is predominantly staffed by faculty members with a Master's degree, who represent 33% of the total number of active faculty members. The remainder is composed of PhD faculty (12%) and Bachelor's degree holders (10%) of the total academic staff.

V. RESULTS

The results presented were drawn from interviews conducted with those responsible for the Human Resources section, the financial area, the scientific area, the teaching and research departments, as well as with active and dismissed (terminated) faculty members.

The purpose of the interviews was to understand working and operating conditions in order to identify possible dysfunctions, determine the reasons for hiring and dismissal (termination), and assess the associated costs. The data collected include: number of faculty members (permanent and contracted), faculty admitted and dismissed during the analysis period (2018–2023), and the total annual cost of academic staff. The main

objective was to determine the turnover rate, identify dysfunctions for the calculation of hidden costs resulting from turnover, and, therefore, assess its influence on the institution's personnel cost structure as well as on its social outcomes.

For the monetary values presented in Akz, the following exchange rate was considered: 1 USD = 917 Akz.

5.1. Data Collection

Through the interviews conducted with the various departments of the institution, as described in the methodology, as well as with the faculty members (hired and dismissed), it was possible to obtain the following data:

- The names and years of admission and dismissal of hired and dismissed faculty;
- Means of admission (public tender or direct hiring);
- Courses and subjects taught;
- Working conditions (number of subjects per faculty member, classrooms and their respective conditions, and workload);
- Reasons for hiring and dismissal;
- Faculty remuneration by category;
- Annual personnel costs for academic staff.

The data in Table 1 refer to the behaviour of the number of faculty members and turnover over the years.

Table 1: Number of Faculty Members by Employment Status (2018–2023)

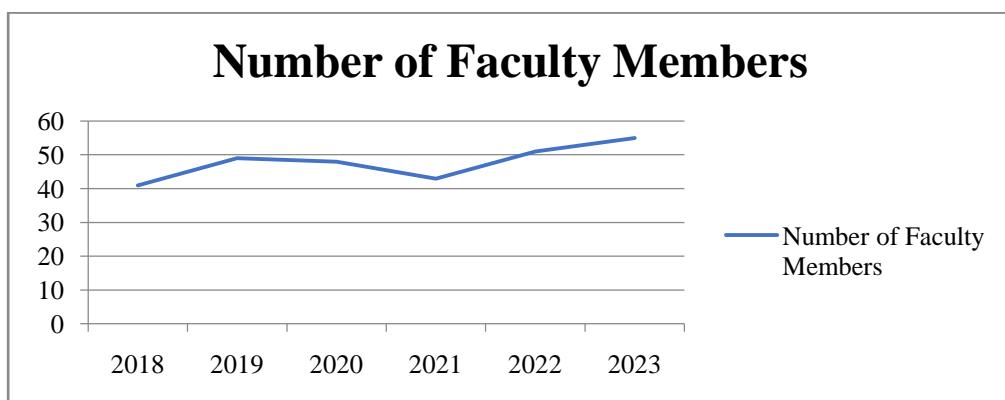
Faculty	Fiscal Years											
	2018		2019		2020		2021		2022		2023	
	FA	FR	FA	FR	FA	FR	FA	FR	FA	FR	FA	FR
Permanent	34	83%	37	76%	43	90%	38	88%	44	86%	44	80%
Contracted	7	17%	12	24%	5	10%	5	12%	7	14%	11	20%
Total	41	100%	49	100%	48	100%	43	100%	51	100%	55	100%

Source: Research Data (2025)

Table 1 provides concrete information regarding the variation in the number of faculty members. It can also be observed from the table that there are two methods of faculty admission: public competition and direct hiring, with the majority of faculty members each year being permanent staff.

In 2018, the Faculty of Economics recorded the highest number of contracted faculty members, representing approximately 20% of the total faculty at that time.

The year 2023 was the period in which the institution recorded the highest number of permanent faculty members, representing 80% of the total faculty in permanent positions.



Source: Research Data (2025)

Figure 1: Faculty Members from Fiscal Years 2018 to 2023

Figure 1 shows the variation in faculty turnover, highlighting that the institution experienced an increase in the number of faculty members between 2018 and 2020. This growth was associated with the rise in student admissions during that period, the consequent expansion of the institution's physical infrastructure, and the increase in the number of classrooms. Furthermore, the occasional departure of faculty members required new hires to ensure the continuity of teaching activities and maintain the quality of education.

Table 2: Number of Faculty Members Admitted (Permanent and Contracted)

Contract Type	Fiscal Years						Total
	2018	2019	2020	2021	2022	2023	
Permanent	1	7	-	-	6	-	14
Contracted	7	12	5	5	7	11	47
Total	8	19	5	5	13	11	61

Source: Research Data (2025)

The graph presents the number of faculty members admitted during the period from 2018 to 2023 and the respective admission methods. As can be observed, the institution relied more heavily on direct hiring to fill vacancies. This may be due to the timeframe established by the Ministry of Higher Education, Science, and Technology (MESCT) for faculty admissions in

this education sector. According to the data, during the six-year period under analysis, the Faculty, through MESCT, admitted faculty members three times, averaging about twice per year, and the number of admissions via public competition was relatively low compared to direct hiring.

Table 3: Motivations of Faculty Members Admitted to Higher Education

Motivation	Description
Unique Opportunity	<ul style="list-style-type: none"> - The market did not offer other alternatives; - Decision driven by it being the only option at the time.
Fulfilment of a Dream	<ul style="list-style-type: none"> - A pre-existing and long-awaited passion.
Contribution to Science	<ul style="list-style-type: none"> - Willingness to contribute and advance science at FEUON; - Produce articles, books, and other scientific outputs, including extensions; - Share acquired scientific knowledge with students.
Salary and Other Benefits	<ul style="list-style-type: none"> - Obtain a dignified source of income; - Opportunity to build networks and gain social benefits (reputation, health plan including family, access to daycare, etc.), easier access to credit, and support and leave for training.
Other	<ul style="list-style-type: none"> - Desire for career development in Higher Education.

Source: Research Data (2025)

Through interviews with faculty members, it was possible to determine the motivations of those who joined the Higher Education teaching staff. From the table, it can be observed that motivations vary from faculty member to faculty

member; however, in general, they revolve around reasons of opportunity, the pursuit of fulfilling a personal dream, and the desire to contribute to the advancement of science within the Faculty of Economics.

Table 4: Number of Faculty Members Dismissed

Dismissal Type	Fiscal Years (Academic Year)						Total
	2018	2019	2020	2021	2022	2023	
Voluntary (Faculty-Initiated)	2	3	4	2	3	6	19
Involuntary (Institution-Initiated)	1	-	-	-	-	-	1
Contract Expiration	-	-	-	-	-	-	-
Total	3	3	4	2	3	6	20

Source: Research Data (2025)

Table 4 presents the trends in faculty member dismissals and their types. Of the three types of dismissals outlined in the interviews and as reported in the literature, the institution predominantly records dismissals initiated by faculty members, with the lowest number observed in 2021, when only two faculty members resigned.

Table 5: Reasons for Faculty Member Turnover and Absenteeism

Motivation	Description
Emergence of a New Opportunity	<ul style="list-style-type: none"> - The market offers differentiated opportunities with more advantageous proposals.
Working Conditions	<ul style="list-style-type: none"> - Air conditioning and climate control; workload incompatible with remuneration; faculty room conditions below expectations; lack of dedicated research rooms; absence of faculty journals for publication; classrooms without projectors; computer labs with few functional computers, among others.
Dissatisfaction with Salary and Benefits	<ul style="list-style-type: none"> - Remuneration does not yet provide the expected purchasing power; - Lack of medical assistance benefits, salary advances, or specific and continuous programs for ongoing training; - Lack of bonuses or incentives for achieving targets or scientific production.
Institutional Policies	<ul style="list-style-type: none"> - Absence of talent retention policies; - No faculty housing programs; -Lack of Human Resource Management (HRM) policies that enhance the prestige of the teaching staff.
Difficulty in Career Advancement	<ul style="list-style-type: none"> - Bureaucracy in the promotion process; - High requirements and long duration for promotion; -Expectations easily frustrated due to bureaucratic hurdles and high demands.

Source: Research Data (2025)

The table describes the reasons that led faculty members to be absent or leave the Faculty during the fiscal years under analysis. The primary motivations were dissatisfaction with remuneration and lack of benefits, institutional policies, and difficulties in career progression.

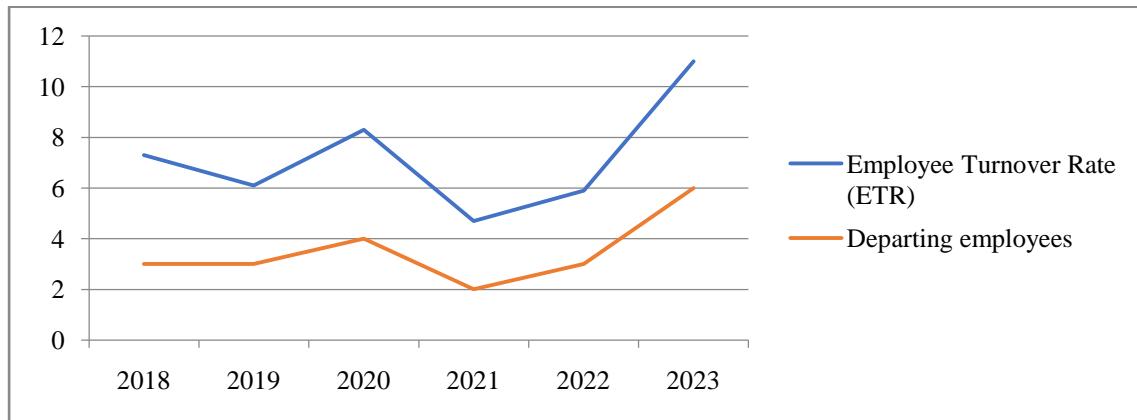
Table 6: Faculty Turnover Rates from 2018 to 2023

Faculty Members	Fiscal Years						Total
	2018	2019	2020	2021	2022	2023	
Separated (Leavers)	3	3	4	2	3	6	21
Average Staff (Headcount)	41	49	48	43	51	55	-
Turnover Rate (TRT)	7,3%	6,1%	8,3%	4,7%	5,9%	11%	43,3%

Source: Research Data (2025)

The table demonstrates that the turnover rate is negatively affected by the number of faculty members who leave during the academic year. It can be observed that the greater the number of departures, while keeping the average staff size constant, the higher the turnover rate will be. It is also evident that, over time, the Faculty has recorded increasing turnover rates, with the highest level observed in 2023, indicating that the faculty structure is not significantly stable.

To better visualize the behavior of the turnover rate over the years under analysis, Figure 2 presents the trend of the turnover index and the number of departing faculty members.



Source: Research Data (2025)

Figure 2: Behavior of the turnover index and departing faculty members

The graph in question shows the behavior of the Employee Turnover Rate (ETR) of the institution in parallel with the number of departing employees in the period from 2018 to 2023. It can be observed that the institution presents a growing turnover rate, although it showed a significant reduction in 2021 to about 4%.

5.2. Absenteeism Rate (AR)

The absenteeism rate determined here had turnover as its main factor, that is, after the resignation (termination) of a faculty member, the Faculty of Economics (FE), in the specialization cycles of the undergraduate degree, recorded a period of absence of the departing lecturer and consequently class interruptions.

According to the data collected in the interviews, the institution does not have immediate substitute lecturers in the specialization periods, that is, from the third (3rd) to the fourth (4th) year, which therefore creates the need for new hires. In the case of admission through a public recruitment process, the minimum hiring period is about 2 years, leading the institution to record a level of absenteeism in the classrooms due to the absence of lecturers.

According to the interviews conducted, the maximum period for replacing a departing lecturer through direct hiring is about 1 month (i.e., 30 days). However, considering the regular weekly teaching days (5 days per week), this corresponds to 20 days.

Table 7: Hours of absence of the departing Assistant Professor without classes

Description	Value / Formula	Result
Number of departing lecturers	-	6
Weekly teaching load / lecturer	-	10 hours
Teaching days / week	-	5 days
Daily teaching load	Weekly teaching load ÷ Teaching days / week	2 hours / day
Period without replacement (through direct hiring)	-	20 days
Hours without classes / lecturer	2 hours/day × 20 days	40 hours
Total hours without classes (6 lecturers)	6 lecturers × 40 hours	240 hours

Source: Research Data (2025)

According to the data presented in Table 7, it can be seen that one (1) departing Assistant Professor, considering the replacement period through direct hiring, accounts for approximately 40 hours of absence. In other words, the level of absenteeism in terms of hours is 40, and when considering the six lecturers in this category, the total absenteeism hours amount to 240.

5.3. Determination of the Absenteeism Rate (AR)

The absenteeism rate seeks to determine the absenteeism index of a worker, in this case a faculty member, considering the hours of absence and the normal working hours established by law.

Hours of absence of one lecturer (Assistant Professor) = 40 hours;

Expected hours of one lecturer (Assistant Professor) = 40 hours (reference on an annual basis).

$$AR = \frac{\text{Absenteeism Rate (AR)}}{\text{Number of days or hours of absence}} \times 100\%$$

$$AR = \frac{40 \text{ hours}}{40 \text{ hours}} \times 100$$

$$AR = 100\%$$

The absenteeism rate of a departing faculty member is 100%. In other words, during the period in which the faculty member remains unfilled until another is hired to cover the vacancy, students are left without classes, while the institution continues to bear the costs of maintaining all teaching conditions during this unproductive period.

