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# Comparative Analysis of Liquidity Strategy and Financial Performance of Listed Agricultural Firms and Oil and Gas Firms in Nigerian Capital Market

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## Abstract

*This study examined the comparative impact of liquidity strategy on the financial performance of listed agricultural and oil and gas firms in the Nigerian capital market. Using secondary panel data from annual reports for 5 agricultural and 7 oil and gas firms, the study employed fixed and random effects regression models to assess how cash holding ratio, cash assets ratio, operating cash flow ratio, and short-term debt ratio influenced Return on Capital Employed. The study adopted the ex post facto research design using secondary panel data drawn from the published annual reports of listed firms in the Nigerian capital market with a study sample size of 5 agricultural firms and 7 oil and gas firms as at December 2024. Findings indicated that liquidity ratios did not significantly affect Return on Capital Employed in either sector, though firm size negatively influenced Return on Capital Employed in agricultural firms. The study concluded that liquidity-performance relationships were sector-specific, with operational dynamics and firm characteristics shaping capital efficiency. Recommendations emphasized optimizing firm size and efficiency in agriculture, strategic investment and risk management in oil and gas, and the development of sector-tailored liquidity policies.*

**Keywords:** Liquidity strategy, Return on Capital Employed, Agricultural firms, Oil and Gas firms, Capital market.

**JEL classification codes:** M41, M48, O13, P42

## 1.0 Introduction

Liquidity strategy remains central to corporate financial management because firms must balance short term obligations with long term capital deployment. The tension between holding liquid resources and investing in productive assets becomes even more pronounced in emerging markets such as Nigeria, where macroeconomic volatility, exchange rate pressures, and sector specific risks shape financing decisions (Ekwunife et al., 2022; Isibor et al., 2024). In this context, understanding how liquidity management influences financial performance is not merely technical. It speaks directly to capital efficiency, risk resilience, and long run sustainability.

The Nigerian capital market presents a particularly useful setting for sectoral comparison. The agricultural sector operates under seasonal production cycles, weather uncertainty, and supply chain constraints, yet it remains vital for food security and economic diversification (Bello et al., 2024). Oil and gas firms, in contrast, are capital intensive and are exposed to

global price fluctuations and regulatory complexities (Akan, et al. 2023; Elumah et al., 2025). These structural differences imply that liquidity strategies adopted by firms in both sectors may differ in scale, composition, and performance implications. Prior evidence shows that sector characteristics significantly influence financial outcomes in both agricultural and oil and gas firms in Nigeria (Aniefor et al., 2021; Agbachi, et al, 2025; Eseimieghan & Onuorah, 2025; Ndah et al., 2025) as this empirical research on liquidity and performance has produced mixed results. Studies on Nigerian consumer and manufacturing firms report that effective liquidity management enhances profitability and operational stability (Bagana et al., 2024; Odum & Ovwighose, 2025). Similarly, evidence from agricultural firms indicates that cash control practices are positively associated with financial performance (Aniefor, et al, 2025; Aziekwe et al., 2025; Maduabuchi, et al,2025). However, excessive liquidity may reduce capital efficiency by leaving funds idle, thereby weakening return measures (Sinebe, 2026). International evidence also suggests that liquidity risk and working capital structures significantly shape firm performance outcomes (Gerio & Wahome, 2020; Kinyua & Fredrick, 2022; Ekokotu, 2025). These divergent findings indicate that the liquidity performance nexus may not be uniform across industries.

Much of the Nigerian literature has focused on capital structure, leverage, and debt maturity rather than liquidity strategy per se. For instance, research on oil and gas firms emphasizes debt maturity structure and leverage decisions as determinants of firm value and performance (Abdulmumin et al., 2025; Agbachi et al., 2025). Studies on agricultural firms similarly highlight capital structure and firm characteristics as drivers of performance (Maduabuchi et al., 2025; Frances & Nworie, 2025). While these contributions are important, they do not directly compare how liquidity buffers, operating cash flow strength, and short-term debt exposure translate into capital efficiency across sectors.

Return on Capital Employed provides a robust measure of financial performance because it captures operating profitability relative to the capital invested in the business (Jayathilaka, 2020). Examining liquidity strategy through variables such as cash holding ratio, cash assets ratio, operating cash flow ratio, and short-term debt ratio allows for a more precise assessment of how firms manage internal funds and short-term commitments. This approach aligns with emerging evidence that liquidity constraints and internal capital allocation significantly influence firm performance in Nigeria (Okoro & Ekwunife, 2022; Sinebe, 2026).