5.4. Cost Structure Analysis

Given the number of permanent faculty members, considering both entries and exits, it was possible to observe fluctuations in the cost structure. The higher the number of faculty members in a given fiscal year, the greater the cost structure.

Table 8: Cost Structure

Year	No. of Faculty	Salary (Akz)	Cost Structure (Akz)
			de custos
2018	41	2 104 950,18	86 302 957,38
2019	49	2 104 950,18	103 142 558,82
2020	48	2 104 950,18	101 037 608,64
2021	43	2 104 950,18	90 512 857,74
2022	51	2 104 950,18	107 352 459,18
2023	55	2 104 950,18	115 772 259,90
Total	-	12 629 701,08	604 120 701,66

Source: Research data (2025)

The table above presents the cost structure based solely on faculty remuneration over the years. Remuneration costs varied over time, influenced by the number of faculty members listed on the payroll. The fiscal year 2023 recorded the highest cost structure value, due to staff turnover, that is, a positive variation resulting from the entry and exit of faculty members in the institution.

5.4.1. Costs for Hiring a Faculty Member

For the recruitment and onboarding of a faculty member, the institution follows specific procedures and incurs costs, as detailed in the table below.

Table 9: Costs for Hiring a Faculty Member

Nature of Cost	Stage	Value (Kz)
Radio and Newspaper	Public course announcement	83.750,00
Meals	C.C. deliberation and commission setup	192.000,00
Consumables	Public course announcement	89.890,00
Communication	Public course announcement	340.500,00
Jury Panel Commission	Publications	1.100.000,00
Training / Seminars	Publications	940.000,00
Grand Total	-	2.746.140,00

Source: Research Data (2025)

For the recruitment of a faculty member through a public tender, the institution incurs a total cost of 2,746,140.00 Kz (Two Million, Seven Hundred and Forty-Six Thousand, One Hundred and Forty Kwanzas). The determination of its unit cost depends on the number of faculty members hired. Due to price fluctuations and the inclusion or removal of elements (cost categories), the total amount may be updated, meaning it must be determined according to the specific circumstances of the period under analysis.

Based on the position of Localateli et al. (2023) and Santos, M. & Santos, R. (2022), the cost of dismissing a worker also includes the cost of hiring them. Therefore, for the calculation of the total cost of faculty turnover and the unit cost of dismissed faculty members, the hiring cost will be taken into account, as further detailed in Table 10.

Table 10: Unit cost of admitted and dismissed lecturers

Year	Total Cost (Kz)	Dismissed	Unit Cost of Dismissal (Kz)	Admitted	Unit Cost of Admission (Kz)
2018	2.746.140,00	3	915.380,00	8	343.267,50
2019	2.746.140,00	3	915.380,00	19	144.533,68
2020	2.746.140,00	4	686.535,00	5	549.228,00
2021	2.746.140,00	2	1.373.070,00	5	549.228,00
2022	2.746.140,00	3	915.380,00	13	211.241,54
2023	2.746.140,00	6	457.690,00	11	249.649,09
Total	2.746.140,00	21	—	61	—

Source: Research Data (2025)

The total unit cost of dismissing a lecturer during the period under review is 130,768.6 Kz (One Hundred and Thirty Thousand, Seven Hundred and Sixty-Eight Kwanzas and Six Cents). This may vary according to the number of dismissals in each year, that is, the higher the number of dismissals, the lower the unit dismissal cost of that year, and vice versa. As shown in Table 10, the unit cost in 2023 was the lowest due to the higher number of dismissals, while the unit cost in 2021 was the highest since the institution absorbed fewer dismissals that year.

The cost of admission follows the same principle: the higher the number of admissions, the lower the unit cost of admission. The total unit cost of admission, considering the total number of workers during the period under analysis, is 45,018.69 Kz.

5.4.2. Hidden Costs of Turnover and Absenteeism

Hidden costs can be determined using two methods: SOF and the Structural Cost Contribution Method (SCCM). For this research, the SOF method was applied.

a) Functional Diagnosis (Identification of Dysfunction)

This phase consisted of identifying dysfunctions, which, according to the observation technique applied by the authors, were identified at FEUON as follows: absence from the workplace (classroom) for a period of 30 days, associated with lecturer turnover based on dismissal.

b) Determination of Hidden Costs

Hidden costs are generated by dysfunctions which, according to the data collected through

interviews and observation, originate not only from absenteeism but also from the turnover of teaching staff.

The total unit cost is 130,768.6 Kz (One Hundred and Thirty Thousand, Seven Hundred and Sixty-Eight Kwanzas and Six Cents).

Turnover Cost (TC) = average cost per employee × number of dismissed lecturers

Turnover Cost (TC) = $130,768.5714 \text{ Kz} \times 21$

Turnover Cost (TC) = 2,746,140.00 Kz, the visible cost of turnover.

$$\text{Turnover Rate (TR)} = \frac{\text{number of employees dismissed}}{\text{institution's average staff}} \times 100\%$$

$$\text{TR} = \frac{21}{48} \times 100\% \rightarrow \text{TR} = 44\%$$

Hidden Turnover Cost = Visible Turnover Cost × TR

Hidden Turnover Cost = 2,746,140.00 AOA × 44%

Hidden Turnover Cost = 1,208,301.60 AOA

Absenteeism Cost = Turnover Cost × Absenteeism Rate

Absenteeism Cost = 2,746,140.00 AOA × 100%

Absenteeism Cost = 2,746,140.00 AOA

Table 11: Determination of hidden and visible costs using the SOF method

Hidden Cost Indicators Non-production	Component	Total Costs
	Não produção	
Absenteeism	2.547.165,6	2.547.165,6
Turnover (hidden)	1.208.301,60	1.208.301,60
Total Hidden	3.755.467,20	3.755.467,20
Turnover (visible)	2.746.140,00	2.746.140,00
Grand Total	6.501.607,20	6.501.607,20

Source: Field Research (2025)

According to the table above, the diagnosis carried out on the services provided by the Faculty of Economics of the 11 de Novembro University (FEUON), based on socioeconomic theory, identified only one component—non-production—caused by dysfunctions resulting from absenteeism and faculty turnover during the academic years 2018 to 2023.

According to the Social, Organizational, and Financial (SOF) method, during the six years under study, both hidden and visible costs were recorded, amounting to 6,501,607.20 Kz (Six Million, Five Hundred and One Thousand, Six Hundred and Seven Kwanzas and Twenty Cents).

The hidden costs identified, totaling 5,293,305.60 Kz (Five Million, Two Hundred and Ninety-Three Thousand, Three Hundred and Five Kwanzas and Sixty Cents), will be added to the cost structure,

considering the six-year period under analysis. That is, the average hidden costs resulting from turnover per year will be the quotient between the total costs identified and the number of years analyzed. Thus, we obtain:

- Annual (Average) Turnover and Absenteeism Costs = $\frac{\text{Total Hidden Cost}}{\text{Number of Years Under Analysis}}$
- Average Annual Hidden Costs (Turnover) = $\frac{6.501.607,20 \text{ kzs}}{6}$

Average Annual Hidden Costs (Turnover) = 1.083.601,20 Akz. This means that the faculty incurred an annual cost, with a large hidden or even invisible percentage, amounting to 1,083,601.20 Akz (One Million Eighty-Three Thousand Six Hundred and One Kwanzas and Twenty Cents), which will be added to the cost structure.

Table 12: Restructuring of Faculty Costs

Year	Nº of	Salaries	Cost	Costs	Total
	Faculty	(Akzs)	Structure	Turnover and Absenteeism	
2018	41	2 104 950,18	86 302 957,38	1 083 601,20	89 491 508,76
2019	49	2 104 950,18	103 142 558,82	1 083 601,20	106 331 110,20
2020	48	2 104 950,18	101 037 608,64	1 083 601,20	104 226 160,02
2021	43	2 104 950,18	90 512 857,74	1 083 601,20	93 701 409,12
2022	51	2 104 950,18	107 352 459,18	1 083 601,20	110 541 010,56
2023	55	2 104 950,18	115 772 259,90	1 083 601,20	118 960 811,28
Total	-	12 629 701,08	604 120 701,66	6 501 607,20	620 252 009,94

Source: Field Research (2025)

From Table 12, it can be seen that turnover and absenteeism generated costs, averaging 1,083,601.20 Akz annually, and these costs were not considered when determining the cost structure. It can also be observed that the previously determined cost structure did not express the exact reality of the facts, since part of the personnel costs, namely 6,501,607.20 Akz, were not recorded over the six (6) years, as they were hidden and not identified by traditional methods, except for the visible ones.

VI. DISCUSSION

The analysis carried out showed that faculty turnover at the Faculty of Economics of the Universidade 11 de Novembro (FEUON) has generated significant hidden costs, which directly

impact the institution's cost structure but had not previously been properly recognized or measured.

From the theoretical framework, it is clear that authors such as Chiavenato (2014), Marras (2011) & Santos, M. and Santos, R. (2022) have already highlighted the financial and organizational effects of employee turnover. In the specific case of the Faculty of Economics of the Universidade 11 de Novembro, the empirical data corroborate these insights, revealing a significant average turnover rate, peaking at 11% in 2023, and an absenteeism rate of 100%, which resulted in average annual hidden costs of 1,083,601.20 Akz.

The main causes of turnover and absenteeism identified were dissatisfaction with working conditions, deficient institutional policies, lack of incentives, and limited career progression

opportunities. This confirms the theoretical proposition that turnover is not solely due to external factors, but also the absence of effective human resource management policies (Xavier, 2006; Cardozo, 2005).

Another relevant point was the high level of faculty absenteeism, which directly impacted the interruption of classes, particularly during the specialization phase of undergraduate studies, resulting in negative consequences for the quality of education provided. This phenomenon, associated with a lack of planning and rapid replacement, led to 240 hours of classes not being taught per year, which, in addition to the pedagogical loss, represents a real economic cost. Therefore, the institution has been operating with an underestimated cost structure. The inclusion of hidden turnover costs revealed a deviation of more than 5 million Kwanzas (Akz) over six years, a figure that compromises strategic decisions based on incomplete information.

VII. FINAL CONSIDERATIONS

This research demonstrated, based on socio-economic theory and the foundations of Cost and Management Accounting, that faculty turnover at the Faculty of Economics of the Universidade 11 de Novembro (FEUON) has been a significant source of hidden costs. Using an exploratory-descriptive methodological approach, combined with the application of the SOF method, it was possible to quantify impacts that substantially affect the institution's productivity, resulting in hidden costs. Hence, it is recommended to integrate cost and management accounting into the personnel department to allow continuous measurement of hidden costs.

During the economic years 2018 to 2023, the institution recorded 21 faculty resignations, with an average turnover rate of 7.2%, reaching 11% in 2023, the highest rate of the period. These resignations, driven by poor working conditions such as workload, lack of equipment and classroom air conditioning, institutional policies—particularly concerning remuneration, medical assistance, housing, access to credit, and career progression difficulties—resulted in total

hidden costs of 5,293,305.60 Akz (Five Million, Two Hundred and Ninety-Three Thousand, Three Hundred and Five Kwanzas and Sixty Cents), averaging 882,217.60 Akz per year.

As pointed out by Chiavenato (2009; 2014), turnover costs include both direct expenses (such as recruitment, selection, and termination) and intangible effects (loss of productivity, impact on organizational climate, and institutional image). At FEUON, these costs are further manifested by 100% absenteeism during periods without faculty replacement, representing 40 hours of missed classes in a single year, totaling 240 hours over the six years analyzed.

Therefore, as emphasized by Xavier (2006) and Cardozo (2005), valuing human capital is a central element for institutional performance. At the Faculty of Economics, the absence of faculty retention programs, a structured career progression system, and continuous training plans contributed to increased turnover and, consequently, to the rise in structural costs.

The theory defended by Locateli et al. (2023), which states that the cost of turnover goes beyond the visible and undermines organizational competitiveness, is fully confirmed in this study. Hidden costs from turnover and absenteeism significantly and silently increase the cost structure of the Faculty of Economics of the Universidade 11 de Novembro, affecting the institution's economic, financial, and academic results. Thus, it is recommended to adopt personnel planning strategies that allow for agile and less impactful replacements, and to build an institutional career model with incentives for training, scientific production, and professional stability.

Finally, this study contributes to the literature by reinforcing that turnover is not merely a personnel flow phenomenon, but a generator of costs and organizational dysfunctions. Its non-identification and measurement can compromise the efficiency, effectiveness, and sustainability of public higher education institutions in Cabinda.

RECOMMENDATIONS

In light of the results obtained, we recommend the following for the Faculty of Economics of the Universidade 11 de Novembro (FEUON):

1. To implement faculty retention policies, including economic incentives and social benefits, as a way to reduce resignations motivated by dissatisfaction;
2. To structure a transparent career progression plan, capable of ensuring professional appreciation and continuous motivation of the faculty (Cardozo, 2005);
3. To adopt strategies for the immediate replacement of resigned faculty members, minimizing the effects of prolonged absenteeism and ensuring the continuity of pedagogical activities (Santos & Santos, 2022);
4. To integrate cost and management accounting into the personnel department for the continuous measurement of hidden costs, applying methods such as the Contribution of Structural Costs, in order to support strategic decisions (Savall & Zardet, 2006; Deco, 2023).

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Methods: The study sampled four-hundred (400) NHS employees by limiting the study areas to three areas of the nine in England, including London, the North East, and the North West. Thereafter, descriptive and logit regression analysis was applied.

Findings: The descriptive analysis showed that 73.3% of sampled respondents were within an economic active age. The logit regression showed that housing cost as independent variable had an inverse effect on financial status and NHS retention, while utility charges, services charges and council tax showed direct effects. Also, house cost showed a direct effect on NHS recruitment. Implying that rising housing are likely to reduce the income of NHS' employees and make it harder for the NHS to retain its staff.

Conclusion: The study concluded that rising housing cost among NHS employees worsen their financial status, and reduced employees' retention in the organisation.

Implications: NHS administration should implement housing policies for its entire workforce, through provision of reasonable housing allowance or partnering with housing developers to offer affordable housing option in order to reduce financial constraints and improve staff retention.

I. INTRODUCTION

Globally, healthcare services are often prioritised among various units of government in order prevent disease, pandemic, and promote health. Considering this, the World Health Organization (WHO) states that "health is a fundamental human right, essential for the exercise of other rights and for social and economic development" (WHO, 2023). This shows that access to healthcare services is a fundamental human right, not privilege. In the United Kingdom (UK), this statement also holds true, as the government ensures accessibility to healthcare services through various initiatives and health schemes put in place.

One of the most common healthcare service schemes operating across the provinces in the UK is the NHS. The National Health Services (NHS) is tasked with both delivering these health care services to a sizable population and guaranteeing their accessibility across countries in the UK. Propper et al. (2021) state that the NHS makes sure that everyone, regardless of financial status, has complete and universal access to healthcare services. In light of this, research has demonstrated that the NHS's participation in UK's health care has improved health outcomes, including life expectancy and infant mortality rates (Roderick & Pollock, 2022). In addition, since the participation of NHS in UK's health sector from July 5th, 1948, it has made it possible

for a large number of the public to access health care, as well as, reduced the disparity that often occurred in health care services among different socioeconomic group in the UK. For instance, the NHS has improved patient outcomes and survival rates by tackling cancer through programs like the Cancer Treatment and Research Programme (NHS, 2020).

Meanwhile, the success of NHS in the UK without a doubt also depends on the quality of workforce present in the organisation. The workforce unit of the NHS may be classified into four that include healthcare professionals, healthcare support staff, managers and finance staff and other roles. According to Roderick and Pollock (2022), one of the primary responsibilities of healthcare professionals is to treat patients with medical care and support them medically in order to improve healthcare outcomes, save lives, and improve patients' quality of life through their knowledge, empathy, and utmost commitment. These staff make sure that duties are carried out efficiently in the unit, enabling patients to obtain quality healthcare services. Despite the contributions of various NHS workforce in the UK, many of them face housing challenges that affect their stability within the organisation.

However, when staff that ensure smooth running of the NHS' programmes have a good residence that are affordable, these personnel is likely to provide their optimal services to patients and healthcare seekers, which goes a long way in impacting productivity and performance. According to Chung et al. (2020), productivity within the context of healthcare services concentrates on increasing production while decreasing waste in the process of rendering healthcare services for patients. Once optimal productivity is achieved through ensuring that staff are well-accommodated, performance that include achieving targeted health outcomes and patient satisfaction is likely possible of attaining by NHS. Given this, Cribb et al. (2023) remark that one of the most important ways to guarantee that a business keeps its best brains is to ensure that they have access to low housing cost, as well as, suitable working conditions. Considering this, home assistance is essential to population and

public health staff. Also, Grewal et al. (2024) discovered that homeownership is a key indicator of success. Given the significance of housing, research has looked at a variety of housing-related characteristics, such as homeownership, affordability, and the burden of housing costs, and their implications on health (Yi, 2023; Chung et al., 2020).

In the current 21st century, the UK that comprise of four constituent countries of England, Scotland, Northern Ireland and Wales is facing high cost of housing, in which majority of her citizens with many professional individual, including NHS staff of England are no exempted. For instance, a study conducted by Cribb et al. (2023) supports the above claim and revealed that 21% of the poorest income realised in 2021 was spent on housing, while a significant portion of the monthly income of many poor individuals in the UK was spent on housing. Given that the majority of NHS employees are members of the lower and middle classes, it is likely that a sizable portion of the workforce also faces these issue. In the case of NHS employees, the Housing Executive (2023) found in a survey that 68% of the sampled NHS employees nationwide confirmed that they do not have access to affordable housing in their local communities, which also contributes to the organization's 154,000 staff shortfall. Since many employees find it difficult to afford quality housing closer to their places of employment, this problem is likely to have an impact on the organization's operations, especially on issues like low retention rate and frequent recruitment process to fill the vacancies; while, on the staff's part, will have bad financial status, as many of them spend exorbitantly on housing, which affect access to some essential needs. For instance, the high cost of housing is likely to lead to many alternatives forgotten, which results into unable to satisfy some other basic needs.

The UK government in her approach has rolled out some policies to tackle the high housing cost within the country, with England government taking such steps also. For example, the "Affordable Home Programme (AHP)," which runs from 2021 to 2026 has expended the sum of

£4 billion to support its effective implementation of providing affordable housing (GOV.UK, 2025). Even with government support programmes in place throughout the UK, some average family cannot afford the high cost of decent house, which requires a significant amount of their yearly salary to adequately maintain. Considering this, Building Research Establishment (2025) discloses that the NHS needs the sum of £1.4 billion on annual basis to meet-up with poor-quality housing and staff housing needs.

The current study's justification is based on rising housing costs and their effects on NHS employees' financial indicators, hiring and retention, productivity, and performance. Meanwhile, England is considered being among the four countries that makes up the UK and due to its unique combination of a public funded healthcare system in the current study and a housing market characterised by significant affordability challenge, making it an important case study. As such, the aim of this paper is to examine the economic effect of rising housing cost on selected employees of National Health Service in England.s

1.1 Statement of the problems

NHS' employees in England are now under financial constraint due to the high cost of decent housing, as many of them are unable to afford suitable accommodation in their operational regions, particularly in London, and the South East of England. NHS employees' general quality of life has been impacted by the ongoing high cost, which has resulted in problems including high stress, anxiety, and lower job satisfaction (Propper et al., et al., 2021; Chung et al., 2020). For instance, some of the organization's employees may live far away, requiring them to travel huge distances, that many affect the level of their daily contributions due to stress. As a result of this, problems such as reduced savings, higher debt for certain employees, the inability to satisfy other basic needs, and other issues are often reoccurring on a monthly basis.

According to available records, 68% of NHS workforce do not have access to affordable

housing, contributing to the organization's 154,000 staff shortfall (Housing Executive, 2023). Because of this, many of the organisation's members are having trouble affording accommodation near their places of employment, which is causing a rise in employees' turnover, and increment in the annual cost of recruitment. However, specialties like nursing and midwifery, where personnel shortages are already common, are particularly affected by this issue. For instance, a Royal College of Nursing research revealed that one of the main reasons nurses chose to quit the field or go elsewhere was the high cost of accommodation (Senek et al., 2020). As a result, the organization now needs to deal with high recruitment expenses and a decline in patient continuity of treatment. Aside this, the Health Foundation research indicated that a lack of employees and a heavy workload were the main causes of NHS employees' poor performance and productivity (Roy et al., 2020). These issues are being made worse by high housing prices, which makes it even harder for NHS employees to deliver high-quality treatment.

Furthermore, studies reviewed in this studies like Morrow and Lynch (2025), Meadows et al. (2024), Grewal et al. (2024), Broadbent et al. (2023) and Broadbent et al. (2023) basically used a systematic review approach and simple percentage approach, while Gai et al. (2024) employed a panel two-way fixed effect approach. For instance, Meadows et al. (2024) employed a systematic review by reviewing studies from PubMed, Embase, MEDLINE, and HMIC, using a time frame of 2020 to 2023. Ali-Akbar et al. (2007) assert that a systematic review study is primarily dependent on high-quality resources, and that the lack of such materials may lead to biased conclusions and methodological gaps that make the findings unsuitable for the implementation of policies. This suggests that there is methodological gap. As such, the present study applies logit regression analysis, to analyse the economic effect of rising housing cost on the selected employees of the National Health Service in England. Logit regression is a binary response approach that allows a researcher to estimate the

probability of an event occurring based on assigned predictor variables (Falade, 2020).

1.2 Objectives of the study

The broad objective is to examine the economic effect of rising housing cost on selected employees of National Health Service in England. Others include;

- i. To identify the socio-economic characteristics of the selected employees of the National Health Service in England,
- ii. To investigate how rising housing cost affect the financial status of the selected employees of the National Health Service in England,
- iii. To determine the nexus between rising housing cost and recruitment and retention of the selected employees of the National Health Service in England.

II. LITERATURE REVIEW

2.1 Housing and Workforce Retention

Grewal et al. (2024) evaluated the relationship between home costs and inhabitants' health using a systematic review. According to reviewed research, housing price changes are not uniform across all regions and are also linked to physical and mental health outcomes, with renters and those with lower incomes in the economy suffering from the negative health effects of rising housing costs. Conversely, it was shown that homeowners and those with higher incomes benefited more from rising housing costs. The study came to the conclusion that different participants in the market do not fairly share in the possible health benefits linked to increased home prices.

Additionally, Bosque-Mercader and Siciliani (2023) investigated the relationship between hospital quality in the English National Health Service and bed occupancy rates. Multi-regression analysis as a regression technique was taken into consideration. Analysis revealed that, bed occupancy rates showed a negative correlation with patient-reported health gains and a positive and substantial impact on overall and surgical mortality. Implying that high bed

occupancy rates are linked to poorer hospital quality, which has an impact on patient care services' performance and overall productivity.

Yi (2023) also looked into how homeownership and the burden of housing costs affected people's self-rated health in Chinese cities. Empirical investigation indicated that the discriminatory hukou system, which worsens migrants' access to social support and places them in a socioeconomically disadvantaged position, is largely to blame for the health decrease among migrants. Investigating the factors that contribute to nurses' work discontent in the UK was a major focus of Senek et al. (2020). A cross-sectional mixed-methods survey was used in the study. Using a simple percentage technique, it was demonstrated that two-thirds of the nurses who participated in the survey had to deal with high housing costs in their homes, which had an impact on their performance and productivity and increased employee turnover. It was determined that a significant percentage of nurses expressed feelings of discontent and discouragement. Additionally, Brimblecombe et al. (2020) looked at how unpaid care affected the health and employability of young people in England between the ages of 16 and 25. The study used a longitudinal method using a sample of households in the United Kingdom. The expenses of young adults providing care to the state are £1048 million a year, according to an empirical estimate. Therefore, it was concluded that the practice in the fields of health, social care, employment, and welfare benefits is determined by the high costs to the state and the significant individual consequences of providing unpaid care.

2.2 Financial Stress And Mental Health

Meadows et al. (2024) examined the UK's cost-of-living dilemma in light of its substantial effects on population health. Through empirical investigation, it was found that persistent increases in the cost of living had a negative impact on people's physical and mental health, especially for vulnerable groups including small children, the elderly, and those with chronic multi-morbidity. Therefore, it was determined

that a high cost of living had a negative impact on all economic actors.

However, the study by Gai et al. (2024) examined the relationship between housing stress and healthcare expenses in China. Panel data analysis was used in the study. According to the estimates, there was a substantial positive association between home stress and medical expenses. Implying that healthcare expenses increase by 0.141 for every 1% increase in housing stress. The study came to the conclusion that housing stress has a negative impact on healthcare expenses as well as the performance and productivity of Chinese healthcare personnel. Therefore, it is advised that the Chinese government take steps to reduce housing stress, increase family income, and improve the health of its citizens.

Broadbent et al. (2023) investigated how the cost-of-living issue affected health professionals' public health. The substantial effects on both physical and mental health were the primary focus of the investigation. The findings indicated that health professionals' financial well-being is impacted by the high cost of living problem, particularly when it comes to covering their basic needs and improving their performance and productivity.

Zhou et al. (2022) investigated the relationship between migrant workers' multifaceted poverty in China and public health services. The study's scope was restricted to 2018–2021. It was shown that the new generation of migrant female workers in the western area experience multidimensional poverty reduction most effectively when public health services are improved. Thus, the study came to the conclusion that migrant workers' poverty is decreased by public health services. Roy et al. (2020) also looked at how National Health Service (NHS) ambulance workers felt about the most recent increase in the NHS occupational pension age. To achieve this, 35 in-depth interviews with the chosen respondents were carried out. The findings indicated that ambulance workers want to leave their jobs well before they reach retirement age because they are more concerned about whether their work demands can be

sustained and because their social support is eroding, both of which have a negative long-term impact on an organization's performance and productivity. Furthermore, the majority of the tested ambulance workers believe that their employers have deceived them by delaying their retirement because of the shift in the pensionable age, which has a negative impact on staff retention.

The impact of housing as a social predictor of health and wellness among healthcare professionals was examined by Steve et al. (2020). Tenants in west central Scotland were sampled for a longitudinal research in order to do this. The supply of housing services, the quality of the property, and neighbourhood characteristics were shown to be the main factors that were strongly connected with health and wellbeing measurements. Therefore, it was determined that including accessibility into housing policy and practice for employees helps to focus on housing as a public health priority.

McBride et al. (2023) investigated the relationship between financial status and depression risk among UK healthcare professionals. The study employed a longitudinal survey data technique, and the relationship between depression and financial status was evaluated using a logistic regression analysis. It was established that having financial status at baseline was associated with a greater likelihood of experiencing depression symptoms at follow-up. Additionally, among healthcare professionals, financial problems rose for 43.8% and fell for 9%. It was determined that healthcare personnel in the UK are at a higher risk of depression, which results in subpar service performance.