Against this backdrop, this study undertakes a comparative analysis of liquidity strategy and financial performance among listed agricultural and oil and gas firms in the Nigerian capital market. By evaluating sector specific liquidity behavior and its effect on Return on Capital Employed, the study seeks to determine whether liquidity performance relationships are industry contingent. In doing so, it seeks to empirically contribute to the ongoing debate on whether financial management practices should be generalized across sectors or tailored to structural and risk differences inherent in specific industries.

## **1.1 Statement of the Problem**

Despite sustained growth in the Nigerian capital market, listed firms continue to operate within an environment characterized by funding constraints, volatile cash flows, and structural sectoral imbalances. Agricultural and oil and gas firms, in particular, face liquidity pressures that stem from distinct operational realities. Agricultural firms contend with production seasonality, infrastructure gaps, and exposure to external trade dynamics (Ogunewe et al., 2020; Nduka et al., 2021). Oil and gas firms, by contrast, operate under high capital intensity, geopolitical uncertainty, and financing complexity (Eseimieghan, et al. 2025; Ishak & Selamat, 2025). These sectoral differences raise concerns about whether liquidity strategies are equally effective in sustaining financial performance across industries.

Existing Nigerian studies have largely emphasized capital structure, leverage, and market value outcomes rather than the strategic management of liquidity itself. For example, research has examined how financing mix decisions and market capitalization shape firm value and share price behavior (Elumah et al. 2025; Sinebe, 2025a). Other studies have explored profitability metrics and firm valuation dynamics in emerging markets (Jayathilaka, 2020; Fasua, 2025a, Fasua & Sinebe, 2026). While these contributions enrich the capital structure literature, they provide limited insight into how liquidity buffers and short-term financial commitments affect capital efficiency, especially when comparing sectors with fundamentally different risk profiles.

Moreover, firm specific attributes such as governance orientation, growth stage, and financial reporting quality have been shown to influence performance outcomes (Ishak et al., 2018; Ezenwaka & Okoro, 2020; Fagbemi et al., 2022; Jibril & Idris, 2022; Etukudo, et al. 2022; Fasua, 2024a; Sinebe, 2025b). Yet the interaction between liquidity strategy and sector specific financial dynamics remains underexplored. Without a comparative framework, it is difficult to determine whether holding higher liquid reserves enhances operational efficiency or whether it constrains productive investment differently in agriculture and oil and gas industries.

Since there is the absence of sector based empirical evidence on liquidity strategy and Return on Capital Employed creates a gap in the literature, policymakers, investors, and corporate managers therefore lack clear guidance on whether liquidity management practices should be standardized or adapted to sectoral realities within the Nigerian capital market.

## 1.2 Objective

Based on the studied literature, the following are the objectives:

- i. To evaluate the effect of Liquidity ratio on Return on Capital Employed (ROCE) of listed agricultural firms in Nigeria.
- ii. To examine the influence of Liquidity ratio on ROCE of listed oil and gas firms.

From the stated objectives, the corresponding null hypotheses are written as follows:

**H<sub>01</sub>:** Liquidity ratio has no significant effect on the Return on Capital Employed (ROCE) of listed agricultural firms in Nigeria.

**H<sub>02</sub>:** Liquidity ratio has no significant influence on the Return on Capital Employed (ROCE) of listed oil and gas firms in Nigeria

## **2.0 Literature Review**

### **2.1.1 Liquidity Strategy and Financial Performance**

Liquidity strategy has long occupied a central position in corporate finance theory because it shapes the firm's capacity to meet short term commitments while sustaining productive investment. Keynesian liquidity preference theory explains the motive for holding cash as precautionary, transactional, and speculative (Ghani & Hossain, 2023). In corporate settings, this translates into deliberate choices about cash buffers, liquid asset structure, and debt maturity composition. Empirical evidence increasingly shows that liquidity management is not neutral to performance outcomes, particularly in emerging markets characterized by financial frictions and macroeconomic instability.