The effect of short-term financial aid on medical expenses for veterans who are homeless was examined by Richard et al. (2021). Over the years, it was experimentally confirmed that veterans who got short-term financial aid had \$352 lower quarterly healthcare expenses than those who did not. It was suggested that providing homeless individuals with secure homes would lower healthcare expenses. Meanwhile, Chung et al.

(2020) studied the relationship between housing affordability and the emotional and physical well-being of Hong Kong's healthcare professionals. A stratified random sample was used in the investigation. It has been demonstrated that housing affordability is linked to employees' physical and emotional well-being, which improves their performance and productivity, increases their retention rate, and lessens the cost on the hiring process. Moreover. The UK's health and social care funding was the focus of Charlesworth and Johnson's (2018) study. A critical evaluation found that in order to sustain NHS provision for a stronger social care system, UK healthcare spending will need to increase by an average of 3.3% annually over the next 15 years.

Gender disparities in US healthcare professionals' pay and benefits were examined by Kathryn and Atheendar (2019). It has been shown that a large number of female healthcare professionals, especially women of colour, experience financial hardship and lack health insurance, which has an impact on their ability to satisfy their daily demands. Additionally, it has been found that increasing the minimum wage to \$15 per hour lowers poverty rates among female healthcare workers by 27.1% to 50.3%. It was concluded that substantial adjustments to the healthcare compensation system are necessary to promote gender equality and racial/ethnic justice as well as better economic success.

2.3 Systemic Healthcare and Performance

Morrow and Lynch (2025) studies the financial viability of home support in Ireland through exploring complex issues. By doing this, the research brought attention to the issues that act as threats when the economic support on rising housing cost are not adequately solved. As such, the studies discovered that inadequate home support worsen problems including low pay, job instability, and high staff turnover, all of which have a negative impact on service quality. Due to low performance and productivity, the study found that inadequate home support services for healthcare professionals had an impact on the provision of high-quality services. With the

suggestions that addressing the issue requires boosting government investment, creating career pathways and professional development, and improving pay and working conditions.

Also, Rodgers et al. (2018) investigated the financial benefits and health effects of fulfilling housing quality criteria. When the authours examined data from a natural experiment of house modifications in Carmarthenshire, UK, they discovered that there was a correlation between fewer emergency hospital admissions and upgrades to electrical systems, windows and doors, wall insulation, gardens, and estates. The findings of the study imply that raising housing quality standards can have important positive effects on both the economy and human health. However, a research on the cost-benefit analysis of the lockdown in the UK during the COVID-19 pandemic was carried out by Miles et al. (2021). The outcome demonstrated that a quick relaxation of limits is now necessary since the costs of maintaining strong restrictions are so high in comparison to the potential benefits in terms of lives saved. According to the study's estimation, the biggest benefits of avoiding the worst fatality case scenario were 40% greater than the lowest estimate of lockdown costs.

2.4 Gap to Fill

Despite various existing studies on NHS and housing affordability, there still remains a significant gap in understanding the specific effect of housing affordability and workforce stability in the NHS in England, while few available studies have individually explored the relationship between housing costs and health outcomes (Grewal et al., 2024; Zhou et al., 2022), housing stress and healthcare expenses (Gai et al., 2024), and housing affordability, employees' physical and emotional well-being (Chung et al., 2020). Aside this, majority of studies available basically use simple approach technique, hence, brings a need for further research using a robust technique (logit regression) that produces a more scientific inference.

2.5 Theoretical Framework and Methodology

The current study adopted the research onion model, which was proposed by Saundier et al. (2009) for the methodology section. The model has six layers that include research philosophy, research approach, research strategy, choice, time horizon and technique and procedure. In doing so, the study embraced positivism research philosophy, which holds that conclusions drawn from the study should primarily be based on facts rather than subjective opinions. Considering this, the study used Marshall's (1890) efficiency wage theory as the theoretical preposition in achieving the positivism research philosophy concept. The theory's assumption is that in order to boost productivity, lower turnover, and boost employee morale, businesses operating in a particular economy should make sure that workers' wages are higher than the market-clearing rate. According to the Housing Executive (2023), the NHS may need to pay higher wages in order to recruit workers, given that it is short of 154,000 employees to meet the needs of all UK people who require healthcare services. Nonetheless, research has demonstrated the applicability of the theory in comprehending the relationship between housing costs and employees' salaries and productivity levels in a company. For example, a research by Richard et al. (2021) demonstrated that companies that offer efficiency wages face lower turnover and increase productivity, particularly in high-skilled worker industries.

The deductive research approach was used to satisfy the second layer. Since the current investigation was predicated on the theoretical framework of applying efficiency wage theory, the use of deductive reasoning was justified. Yin (2014) asserts that the use of the deductive approach is predicated on a theoretical framework with the intention of expanding upon the body of current theory. The third layer is the research strategy, whereby the current study used a case study with the restriction of focusing on the National Health Service employees who work in England, by limiting the study areas to three areas of the nine in England, including London, the North East, and the North West. The reason for

choosing these three is that they are the top three with the highest NHS' employees in England.

Choice is the subject of the concept's four layers. Both qualitative and quantitative data types, which may be mixed, mono, or multi-method are well-identified in literature. Mono (quantitative) was employed for this investigation. Utilising a single technique was the justification for its usage. The researcher created an online questionnaire to gather quantitative data in accordance with previous study on the subject. Considering this, the study's sample size consisted of four-hundred (400) NHS employees from three regions of England, including London, the North East, and the North West, while the Taro Yamane approach (1967) was employed to determine the sample size. The analysis of both the total population and sample size are given below in Table 1 and the equations (i).

Table 1: Total Population

Region Use	NHS' Staff
London	192,891
North East	165,871
North West	152,222
Total	510,984

Source: <https://digital.nhs.uk/data-and-information/publications/statistical/nhs-workforce-statistics>

The Taro Yamane technique (1967) is stated below in equation i;

$$n = N / (1+N(e)^2) \dots \dots \dots (i)$$

Where, n : sample size, N : the population and e : the margin error (it could be 0.10, 0.05 or 0.01)

Substituting the total population from the Taro Yamane technique (1967), we have equation ii below;

$$n = 510,984 / (1+510,984 (0.05)^2) \dots \dots \dots (ii)$$

$$n = 399.99, \text{ approximate to 400.}$$

The respondents attended to the questionnaire via online, which served as the instrument for this investigation. The researcher distributed the surveys using the google form that was used to create it. Cronbach's alpha was utilised to evaluate the instrument's dependability (0.76). Given this,

studies have demonstrated that a high Cronbach's alpha value ($\alpha > 0.7$) indicates strong internal consistency (Patton, 2015; Yin, 2014). The instrument utilised was appropriate as the Cronbach's alpha value was deemed high. Additionally, the populations of the North East, North West, and London areas that were sampled varies; therefore, using the same sample for all of the areas would be biased. To achieve this, a proportionate statistical sample size was

distributed across the three regions that were chosen using equation iii as used by Falade et al. (2020).

$$N = \frac{P_1}{n} \times n_1 \dots \dots \dots \quad (iii)$$

Where

N = Sample population, P_1 = Population of each unit, n = Total population of the study area

n_1 = Calculated sample for the total population; therefore, we have

Table 2: Proportionate Sample Size

$\text{London} = \frac{192,891}{510,984} \times \frac{400}{1} = 151$	$\text{North West} = \frac{152,222}{510,984} \times \frac{400}{1} = 119$
$\text{North East} = \frac{165,871}{510,984} \times \frac{400}{1} = 130$	

Source: *Self-developed (2025)*

The fifth layer is time horizon that deals with time of data collection. The study used cross-sectional because the data used in the study were collected at a certain point in time. Furthermore, the six layer that deals with the technique and procedure was achieved using logit regression analysis. The rationale for considering the logit is due to binary response of the variable. According to Ayeomoni and Falade (2020), binary response is a type of data analysis that deals with two possible outcome values. Since the questionnaire outcome is in two categories of YES (1) and NO (0); hence, justified its usage.

The equations below expressed the models for the logit analysis.

Second Objective: To investigate how rising housing cost affect the financial status of the selected employees of the National Health Service in England,

In achieving the objective two, the model is stated mathematically below;

$$\text{FINS} = f(\text{HOST}, \text{UTIC}, \text{SERC}, \text{COUN}) \dots \dots \dots \quad (iv)$$

Where; HOS: Housing cost, UTIC: Utility charges, SERC: Services charges and COUN: Council tax

Putting equation (iv) in econometric form, we have equation (v)

$$\text{FINS} = \beta_0 + \beta_1 \text{HOST} + \beta_2 \text{UTIC} + \beta_3 \text{SERC} + \beta_4 \text{COUN} + \gamma \dots \dots \dots \quad (vi)$$

Third Objective: For objective three, we have equation (vii)

$$\text{RECT} = f(\text{HOST}, \text{UTIC}, \text{SERC}, \text{COUN}) \dots \dots \dots \quad (vii)$$

$$\text{RETE} = f(\text{HOST}, \text{UTIC}, \text{SERC}, \text{COUN}) \dots \dots \dots \quad (viii)$$

Where; RECT: NHS recruitment and RETE: NHS retention

The econometric forms of equation (vii) and (viii) are given below

$$\text{RECT} = \delta_0 + \delta_1 \text{HOST} + \delta_2 \text{UTIC} + \delta_3 \text{SERC} + \delta_4 \text{COUN} + \omega \dots \dots \dots \quad (ix)$$

$$\text{RETE} = \varrho_0 + \varrho_1 \text{HOST} + \varrho_2 \text{UTIC} + \varrho_3 \text{SERC} + \varrho_4 \text{COUN} + \chi \dots \dots \dots \quad (x)$$

Lastly, ethic consideration, especially the privacy of the respondents was strictly protected in order to obtain unbiased result.

Table 3: Measurement of Variables

Variables	Question	Measurement
FINS	Weekly pay band	£500 –below (0), £500-above (1)
RECT	The high cost of housing has led to high turnover of NHS' employees, resulting in the need for regular recruitment of new employee by the organization	Yes (1), No (0)
RETE	The NHS' employees stay longer than expected in the organisation despite the rising housing cost.	Yes (1), No (0)
HOST	There is rising housing cost in England that NHS' employees are not exempt from.	Yes (1), No (0)
UTIC	As an NHS employee, paying your utility charges on a regular basis does not affect other essential payment(s)	Yes (1), No (0)
SERC	Payment services charges does not affect the fulfilment of other necessary payments at home.	Yes (1), No (0)
COUN	Council tax payments do not prevent the payment of others essential need.	Yes (1), No (0)

Source: Self-developed (2025)

III. FINDINGS AND DISCUSSION

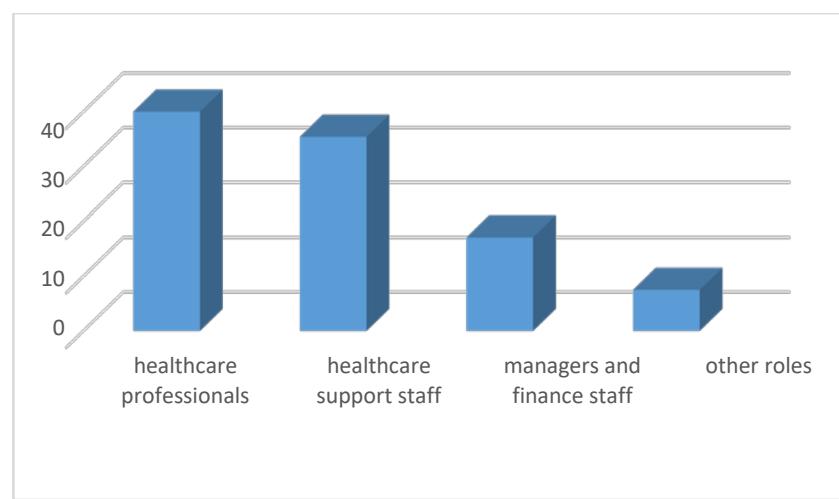
Table 4: Identification of Respondents' socio-Economic Characteristics

Age Status	Freq.	Percent	Educational Status	Freq.	Percent
16year-30years	66	27.5	GCSE-BTEC	11	4.6
31years-45year	110	45.8	Post-16 EDU	59	24.6
46years-60years	51	21.3	Graduate	80	33.3
61years-above	13	5.4	Postgraduate	90	37.5
Total	240	100.0	Total	240	100.0

Source: Field survey (2025)

The Table 4 above depicts the obtained socioeconomic characteristics data of the four-hundred respondents whom are staff of NHS in the sampled areas. From the survey, it was discovered that larger percentage (16-45year) of the sampled respondents were within an economic active age. Implying that NHS'

employees within England were economical productive, judging from 73.3% of the total percentage of sampled respondents. Also, educational level revealed that higher percentage of the NHS' employees are educated to graduate and postgraduate level (70.8%).



Source: Field survey (2025)

Figure 1: Employees Unit

The classification of employees' unit shows that health professional like doctors, physician, nurse, etc., within this unit had ninety-six respondents, indicates 40.0%; health support staff saddled with administration task, domestic and portering tasks, paramedics, ambulance and emergency response crew also had 85 respondents, indicates 35.4%; managers and financial staff that ensure smooth

running of hospital, management, and other essential coordinate service had 41 respondents, represents 17.1%; and other roles also had the lowest value of 18, representing 7.5%. The implication is that NHS has various unit of department and employees that ensures each residents in England receive comprehensive and universal health care services.

3.1 Logit Estimates

3.1.1 Rising Housing Cost and Financial Status

Table 5: Logit Regression Estimate

Variable	Odds Ratio	Std. Err.	z-Statistic	P> z
HOST	-0.7417	0.05	-5.962	0.001**
UTIC	3.0741	0.11	11.22	0.000**
SERC	1.9566	0.08	8.390	0.001**
COUN	2.3871	0.12	7.251	0.001**
_cons	-0.1683	0.15	-11.874	0.000**
Prob. > chi2= 0.0692; Pseudo R2 = 0.333				
Note; odd ratio approximate to 4 decimal place; ** represents significance at 0.05				

Source: Stata Output (2025)

It was discovered as shown from the estimate that housing cost (HOS), utility charges (UTIC), services charges (SERC) and council tax (COUN) showed significant effects on financial status (FINS). Judging from the *p*-value (*p*<0.05) of the

estimated model, the findings imply that the individual relationships that existed between the sampled variables were not unlikely due to chance, but rather occurrence.

3.2 Rising Housing Cost, Recruitment and Retention

Table 6: Logit Regression Estimate

NHS recruitment					NHS retention			
Variable	Coefficient	Std. Err.	z-Statistic	P> z	Coefficient	Std. Err.	z-Statistic	P> z
HOST	0.6368	0.21	2.256	0.024**	-0.2817	0.2	-6.339	0.001**
UTIC	2.7431	0.31	3.363	0.011**	2.4404	0.3	2.974	0.003**
SERC	2.4381	0.11	8.912	0.000**	1.7821	0.1	5.781	0.002**
COUN	6.6994	0.47	4.753	0.011**	1.3472	0.15	1.987	0.047**
_cons	0.1706	0.16	-11.931	0.000**	2.1406	0.2	3.805	0.001**
Prob. > chi2= 0.0501; Pseudo R2 = 0.310					Prob. > chi2= 0.0411; Pseudo R2 = 0.410			
Note; odd ratio approximate to 4 decimal place; ** represents significance at 0.05								

Source: Stata Output (2025)

It was discovered from the logit regression in Table 7 that housing cost had an inverse effect on financial status and NHS retention, while on the

contrary, it showed a direct effect on NHS recruitment.

IV. DISCUSSION OF FINDINGS

It was discovered that housing cost (HOS) had an odds ratio coefficient of -0.7417. Judging from the reaction relationship, house cost (HOS) showed a negativity sign with the financial status (FINS). This indicates that as housing cost (HOS) of NHS employees in England increases, there is probability for employees to experience decline in financial status due to high cost of accessing house. However, the magnitude of the coefficient showed that for every one-unit increases in housing cost of NHS employees in England, they witness 0.7417 decrease in the log-odds having a better financial status; as such, $(1-0.7417) = 0.258$ or 25.8% decrease is likely to be witness by NHS staff for every one-unit increase in housing cost. Considering this, Cribb et al. (2023) reveal that one of the best way in which an organization keeps its best brains is to ensure that they have access to low cost housing, as well as, suitable working conditions. This finding also supports the survey of the Housing Executive (2023) that found 68% of the sampled NHS employees of not having access to affordable housing in their local communities, which also contributes to the organisation's 154,000 staff shortfall. Empirical studies (Morrow & Lynch, 2025; Meadows et al., 2024) found that persistent increase in the cost of housing had a negative impact on people's physical and mental health, with a conclusion that inadequate home support worsen problems including low pay, job instability, and high staff turnover, all of which have a negative impact on service quality.

It was showed from the Table 6 of the logit regression that house cost (HOS) was significant with a *p*-value (0.024). Judging from the odd ratio value, it implies that for every one-unit increase in house cost witness by NHS' employees in England, increased NHS recruitment $(1-0.6368)$ by 36.32%. This shows that high housing cost increases recruitment process for the organisation. This finding supported Atheendar (2019) discovery with a conclusion that recruitment of health professional is basically a merit and professionalism driven. Also, housing cost (HOS) was significant and showed an inverse sign with NHS retention (RETE). The odd

coefficient was 0.2817, with a *p*-value of 0.0011. This show that rising house cost among recruited employees of NHS is likely to reduce employee retention by 71.8%. The economic implication is that workers of NHS that face high housing relative to their wage are likely to experience financial strain, worsening their financial status and increasing the likelihood of employees' turnover as they seek better employment opportunities. Considering this, Morrow and Lynch (2025) and Richard et al. (2021) discovered that rising housing cost without support leads to job instability and high staff turnover.

Also, variables associated with housing cost in England that include utility charges (UTIC), services charges (SERC) and council tax (COUN) were independent studied. From the logit result in Table 6, finding showed that increase in utility charges, services charges and council tax are linked to a higher probability of witnessing increased financial status. For utility charges, this implies that rising cost on basic utilities like electricity and others supplied to NHS employees' house is likely to boost their financial status. Similar findings were established for services charges (SERC) and council tax (COUN), with the implications that rising in the cost of essential service and council tax promote workers' financial status. However, a positivity sign obtained from the coefficient values of utility charges, services charges and council tax negated the *a priori* expectation. The rationale for such is that both utility charges and services charges are essential for NHS' employees to live comfortably. Broadbent et al. (2023) and McBride et al. (2023) discoveries were contrary with the present study findings with the discoveries that the high cost of living, particularly when it comes to health professional covering their basic needs affect their financial status. However, Chung et al. (2020) findings supported the result and showed that housing affordability, as well as, access to basic house need promote Hong Kong's healthcare professionals' status. Furthermore, council tax payment is essential in ensuring citizens have access to essential public need.

V. CONCLUSION AND RECOMMENDATIONS

The study examined the economic effect of rising housing cost on selected employees of National Health Service in England. In doing this, logit regression analysis was used. From the analysis, it was discovered that house cost as independent variable had an inverse effect on financial status and NHS retention, while a direct effect was established for NHS recruitment. Also, utility charges, services charges and council tax showed direct effects. The study concluded that NHS' workforce witnessed high cost of housing that worsens housing affordability and workforce stability in England.

- i. It is recommended that the NHS administration should embark on policies that provide housing options for its employees through provision of reasonable housing allowance that reflect economic reality or partnership with developers to provide moderate house for her employees. This can be strengthened by negotiating with developers for discounted rates and offering interest-free loan for housing deposit.
- ii. It is advised that NHS should offer retention incentive, especially for employees that provide essential health services to citizens. This can be achieved through loyalty bonuses, as well as, giving retention payment to encourage employee that has been with the organisation for a long period.
- iii. The NHS should corroborate with government through promoting policies that assist affordable housing, such as expanding the supply of affordable housing, rent controls, and housing subsidies

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Incorporating “Making to Yourselves Friends of the Mammon of Unrighteousness” into Business Ethics Education: A Theological Ethical Perspective on Teaching Capital Stewardship

Okudaye, Israel Nnamdi, Phd & AGARE, Oghenerume

Delta State University

ABSTRACT

This study explores how theological ethics can enrich business ethics education, using the biblical injunction in Luke 16:9—“make to yourselves friends of the mammon of unrighteousness”—as a framework for teaching capital stewardship. In Nigeria, business ethics has long struggled with challenges such as corruption, greed, and corporate scandals, which weaken both economic progress and public trust. Traditional business education often prioritizes technical competence and profit maximization while neglecting moral formation. As a result, many graduates remain vulnerable to covetousness and unethical practices. This paper argues that theological ethics—especially the principle of stewardship—offers a transformative approach to reorient business education toward accountability, integrity, and social responsibility. By presenting wealth as a divine trust, students can begin to view profit not merely as personal gain but as a tool to promote justice, fairness, and sustainable development. The study also acknowledges the challenges of embedding theological perspectives in secular curricula, including resistance from curriculum designers, the misuse of prosperity theology, and concerns about inclusivity in Nigeria’s religiously plural society.

Keywords: stewardship, integrity, accountability, mammon of unrighteousness, business ethics.

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professional standards. In doing so, it envisions a generation of business leaders who pursue wealth with responsibility, transforming resources into instruments for communal well-being.

Keywords: stewardship, integrity, accountability, mammon of unrighteousness, business ethics.

Autho a: Department of Business Education Delta State University, Abraka.

b: Department of business Administration Delta State University, Abraka.

I. INTRODUCTION

Business ethics in education has become a pressing concern in Nigeria and globally due to the rising incidences of corruption, greed, and corporate scandals that undermine sustainable development. Business education, by its nature, seeks to instill values of integrity, accountability, and responsible management of resources. However, the current realities show that many graduates often replicate the culture of covetousness and unethical practices within industries, which reveals a disconnect between ethical instruction and professional conduct (Adeoye, Oladimeji, & Akinnubi, 2023; Momoh et al., 2025). A theological perspective offers an alternative framework, especially through the biblical reference in Luke 16:9: “make to yourselves friends of the mammon of unrighteousness”. This passage suggests that wealth, although morally neutral, becomes valuable when used responsibly for godly stewardship and service to others (Jesutunwase, 2024). Integrating such teachings into business

ethics education allows students to recognize that capital stewardship is not about worshiping money but rather about channeling it toward socially responsible ends. The problem, therefore, lies in the widening gap between business education's focus on profit maximization and the moral necessity of teaching stewardship, which this study seeks to address by proposing a theological-ethical approach.

The biblical injunction on the "mammon of unrighteousness" provides a vital point of reflection on how material resources should be managed ethically. Nigerian society, for instance, has been plagued by materialism among youth and professionals alike, where wealth accumulation is often pursued without regard for moral responsibility (Ukeachusim, 2022). Business students who are the future managers, entrepreneurs, and leaders are at risk of absorbing this culture of mammonism unless education redefines wealth as a tool for stewardship. As Ujata and Ujata (2024) argue, Christian ethical teaching remains critical in curbing moral decadence by emphasizing virtues such as honesty, self-control, and social responsibility. Business ethics education must, therefore, go beyond codes of corporate conduct to incorporate a theological grounding that reminds learners that wealth is transient and should serve the community rather than individual greed (Igboin, 2021). When students are exposed to such teachings, they are better equipped to see profit not as an end in itself but as a means to advance justice, reduce corruption, and uplift society, aligning with the broader goals of good governance and moral economy (Anwuluorah & Okafor-Udah, 2015).

The integration of this theological-ethical principle into business ethics education has significant implications for capital stewardship and long-term societal development. For one, it addresses the challenge of corporate egoism and unethical banking practices that prioritize profit over customer trust, a challenge evident in the Nigerian financial sector (Adisa et al., 2025; Acha & Agu, 2016). Teaching students to interpret Luke 16:9 as a call to channel wealth toward responsible purposes instills a consciousness of

accountability to both God and society. Moreover, ethics rooted in stewardship principles can transform entrepreneurial orientation, where young graduates pursue wealth not for ostentation but for community development and youth empowerment (Okeke, n.d.). Such a transformation helps reduce corporate scandals and the culture of corruption by training professionals who understand that capital must be stewarded for common good, not self-enrichment (Momoh et al., 2025). Thus, by integrating biblical ethics into business curricula, business education can produce leaders who balance profit-making with service, ensuring that wealth creation aligns with justice, morality, and sustainable social impact.

II. CONCEPTUAL REVIEW

2.1 Concept of Business Ethics Education

Business ethics education is concerned with teaching individuals the moral principles and standards that guide decision-making in business contexts. It emphasizes integrity, accountability, fairness, and responsibility in both individual and corporate actions. In Nigeria, the importance of business ethics education is underscored by recurring cases of corporate scandals, financial malpractice, and leadership failures that have eroded public trust (Momoh et al., 2025; Adeoye, Oladimeji, & Akinnubi, 2023). Business ethics education, therefore, aims to prepare students and professionals to critically examine business practices and evaluate them against ethical principles that safeguard societal welfare. In practice, this involves exposing learners to the ethical dimensions of finance, marketing, and management, as seen in studies that reveal the need for honesty and fairness in banking services (Acha & Agu, 2016). Moreover, ethics education seeks to counteract the dominance of corporate egoism, where profit-maximization often overshadows corporate responsibility (Adisa et al., 2025). By integrating moral education into business curricula, students are encouraged to view business not merely as a profit-making endeavor but as a platform for serving society. This shift is essential in contexts such as Nigeria, where corruption and covetousness often

undermine the credibility of professionals and institutions.

2.2 Understanding Mammon of Unrighteousness in Biblical Context

The phrase “mammon of unrighteousness,” as found in Luke 16:9, reflects the biblical caution regarding wealth and its ethical use. Mammon, in this context, represents material wealth or possessions that can easily lead individuals into corruption when not stewarded responsibly. Scholars note that the pursuit of wealth without moral restraint often fuels greed, corruption, and societal decay (Jesutunwase, 2024; Igboin, 2021). For Nigerian youths, the dangers of materialism are evident in the growing culture of covetousness and misplaced priorities, where wealth is idolized over character and responsibility (Ukeachusim, 2022). The concept does not condemn money itself but warns against allowing material resources to dictate values and choices. Instead, the biblical injunction highlights the potential of wealth to serve as a tool for social responsibility when managed ethically. By making “friends” with mammon, believers are reminded to use resources in ways that promote justice, fairness, and compassion rather than exploitation or selfish gain. In business education, understanding this biblical concept allows learners to approach wealth with a balanced view—seeing it as a necessary resource for commerce but recognizing its limitations and the moral risks it poses if detached from ethical stewardship.\

2.3 Theological Ethical Interpretations of Capital Stewardship

Theological ethics provides a framework for interpreting wealth as a divine trust that demands accountability. Capital stewardship emphasizes that wealth should not be hoarded or misused but rather employed for purposes that advance societal well-being, reduce inequality, and glorify God. In the Nigerian context, Christian ethical teaching plays a vital role in promoting this perspective, as it addresses moral decadence and encourages responsible leadership in both public and private life (Ujata & Ujata, 2024). Theological interpretations stress that stewardship requires

both personal integrity and systemic reforms, particularly in societies struggling with corruption and poor governance (Anwuluorah & Okafor-Udah, 2015; Igboin, 2021). Within business education, capital stewardship can be taught as a counter to the prevailing profit-centered mindset by instilling values of honesty, accountability, and community service. For instance, Okeke (n.d.) notes that integrating Christian ethics into entrepreneurship education can equip youths to pursue wealth creation in ways that prioritize social impact and sustainability. Such teaching aligns with biblical stewardship principles, reminding students that wealth is transient and must be managed responsibly. Ultimately, theological ethical interpretations of stewardship position business ethics education as a platform not just for professional success but also for fostering moral leaders who can combat corruption and promote justice in society.