The cash holding ratio reflects the proportion of total assets maintained in cash or near cash instruments. It represents the firm's immediate liquidity buffer and signals its ability to absorb shocks without external financing. Aziekwe et al. (2025) document that stronger cash control mechanisms significantly improve the financial performance of listed agricultural firms in Nigeria. Similarly, Okoro et al. (2022) show that internally generated cash flow enhances corporate sustainability, suggesting that liquid reserves strengthen operational continuity. However, excessive cash retention may generate agency concerns and reduce capital efficiency, especially where governance oversight is weak (Bereprebofa, et al 2023; Fasua, 2025b). Fagbemi et al. (2022) posited that managerial bias and firm characteristics can shape financing decisions, including liquidity reserves, thereby influencing performance outcomes.

Closely related is the cash assets ratio, which measures the share of highly liquid assets within total assets. Unlike pure cash holding, this ratio captures broader liquidity structure. Habib et al. (2024) find that competitive strategy influences working capital management efficiency, implying that asset composition decisions are strategically driven. In manufacturing contexts, Bagana et al. (2024) report that effective liquidity management significantly enhances profitability, underscoring the role of asset liquidity in sustaining performance. Sinebe, (2023) and Odum et al. (2025) further demonstrated that liquidity management practices positively affect financial outcomes among Nigerian consumer goods firms. These findings suggest that the structure of liquid assets, not merely their level, plays a critical role in shaping capital utilization.

The operating cash flow ratio provides a dynamic measure of liquidity sustainability by assessing the firm's capacity to cover short term obligations from operating cash inflows. Jayathilaka (2020) emphasizes that operating profit and net profit measures must be interpreted alongside cash flow indicators to capture real performance strength. In the Nigerian context, Sinebe (2026) shows that liquidity constraints and internal capital significantly influence firm performance, reinforcing the importance of internally generated funds. International evidence also supports this view. Gerio et al. (2020) reported that liquidity management significantly affects financial performance of agricultural firms listed in Nairobi, while Kinyua et al. (2022) concluded that liquidity risk management improves manufacturing firm performance. These studies highlight that cash flow adequacy is central to both resilience and profitability.

The short-term debt ratio captures liquidity pressure arising from immediate financial obligations. Debt maturity structure research suggests that the composition of liabilities affects firm performance and risk exposure. Abdulmumin et al. (2025) show that debt maturity structure significantly shapes financing outcomes in Nigerian oil and gas firms. Fasua et al. (2026) further demonstrated that short- and long-term leverage transmit differently to profitability in listed non-financial firms. In agricultural firms, Aniefor et al. (2021) reported that capital structure decisions significantly affect corporate performance, while Maduabuchi et al. (2025) and Fasua, (2025b) documented a link between leverage and firm value. Although these studies focus broadly on capital structure, they imply that short term obligations may intensify liquidity risk and constrain capital efficiency.

Sectoral dynamics further complicate the liquidity–performance nexus. Oil and gas firms operate under volatile revenue streams and complex financing strategies (Fasua & Sinebe, 2024; Elumah et al., 2025; Eseimieghan et al. 2025), whereas agricultural firms face productivity and market uncertainties tied to domestic structural conditions (Bello et al., 2024). Isibor et al. (2024) and Fasua, (2024c) find that market risk significantly influences financial performance across agricultural and oil and gas sectors, suggesting that liquidity buffers may operate differently depending on exposure to risk.

### **2.1.2 Cash Holding Ratio and Financial Performance**

The cash holding ratio measures the proportion of total assets maintained in cash and reflects the precautionary motive for liquidity in corporate financial management. Firms retain cash to cushion unexpected financial shocks and to finance operational activities without depending heavily on external borrowing. Adequate cash reserves support working capital stability and allow firms to take advantage of investment opportunities when they arise. Empirical evidence from Nigerian agricultural firms shows that effective cash control practices improve financial performance because they strengthen internal liquidity management and reduce operational disruptions (Aziokwe et al., 2025). Similarly, internal cash resources have been linked to corporate sustainability and financial resilience in Nigerian firms (Okoro & Ekwunife, 2022). Despite these benefits, excessive cash holdings may weaken capital efficiency when resources remain idle rather than invested in productive assets.

### **2.1.3 Cash Assets Ratio and Financial Performance**

The cash assets ratio captures the proportion of highly liquid assets available relative to short term obligations. Unlike the cash holding ratio, which focuses solely on cash, this ratio reflects the broader structure of liquid assets that firms can convert into cash quickly. Maintaining adequate liquid assets is essential for meeting operational commitments and managing working capital effectively. Research on working capital management indicates that strategic decisions regarding liquid asset composition influence operational efficiency and competitive advantage (Habib et al., 2024). Evidence from Nigerian corporate studies also shows that liquidity management practices significantly influence firm performance, suggesting that the composition of liquid assets contributes to sustaining profitability (Bagana et al., 2024; Odum & Ovwighose, 2025).