Eyo (2019) noted, the parable demonstrates that faithful resource management leads to societal advancement, while negligence or misuse results in loss and judgment. Similarly, Chukwuma-Offor (2018) emphasizes accountability as a central ethical value drawn from the parable, reminding leaders and professionals that stewardship is measured by transparency and productivity. Within business education, teaching stewardship as a biblical mandate equips students with the understanding that ethical practice is inseparable from professional competence. Okoye (2019) further argues that ethical culture in accounting and business education is essential to counter corruption and mismanagement, reflecting the biblical demand for faithful stewardship. Thus, stewardship as a biblical mandate provides not only a theological basis for managing wealth but also a framework for integrating moral responsibility into the training of future business leaders.

Wealth in Christian theology is never portrayed as inherently evil but as a resource that must be directed toward service and justice. Theological ethics insists that wealth becomes meaningful when it uplifts others and fosters social well-being. Gana (2014) underscores that ethical

instruction in business education should train students to see wealth as a tool for serving humanity rather than for selfish aggrandizement. In the same vein, Edet (2024) observes that workplace ethics grounded in service-oriented values enhances the competitiveness of graduates by aligning professional practice with global demands for social responsibility. This interpretation is consistent with biblical teachings where wealth is tied to love for neighbor, generosity, and justice for the marginalized. In Nigeria's context, where economic disparities and corruption persist, teaching wealth as a tool for justice challenges students to rethink business beyond profit motives. It equips them with a moral compass to deploy financial resources in ways that reduce inequality and strengthen community development. Therefore, integrating the service dimension of wealth into business ethics education shapes learners to become agents of social transformation.

While stewardship and service are emphasized, theological ethics also acknowledges the dilemmas inherent in wealth accumulation and use. Wealth carries the temptation of greed, corruption, and exploitation, particularly in societies where material success is idolized. Nwabufo and Aluko (2024) point out that weak ethical orientation among educators and professionals often reinforces these challenges, as students are not adequately exposed to moral frameworks that address the misuse of wealth. Eyo (2019) observes that the failure of economic management in Nigeria often stems not from lack of resources but from poor ethical stewardship. These dilemmas require deliberate teaching that prepares students to balance the pursuit of profit with moral obligations. Business education can bridge this gap by embedding theological perspectives that emphasize integrity, accountability, and restraint in financial practices. As Chukwuma-Offor (2018) argues, the parable of the talents cautions against hoarding or wasteful indulgence, calling instead for resource use that benefits society. Consequently, acknowledging the ethical dilemmas of wealth compels educators and professionals to reframe capital stewardship as a

calling that requires wisdom, responsibility, and a deep sense of justice.

Business Ethics Education and the Teaching of Stewardship Current approaches to business ethics education emphasize instilling moral values and professional responsibility in students to prepare them for ethical decision-making in the workplace. In Nigeria, this has become particularly important as corruption and unethical practices undermine economic growth and public trust. Gana (2014) observes that business ethics education is positioned as a remedy for producing globally competitive workers who can balance competence with integrity. Similarly, Okoye (2019) stresses that integrating ethical culture in accounting and business curricula is essential in combating professional misconduct, especially in financial management. However, many ethics courses remain theoretical, with limited emphasis on stewardship as a holistic moral practice. Eyo (2019) highlights that biblical parables such as the talents point to stewardship as both accountability and productivity, a concept that business education must adopt to bridge gaps between profit-making and social responsibility. By aligning ethical education with principles of stewardship, learners are trained not only to excel in their professions but also to uphold accountability in managing financial and material resources.

Integrating theological ethics into business curricula provides a richer moral framework for shaping responsible leaders. Ifeanacho (2022) argues that stewardship, as emphasized in 1 Corinthians 4:1, involves being entrusted with responsibilities that must be faithfully discharged, a principle applicable in business management. Similarly, Adesina (2025) stresses that Christian ethics teaches wealth should serve communal well-being, not selfish indulgence, reinforcing stewardship as a moral duty. Business ethics education can, therefore, benefit from theological perspectives that anchor wealth management in accountability to God and society. Chukwuma-Offor (2018) emphasizes accountability as central to ethical conduct in public service, which is

directly transferable to business contexts. This approach not only combats unethical practices but also develops a moral consciousness that resists the temptations of greed, exploitation, and corruption. Integrating theological ethics within business curricula thus equips students to critically evaluate business decisions in light of both professional standards and higher moral obligations. It ensures that future professionals recognize wealth as a trust, fostering integrity and service-oriented leadership.

A practical way to operationalize this integration is through case studies that apply biblical teachings, such as “mammon of unrighteousness” (Luke 16:9), to business decisions. Inyaregh (2024) explains that biblical warnings against the “rich fool” underscore the futility of wealth accumulation without responsibility to others, a lesson vital for ethical business training. Omatseye (2019) similarly highlights that biblical narratives such as Elijah and the widow of Zarephath reveal that ethical wealth use involves sacrifice, care for the vulnerable, and faithfulness in scarcity. Case study methods allow students to analyze real-world dilemmas—such as corruption, mismanagement, or corporate exploitation—through the lens of stewardship. They learn how wealth, while susceptible to misuse, can be harnessed for justice, service, and social transformation. Adesina (2025) reiterates that Christian ethics reframes wealth not as an idol but as an instrument for building community. By engaging students in theological reflections on business cases, ethics education becomes less abstract and more transformative, producing graduates who can balance profit with moral responsibility. This practical application makes the teaching of stewardship a living ethic, shaping business professionals who can navigate the complexities of wealth with wisdom and accountability.

2.4 Implications of the Biblical Principle for Business Education

One major implication of the biblical principle for business education is the promotion of honesty, accountability, and integrity in financial dealings. The parable of the talents (Matthew 25:14–30;

Luke 19:11–27) emphasizes accountability as an ethical duty, showing that individuals will give an account of how they managed resources entrusted to them (Eyo, 2019; Chukwuma-Offor, 2018). For business students, this biblical ethic translates into financial integrity and transparency in professional practice, countering the culture of corruption prevalent in many Nigerian institutions. Okoye (2019) argues that accounting and business education must deliberately cultivate an ethical culture that prioritizes accountability to rebuild trust in professional and corporate environments. Similarly, Acha and Agu (2016) show that the ethical dimension of banking services depends on honesty in marketing and customer relationships, which must be emphasized in business curricula. However, widespread leadership failures and covetousness in Nigeria’s educational and corporate systems undermine these values (Adeoye, Oladimeji, & Akinnubi, 2023). Theological ethics reminds students that dishonesty and greed carry both spiritual and societal consequences (Jesutunwase, 2024). Business ethics education, when informed by biblical stewardship principles, fosters graduates who practice integrity, resist exploitation, and commit to transparency in financial dealings. In this sense, business education becomes a moral enterprise that not only produces skilled professionals but also instills values critical to sustainable economic growth and trust-building in society.

Another implication is that capital stewardship must be understood as responsibility toward God, society, and self. The biblical command to be stewards of wealth (1 Corinthians 4:1) requires recognizing that resources are divine trusts to be used responsibly (Ifeanacho, 2022). Adesina (2025) stresses that Christian ethics demands wealth be directed toward communal service rather than selfish accumulation, an ethic particularly relevant in Nigeria where materialism and mammonism are rampant (Ukeachusim, 2022; Jesutunwase, 2024). This principle has implications for how business education frames wealth: students must learn to see money not merely as capital to be multiplied but as a resource to advance social justice and human

flourishing. For instance, Inyaregh (2024) contrasts the biblical “rich fool” with responsible stewards, warning that self-centered wealth accumulation is both spiritually and socially destructive. Similarly, Omatseye (2019) draws lessons from Elijah and the widow of Zarephath, noting that ethical use of resources involves generosity and meeting communal needs even in scarcity. Business education can adopt this ethic by teaching that profit-making should balance personal benefit with contributions to societal good. By emphasizing stewardship, students are prepared to see themselves as accountable to God, responsible to society, and disciplined in self-management. This holistic approach challenges the corporate egoism identified by Adisa et al. (2025) and replaces it with servant leadership rooted in ethical responsibility.

Finally, business education must develop students’ awareness of ethical wealth management and its social impact. Wealth, while necessary for development, carries inherent ethical dilemmas that require moral discernment. Igboin (2021) highlights the “moral economy of corruption,” where wealth is often used to perpetuate inequality and injustice, pointing to the need for moral frameworks that guide its ethical use. Gana (2014) and Edet (2024) argue that business ethics education can enhance global competitiveness by preparing graduates who prioritize workplace ethics and social responsibility alongside technical skills. Integrating biblical teachings such as Luke 16:9 (“make to yourselves friends of the mammon of unrighteousness”) helps students recognize that wealth, though susceptible to corruption, can be redirected to create social impact when used wisely. Ujata and Ujata (2024) maintain that Christian ethical teaching curbs moral decadence by encouraging service, generosity, and justice, values that counteract greed and self-centeredness. Developing this awareness through case studies and practical applications in the classroom ensures that graduates understand the broader implications of their financial and managerial decisions. They learn that ethical wealth management involves prioritizing social impact, supporting community development, and ensuring fairness in economic transactions

(Nwabufo & Aluko, 2024). Ultimately, by embedding stewardship principles in curricula, business education equips students to become leaders who pursue profit with purpose, integrate ethics with enterprise, and transform wealth into a tool for sustainable development and social well-being.

2.5 Challenges in Integrating Theological Ethics into Business Ethics Education

A major challenge in integrating theological ethics into business ethics education lies in the tension between secular and religious perspectives in education. In Nigeria, business education is often positioned within a secular framework that prioritizes technical and global market relevance, with limited room for religious perspectives (Amobi, 2020). Advocates of secularism argue that introducing theology into business ethics may compromise academic neutrality and alienate students from diverse religious or non-religious backgrounds (Mepaiyeda & Oyedele, 2024). Yet, theological ethics emphasizes values such as honesty, integrity, and stewardship, which are also vital for business sustainability (Agbo, Sabo, & Nuhu, 2024). This overlap suggests that rather than being in conflict, theological and secular ethics can be complementary. However, in practice, curriculum designers often struggle to balance these perspectives due to Nigeria’s religiously plural context, where privileging Christian ethics may be perceived as excluding Islamic or traditional values (Michael, 2022). The result is resistance to embedding theological ethics, as policymakers often prioritize neutrality to avoid sectarian conflict. Still, scholars argue that excluding theology leaves a moral vacuum in business ethics education, producing graduates who are technically skilled but ethically deficient (Ugwuozor, 2022). Thus, the challenge is not the irrelevance of theological ethics but the difficulty of mainstreaming it in a multi-religious, secular educational system without creating tension or bias.

Another challenge concerns the misinterpretation or misuse of biblical concepts in business contexts, particularly with respect to wealth and prosperity. Prosperity theology, which equates

divine blessing with material wealth, has gained traction in parts of Nigerian Christianity and risks distorting the theological message of stewardship (Atoi, 2022). This has led to situations where students and professionals wrongly perceive wealth accumulation as an unqualified moral good, disregarding biblical cautions against greed and the ethical responsibility of wealth (Ugochukwu, Ofodu, & Egwuonwu, 2023). For instance, the parable of the talents emphasizes accountability and productivity, not reckless profit-seeking, yet in popular teaching it is often reduced to a justification for unrestrained financial ambition (Ndubwa, 2018). Such misinterpretations can undermine the credibility of theological ethics in business education by fostering attitudes of entitlement rather than responsibility. Furthermore, Atoi and Ajiji (2024) highlight that religious education in Nigeria sometimes lacks depth, leaving students vulnerable to shallow or exploitative teachings on wealth. Business students exposed to distorted theological perspectives may internalize unethical models of capital use, believing these to be spiritually sanctioned. This misalignment complicates efforts to integrate theology meaningfully, since educators must navigate correcting misconceptions while also respecting students' pre-existing faith commitments. Without careful framing, theological ethics risks being dismissed as irrelevant or even dangerous in business settings, further discouraging its systematic inclusion in business curricula.

Resistance from stakeholders and curriculum designers represents a significant barrier to integrating theological ethics into business ethics education. Curriculum planners, often influenced by international standards, focus on producing graduates who can compete in a globalized economy, leading to skepticism about incorporating theological frameworks (Amobi, 2020; Ugwuozor, 2022). Stakeholders in industry may view such integration as impractical, arguing that profitability and efficiency—not theological reflection—drive business success (Okolie, 2012). Moreover, resistance also comes from within educational institutions, where some administrators and lecturers fear that teaching

theological ethics could provoke controversy or politicization, especially in Nigeria's fragile socio-religious climate (Mepaiyeda & Oyedele, 2024). Michael (2022) notes that even in explicitly religious courses like Christian Religious Studies, challenges of funding, teacher training, and relevance make it difficult to deliver content effectively, suggesting that the hurdles in business education would be even greater. Additionally, curriculum designers sometimes prioritize short-term employability skills over long-term ethical formation, leaving little space for theological integration (Agbo, Sabo, & Nuhu, 2024). This pragmatic focus limits the potential for deeper moral reflection. Nonetheless, excluding theological ethics deprives business education of a robust moral compass capable of shaping leaders who resist corruption and exploitation. As Ndubwa (2018) observes, theology provides insights into long-term investment and ethical sustainability, perspectives sorely needed in Nigeria's fragile economy. Overcoming resistance requires dialogue among educators, policymakers, and industry leaders to demonstrate that theological ethics does not undermine but strengthens business education by grounding technical skills in enduring moral values.

III. CONCLUSION

The integration of theological ethics into business ethics education offers a unique and transformative approach to addressing the moral challenges that characterize Nigeria's business and educational environment. Theological principles such as stewardship, accountability, and service provide a foundation for re-orienting business students toward values that transcend profit maximization. By emphasizing the biblical call to manage resources responsibly, students are reminded that wealth is not inherently evil but must be directed toward justice, integrity, and the common good. This perspective bridges the gap between technical competence and moral responsibility, ensuring that future professionals do not merely excel in business practices but also embody honesty, fairness, and compassion. Ultimately, stewardship emerges as a bridge between wealth and righteousness, demonstrating

that financial success is most meaningful when aligned with ethical and spiritual responsibility. The theological-ethical approach therefore enriches business ethics education, equipping students with both the intellectual and moral capacity to resist corruption, challenge corporate egoism, and transform wealth into a tool for sustainable societal development.

RECOMMENDATIONS

Based on the insights gathered, a few key strategies can strengthen the role of theological ethics in business education:

1. Curriculum Design : Business courses should deliberately weave in biblical ethics—highlighting themes like stewardship, accountability, and integrity. Practical tools such as case studies, reflective essays, and applied projects can help students connect these theological principles to real-world business challenges.
2. Interdisciplinary Teaching: Collaboration between theology and business education departments should be encouraged. This joint effort allows students to gain both theological depth and practical business skills, preparing them for ethical leadership in diverse contexts.
3. Policy Recommendations: Faith-based institutions: Should strengthen the integration of theology and business ethics as part of their unique mission. Secular institutions: Can adopt universal values rooted in biblical ethics—such as honesty and responsibility—while still maintaining inclusivity and respect for diverse beliefs.
4. Support from Professional Bodies and Regulators: Industry regulators and professional associations should back these initiatives by making ethics training—drawing from both secular and theological insights—a requirement. This ensures graduates are not only competent professionals but also morally grounded leaders.

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Counselling in Nigerian schools remains constrained by limited personnel, inadequate training, and infrastructural challenges, leaving many students underserved in their academic, psychological, and socio-emotional needs. With counsellor-student ratios far exceeding recommended standards, traditional approaches struggle to meet the demands of Nigeria's rapidly expanding school population. This paper explores Artificial Intelligence and Counselling in Nigerian Schools: Confronting Challenges while Unlocking Prospects. Artificial Intelligence (AI) offers promising solutions through tools such as chatbots, predictive analytics, and intelligent tutoring systems, which enhance accessibility, efficiency, and early identification of at-risk students. Drawing on the Diffusion of Innovations (DOI) framework, this paper examines both the opportunities and constraints of integrating AI into Nigerian school counselling, including issues of cultural localisation, ethical governance, infrastructural readiness, and sustainability.

Keywords: artificial intelligence, school counselling, nigerian, chatbots, predictive analytics, intelligent tutoring systems, diffusion of innovations.

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Keywords: artificial intelligence, school counselling, nigerian, chatbots, predictive analytics,

intelligent tutoring systems, diffusion of innovations.

Author a: (Ph.D)Department of Psychology/ Guidance and Counselling, School of Education, Federal College of Education (Technical) Potiskum, Yobe, Nigeria.

✉: Department of Psychology School of Education College of Education, Gashau.

I. INTRODUCTION

Counselling in Nigerian schools has historically centered on academic and career guidance, often provided by teachers doubling as counsellors, with little specialized training in psychological interventions (Adeniyi, 2018; Olayinka & Loto, 2020). This reactive approach intervening only when crises arise has left significant gaps in addressing the complex emotional, social, and psychological needs of students. The National Policy on Education (Federal Republic of Nigeria, 2013) recognizes guidance and counselling as vital for holistic student development, yet its implementation remains inconsistent, particularly across rural schools. According to the Counselling Association of Nigeria (CASSON, 2021), the recommended counsellor-student ratio is 1:300, but in practice, many schools have no trained counsellors, leaving students vulnerable to stress, anxiety, and depression. These gaps underscore the urgent need for innovative approaches to support student well-being.

The challenges are compounded by socio-economic and demographic pressures. Nigeria has one of the largest school-age populations in the world, with over 62 million children and adolescents enrolled in primary and secondary schools (UNESCO, 2021). This surge in enrolment intensifies the strain on already

inadequate counselling services. Studies show that over 30% of Nigerian adolescents report experiencing moderate to severe stress and anxiety symptoms, often linked to academic performance, family expectations, and economic hardship (Okeke & Ibenegbu, 2020). Rural-urban disparities further exacerbate the problem, as rural schools face limited funding, lack of counsellor training programs, and minimal access to mental health resources (Ajiboye & Bakare, 2019). These statistics highlight the inadequacy of the traditional counselling model to meet the growing demand for comprehensive psychological support.

Artificial Intelligence (AI) presents a promising avenue for addressing these challenges by extending the reach of counselling services, providing personalised support, and offering early interventions. AI-powered tools such as chatbots, predictive analytics, and intelligent tutoring systems can complement human counsellors by identifying at-risk students, automating routine assessments, and delivering round-the-clock support (Shum, Heffernan, & Ferguson, 2022). For example, AI-driven mental health applications have been shown to reduce anxiety symptoms by up to 25% among secondary school students in pilot programs across Africa (UNESCO, 2022). Additionally, predictive analytics can process attendance, academic records, and behavioural data to flag students needing urgent support, thereby reducing dropout risks (Adegbite & Yusuf, 2021). These innovations align with global trends where AI is increasingly being leveraged to enhance educational equity and mental health service delivery.

However, integrating AI into Nigerian school counselling is not without challenges. Concerns around digital infrastructure, cultural acceptance, and ethical governance must be addressed to ensure responsible implementation. According to the International Telecommunication Union (ITU, 2022), internet penetration in Nigeria stands at around 55%, with significant disparities between urban and rural regions. Limited access to reliable electricity and digital devices further constrains the adoption of AI-based interventions in many schools. Moreover, cultural stigma surrounding

mental health often discourages students from seeking counselling, raising questions about whether AI tools can overcome these barriers without reinforcing them (Olayinka & Loto, 2020). Ethical issues such as data privacy, consent for minors, and algorithmic bias also require careful governance frameworks (WHO, 2022). Despite these challenges, AI offers a transformative opportunity to bridge gaps in Nigeria's counselling ecosystem if adopted within a robust policy framework, supported by training and capacity-building for school counsellors.

II. THEORETICAL FRAMEWORK

The Diffusion of Innovations (DOI) theory, developed by Everett M. Rogers (2003). Everett M. Rogers (1931–2004) was a renowned communication scholar and sociologist best known for formulating the *Diffusion of Innovations* theory. Born in Carroll, Iowa, USA, Rogers earned his PhD in rural sociology from Iowa State University in 1957. His work was influenced by observing how farmers adopted agricultural technologies, which laid the foundation for his innovation adoption theory. The theory provides a foundational framework for understanding how new technologies are adopted within social systems. DOI posits that innovations spread at varying rates across populations, with adopters categorized into innovators, early adopters, early majority, late majority, and laggards. The speed and extent of adoption are shaped by five attributes: *relative advantage, compatibility, complexity, trialability, and observability* (Rogers, 2003). These attributes are particularly useful in examining the adoption of Artificial Intelligence (AI) in Nigerian school counselling.

In this paper, relative advantage refers to the clear benefits AI brings, such as reducing counsellors' caseloads, enabling faster triage of at-risk students, and extending the reach of counselling services to underserved communities (Obi et al., 2022). Compatibility emphasizes the alignment of AI tools with Nigeria's unique educational curricula, multilingual environment, and the cultural ethos of counselling. If AI fails to adapt to indigenous languages or counselling traditions,

adoption will be hindered (Eze et al., 2021). Complexity relates to how easy or difficult AI platforms are to use. For many Nigerian schools, limited digital literacy and inadequate infrastructure can increase perceived difficulty, slowing adoption. Trialability involves piloting AI-based interventions in select states or local government areas (LGAs), which allows stakeholders to evaluate effectiveness before scaling up nationally. Finally, observability focuses on visible results such as reduced counselling wait times, improved school attendance, and enhanced student well-being, which can encourage wider adoption (Adegbite & Yusuf, 2021).

By applying DOI to Nigerian school counselling, the framework highlights both opportunities and barriers. Schools and policymakers are likely to adopt AI more quickly if the innovations are simple, culturally relevant, and visibly beneficial. Conversely, adoption may lag where infrastructure gaps, resistance to change, or concerns about cultural misfit dominate (Adeniyi, 2018; Olayinka & Loto, 2020). Therefore, DOI serves as a guide for designing implementation strategies that account for Nigeria's social, cultural, and educational realities, ensuring that AI enhances rather than disrupts counselling services.

III. CONCEPTUAL CLARIFICATION

3.1 Artificial Intelligence in Nigerian Schools

Artificial Intelligence (AI) refers to the simulation of human intelligence in machines that are programmed to learn, reason, and make decisions (Russell & Norvig, 2021). In education and counselling, AI encompasses digital tools such as chatbots, predictive analytics, natural language processing (NLP), and intelligent tutoring systems, all designed to enhance decision-making, automate routine tasks, and provide scalable personalized interventions (Luckin et al., 2018). Within the Nigerian school system, AI in counselling can be defined as the deployment of algorithm-driven applications that assist counsellors in identifying at-risk students, delivering mental health support, and offering

career and academic guidance in a more efficient and accessible manner (Obi, Nwachukwu, & Alabi, 2022). This clarification is important because AI does not replace human counsellors but rather complements their work by reducing caseloads and enabling proactive, data-informed interventions.

3.2 Counselling In Nigerian Schools

Counselling in Nigerian schools is traditionally understood as structured support services provided to help students navigate academic, psychological, vocational, and social challenges (Adeniyi, 2018). The National Policy on Education (Federal Republic of Nigeria, 2013) recognizes counselling as an essential service in promoting student welfare, yet its implementation has often been inadequate due to limited trained personnel, infrastructural deficits, and socio-cultural barriers such as stigma surrounding mental health (Olayinka & Loto, 2020). Conceptually, school counselling in Nigeria has evolved from a reactive, advice-giving practice to an increasingly comprehensive service that must now address complex issues including depression, substance abuse, and trauma. Against this background, the integration of AI offers a transformative opportunity to redefine counselling practices by introducing innovations that can bridge gaps in counsellor-student ratios, expand access to underserved areas, and ensure early detection of psychological risks (Adegbite & Yusuf, 2021).

3.3 Innovative Applications of Artificial Intelligence in Nigerian School Counselling

3.3.1 AI-Powered Chatbots and Virtual Agents

AI-powered chatbots and virtual agents are increasingly deployed in educational and counselling contexts, particularly to bridge gaps in access to mental health support. These digital tools provide psychoeducation, mood tracking, cognitive-behavioural micro-interventions, and crisis referrals, making them highly relevant in school counselling where counsellor shortages are acute. Research has demonstrated that chatbots enhance self-disclosure among adolescents and young adults due to the anonymity they afford, thus reducing the stigma often associated with

face-to-face counselling (Shum, Heffernan, & Ferguson, 2022). Similarly, Lattie et al. (2019–2022) found that students using mental health chatbots experienced modest reductions in anxiety and depression symptoms during short-term trials, though outcomes were heavily dependent on design quality, cultural adaptation, and safety protocols. In Nigeria, pilot projects documented in policy and ed-tech briefs show that chatbots integrated into popular platforms like WhatsApp and SMS have proven feasible, particularly when programmed in Pidgin English or indigenous languages to improve cultural and linguistic fit. These innovations suggest that chatbots can serve as first-line interventions, triaging and referring students to human counsellors for more complex issues, thus mitigating resource gaps in low-income settings.

3.3.2 Predictive Analytics and Early Warning Systems

Predictive analytics and early warning systems (EWS) leverage student data such as attendance records, coursework performance, and behavioural engagement on learning management systems (LMS) to identify at-risk students before challenges escalate. International studies indicate that when predictive analytics are embedded within structured pastoral care processes, they significantly improve early intervention and retention rates (Siemens & Baker, 2022). However, concerns remain regarding automation bias, which can arise when educators overly rely on algorithmic predictions without critical human judgment (Holmes et al., 2021). Within Africa, small-scale pilots in secondary and tertiary institutions suggest that dashboards using low-cost analytics tools can help counsellors prioritise outreach and tailor support plans effectively (Obi, Nwachukwu, & Alabi, 2022). For Nigeria, predictive systems offer promise if ethical considerations such as informed consent, data privacy, and bias auditing are systematically addressed. By equipping school counsellors with timely data, predictive analytics can move counselling from a reactive to a proactive model, enabling interventions that prevent school dropouts and psychological decline.

3.3.3 Intelligent Tutoring Systems (ITS)

Intelligent Tutoring Systems (ITS) are AI-driven platforms that adapt instructional content and feedback based on students' learning progress. Beyond academic gains, some ITS now incorporate affective computing to detect indicators of disengagement, frustration, or confusion signals that can prompt counsellor follow-up (Luckin et al., 2018). Empirical evidence shows that ITS not only enhance mastery of subject content but also positively influence students' self-efficacy, persistence, and overall well-being when combined with pastoral support structures (Holmes, Porayska-Pomsta, & Holstein, 2022). For Nigeria, ITS adoption could be transformative if systems are aligned with the national curriculum, optimized for low-bandwidth or offline use, and embedded with safeguards to ensure that well-being data is only shared with consent. Integrating ITS into counselling workflows could enable counsellors to monitor not only academic performance but also emotional and behavioural signals, facilitating holistic interventions that address both learning and psychosocial needs.

3.3.4 Cross-Cutting Findings

Across all modalities chatbots, predictive analytics, and ITS—the consensus in global literature is that hybrid models combining AI and human counselling consistently outperform AI-only approaches (Shum et al., 2022; Luckin et al., 2018). While AI offers scalability and efficiency, human counsellors provide the empathy, ethical reasoning, and cultural contextualization essential for effective support. For Nigerian schools, the effectiveness of AI hinges on ethical governance, cultural and linguistic localisation, and investment in counsellor capacity-building. Ethical frameworks must address data protection, confidentiality, and equity in access. Moreover, given infrastructural challenges such as unreliable internet and electricity supply, offline-first AI designs and device-sharing protocols are critical to ensure inclusivity (Eze, Chinedu-Eze, & Bello, 2021). Thus, the way forward for Nigerian school counselling is not to replace counsellors with AI,

but to integrate AI tools in ways that enhance their capacity to deliver timely, context-sensitive, and empathetic services.

3.4 Artificial Intelligence and Counselling in Nigerian Schools

Artificial Intelligence (AI) in counselling within Nigerian schools can be conceptually understood as a complementary framework that merges digital innovation with human expertise to address student needs. AI tools such as chatbots, predictive analytics, and intelligent tutoring systems offer scalability, accessibility, and efficiency by automating routine assessments, providing 24/7 psychoeducation, and identifying at-risk students early (Shum, Heffernan, & Ferguson, 2022; Obi, Okeke, & Adegbite, 2022). These technological advancements are particularly relevant in Nigeria, where counsellor-student ratios remain inadequate, and resource constraints hinder the delivery of comprehensive psychological services (Ajiboye & Bakare, 2019). However, while AI promises efficiency and reach, it cannot replicate the nuanced interpersonal skills of counsellors, such as empathy, cultural interpretation, and ethical discernment, which are indispensable for effective student support (Lattie et al., 2020).

Conceptually, therefore, the integration of AI into Nigerian school counselling is best understood as a hybrid framework, a model that leverages the strengths of both technology and human counsellors. This dual approach highlights AI as an enabler rather than a replacement, offering cost-effective and innovative pathways to strengthen counselling services while ensuring the preservation of human-centered values (Eze, Chinedu-Eze, & Bello, 2021; Luckin et al., 2018). Effective deployment in Nigerian schools requires striking a balance between technological innovation and human intervention, ensuring that AI solutions are localized to Nigeria's cultural and linguistic realities, ethically governed, and aligned with national education priorities. In this sense, the conceptual clarification underscores AI not as a substitute but as a transformative tool that, when integrated responsibly, can bridge gaps in student welfare, academic guidance, and

psychological support across diverse school contexts in Nigeria.

3.5 AI Constraints and Enablers in Nigerian School Counselling

The adoption of Artificial Intelligence (AI) in Nigerian school counselling is shaped by several constraints and enablers that determine its feasibility, cultural fit, and long-term sustainability. These factors must be critically analyzed to ensure that AI interventions are both effective and contextually relevant within Nigeria's diverse educational landscape.

1. *Infrastructure:* Reliable internet and power supply remain uneven across Nigeria, with pronounced urban-rural disparities. For AI solutions to be impactful, tools must be designed with low-bandwidth and offline capabilities to accommodate rural schools where connectivity is limited (Adegbite & Yusuf, 2021; World Bank, 2022).
2. *Digital Literacy:* Variability in digital literacy among counsellors and school staff poses a challenge to AI adoption. Studies emphasize the need for professional development (PD) initiatives, micro-credentialing, and continuous coaching to build digital competence and confidence in using AI-driven platforms (Obi, Okeke, & Adegbite, 2022).
3. *Workforce:* With Nigeria's counsellor-student ratio often exceeding recommended limits, counsellor shortages and high caseloads increase the demand for automation in triage and routine assessments. However, it is critical to establish clear role delineation to avoid AI encroaching into areas requiring human empathy and ethical judgment (Ibrahim, 2019; Ajiboye & Bakare, 2019).
4. *Policy and Governance:* AI integration must align with national data protection regulations and Nigeria's emerging AI policy frameworks. Ethical issues such as consent procedures for minors, safeguarding protocols, and data security require strict compliance to build trust and legitimacy (Federal Republic of Nigeria, 2019; Shum, Heffernan, & Ferguson, 2022).

5. *Culture and Language:* Nigeria's linguistic diversity with over 500 languages and dialects shapes the communication needs of counselling services. Effective AI tools must support Pidgin English and major indigenous languages such as Hausa, Yoruba, and Igbo, alongside local idioms, to foster rapport and comprehension. Community engagement and co-design are critical in ensuring cultural congruence (Eze, Chinedu-Eze, & Bello, 2021).

3.6 Benefits and Opportunities of AI in Counselling Services

The integration of Artificial Intelligence (AI) into Nigerian school counselling services offers multiple benefits and opportunities for strengthening student support systems. When carefully implemented, AI tools can expand accessibility, increase efficiency, and promote equitable service delivery across diverse educational settings.

1. *Accessibility and Reach:* AI-powered platforms, such as chatbots and virtual agents, enable 24/7 first-contact support, providing discreet and stigma-free channels that encourage help-seeking behaviours among students (Shum, Heffernan, & Ferguson, 2022). This is particularly valuable in Nigeria, where stigma surrounding counselling often discourages students from accessing psychological services (Olayinka & Loto, 2020). AI tools can scale psychoeducation and screening to large student populations, ensuring wider reach than traditional methods.
2. *Early Identification:* Predictive analytics and learning management system (LMS) data can help identify at-risk students by monitoring behavioural patterns such as declining attendance, reduced participation, or abrupt grade changes (Siemens & Long, 2019). These data-informed insights allow counsellors to intervene proactively, reducing the escalation of academic and psychological challenges.
3. *Efficiency:* AI systems automate routine tasks like mental health screening, appointment scheduling, and reminders, enabling counsellors to focus their limited time and

expertise on complex, human-centered cases (Obi, Okeke, & Adegbite, 2022). This reduces caseload pressures, especially in schools with high student–counsellor ratios.

4. *Personalisation:* Adaptive AI platforms can tailor interventions to the cultural, linguistic, and psychological contexts of students. Features such as multilingual support and culturally tuned prompts make counselling more relatable and effective for diverse Nigerian populations (Eze, Chinedu-Eze, & Bello, 2021). Personalised content also enhances student engagement and self-disclosure.
5. *Equity:* When designed with low-bandwidth, offline-first features, AI can extend counselling services to rural and low-resource schools, where access to trained counsellors is limited (Ajiboye & Bakare, 2019). However, equitable outcomes require intentional planning for device access and digital inclusion to avoid widening the digital divide (UNESCO, 2021).

3.7 Risks and Challenges of AI in Counselling Services

Despite its transformative potential AI in counselling services, integrating Artificial Intelligence (AI) into counselling services in Nigerian schools presents several risks and challenges that require careful governance to ensure safe and effective implementation.

1. *Data Privacy and Security:* The collection and processing of sensitive data from minors raise major ethical and legal concerns. Without stringent consent protocols, data minimisation, encryption, and controlled access, student confidentiality could be compromised (Floridi et al., 2018). In Nigeria, where digital literacy is uneven, ensuring informed consent from students and parents is a complex but essential safeguard.
2. *Algorithmic Bias:* AI systems trained on non-representative or imported datasets risk misclassification, disproportionately affecting vulnerable groups (Mehrabi et al., 2021). For example, predictive analytics based on Western datasets may fail to capture

socio-cultural realities of Nigerian students. Regular fairness audits and inclusion of localised data are necessary to mitigate bias and ensure equity.

3. *Cultural Incongruence*: If AI systems are poorly localised—ignoring Nigerian languages, idioms, and cultural norms—students may distrust or reject them. Research shows that cultural misalignment reduces both efficacy and user engagement in AI counselling platforms (Eze, Chinedu-Eze, & Bello, 2021). Tools must therefore be adapted to Nigerian socio-cultural contexts to ensure relevance.
4. *Over-reliance and Empathy Gaps*: AI lacks the emotional depth and ethical judgment of human counsellors. Over-reliance risks eroding the irreplaceable human connection needed in counselling relationships (Shum, Heffernan, & Ferguson, 2022). Escalation protocols must be built into AI systems to ensure high-risk cases are promptly referred to human professionals.
5. *Sustainability*: Many AI initiatives fail to progress beyond pilot phases due to vendor lock-in, licensing costs, and weak long-term planning (UNESCO, 2021). In Nigeria's resource-constrained schools, sustainability concerns are magnified. Adopting open standards, cost-effective procurement models, and government-supported digital infrastructure are key to avoiding stalled projects.

IV. CONCLUSION

The integration of Artificial Intelligence into counselling services in Nigerian schools represents both a challenge and an opportunity for transforming student welfare. While AI-powered tools such as chatbots, predictive analytics, and intelligent tutoring systems can expand access, enhance efficiency, and facilitate early interventions, their success depends on context-sensitive adoption, cultural localisation, and robust governance. Nigeria's infrastructural gaps, ethical concerns, and cultural attitudes toward counselling underscore the need for hybrid models where AI complements rather than replaces human counsellors. By aligning

innovations with the Diffusion of Innovations framework, strengthening capacity through training, and embedding safeguards for privacy, inclusivity, and sustainability, Nigeria can unlock the potential of AI to address the widening gaps in counselling services. Ultimately, AI should be viewed not as a substitute for human empathy but as a catalyst for more responsive, equitable, and student-centered counselling systems across the nation.

V. IMPLEMENTATION PATHWAYS FOR AI IN NIGERIAN SCHOOL COUNSELLING

For Artificial Intelligence (AI) to be effectively and responsibly integrated into school counselling services in Nigeria, a structured and context-sensitive roadmap must be adopted. Such a roadmap must recognize governance requirements, build human capacity, localize tools for cultural relevance, strengthen infrastructure, and ensure sustainability and safety.

1. *National and State Policy*: The first step involves establishing a robust governance framework for AI in education and counselling. This includes clear regulations for minors' data, such as consent procedures, data minimisation protocols, Data Protection Impact Assessments (DPIAs), bias audits, and incident response mechanisms. Procurement standards should mandate low-bandwidth, multilingual, and interoperable AI tools that guarantee explainability and embed human-in-the-loop safeguards by design. Such a policy direction would ensure accountability and trustworthiness in deploying AI within schools.
2. *Capacity-Building*: Effective integration of AI depends on equipping school counsellors and educators with digital counselling competencies. Micro-credentialing programmes can strengthen AI literacy, ethics, safeguarding, and data interpretation skills. Beyond training, schools should identify and mentor "AI champions" in each institution, fostering communities of practice that sustain peer learning and professional growth. Embedding AI fluency into teacher training colleges and continuous professional

development frameworks would create long-term capacity.

3. *Localisation and Inclusion:* One of the most critical elements of AI adoption in Nigeria is cultural and linguistic relevance. Co-design processes involving students, parents, and counsellors can ensure solutions reflect local realities. Tools must support major Nigerian languages Hausa, Yoruba, Igbo as well as Pidgin English and local idioms to increase accessibility and trust. Furthermore, youth advisory boards can guide tone, reduce stigma, and ensure that digital counselling platforms resonate with the lived experiences of students, including those with low literacy.
4. *Infrastructure and Access:* For rural and underserved areas, infrastructure readiness is essential. Prioritising offline-first modes, such as on-device inference or lightweight models, ensures that services remain functional even with unreliable connectivity. Alternative channels such as SMS or USSD can provide fallbacks where smartphones are unavailable. In schools, privacy screens in counselling corners, device-sharing protocols, and reliable backup power through solar or UPS systems will enhance accessibility and confidentiality in resource-limited environments.
5. *Safety and Quality:* AI in counselling must adhere to stringent safety and quality assurance measures. This includes integrating risk-escalation protocols for crises such as self-harm, abuse, or trauma, while ensuring smooth referral mechanisms to safeguarding teams and external support networks. Continuous monitoring of outcomes such as reduced wait times, faster triage, and fairness in access is necessary to identify unintended effects and refine interventions. A system of iterative quality audits will help maintain trust in AI-driven solutions.
6. *Sustainability:* Finally, sustainability is crucial to prevent stalled or short-lived AI projects. Hybrid cost models that combine government investment, donor support, and affordable subscription frameworks can reduce financial strain on schools. Open-source components should be prioritized where feasible to avoid vendor lock-in, while procurement contracts

must include vendor exit plans and data portability clauses. Such provisions would enable long-term adaptability, ensuring that AI solutions remain functional and scalable across Nigeria's diverse school contexts.

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