#### **2.1.4 Operating Cash Flow Ratio and Financial Performance**

The operating cash flow ratio measures the ability of firms to generate cash from core business activities relative to their asset base. This indicator provides a dynamic assessment of liquidity because it captures the sustainability of internal financing capacity. Firms that generate strong operating cash flows are better positioned to meet obligations, finance working capital requirements, and invest in productive assets. Profitability indicators alone may not fully reflect financial strength without considering cash generating ability (Jayathilaka, 2020). Evidence also suggests that internal capital and liquidity conditions significantly influence firm performance among Nigerian firms (Sinebe, 2026).

#### **2.1.5 Short Term Debt Ratio and Financial Performance**

The short-term debt ratio reflects the proportion of firm assets financed through short-term borrowing and indicates the level of liquidity pressure arising from immediate financial obligations. Firms with high short term debt exposure face refinancing risk and potential liquidity constraints, particularly in unstable economic conditions. Studies on debt maturity structure show that the composition of liabilities significantly affects financial performance and risk exposure (Abdulumumin et al., 2025). Similarly, capital structure research on Nigerian firms reveals that debt decisions influence corporate performance and firm value (Aniefor et al., 2021; Maduabuchi et al., 2025).

#### **2.1.6 Liquidity Ratio and Return on Capital Employed**

Liquidity ratio represents a firm's capacity to meet short term obligations using its current assets and serves as a central indicator of working capital strength and financial flexibility. In corporate finance, maintaining adequate liquidity supports uninterrupted operations, efficient resource allocation, and reduced dependence on costly external financing. Theoretical insights from liquidity preference theory emphasize that firms retain liquid resources to address transaction needs and precautionary motives associated with uncertain business environments (Ghani & Hossain, 2023). In emerging markets such as Nigeria, where financial markets may be imperfect and access to credit constrained, liquidity conditions become even more critical for sustaining operational efficiency and profitability (Ekwunife et al., 2022; Ishak & Selamat, 2025).

Return on Capital Employed (ROCE) measures the efficiency with which firms generate operating profit from the capital invested in the business. Effective liquidity management ensures that capital resources are not constrained by short term financial pressures and that firms can maintain productive investment levels. Empirical studies suggest that sound liquidity management improves firm performance by enhancing operational stability and financial resilience (Bagana et al., 2024; Odum & Ovwighose, 2025). Research on working capital management also indicates that firms with balanced liquidity structures tend to achieve stronger profitability and operational outcomes (Habib et al., 2024; Bereprebofa et al., 2023).

Sectoral studies further reinforce the relationship between liquidity conditions and firm performance. Evidence from agricultural firms shows that financial structure and liquidity decisions influence corporate performance and shareholder value (Aniefor et al., 2021; Maduabuchi et al., 2025). Similarly, research on oil and gas firms highlights the importance

of financing structure and liquidity capacity in shaping firm value and profitability outcomes (Abdulmumin et al., 2025; Agbachi et al., 2025; Ndah et al., 2025). These findings suggest that liquidity ratios play an important role in determining how efficiently firms utilize invested capital, which is ultimately reflected in ROCE.

## **2.2 Theoretical Review**

The study draws mainly on Liquidity Preference Theory (2018) and Trade-Off Theory of Liquidity. Liquidity Preference Theory, developed by John Maynard Keynes (originally published by Macmillan in 1936), explains why firms and individuals prefer holding liquid assets such as cash. The theory argues that economic agents retain liquidity for transaction, precautionary, and speculative motives, especially in uncertain environments. This perspective suggests that firms maintain adequate liquidity to meet operational obligations and manage financial uncertainty (Ghani & Hossain, 2023).

Trade-Off Theory by Kraus and Litzenberger, (1973) further explains that firms must balance the benefits of holding liquid assets against the opportunity cost of idle funds. Excess liquidity can reduce investment efficiency and profitability, while insufficient liquidity may expose firms to financial distress. Hence, optimal liquidity management supports efficient capital utilization and improved financial performance.

## **2.3 Empirical Review**

Agbachi et al. (2025) investigated the effect of financial leverage on the firm value of listed oil and gas firms in Nigeria. Adopting an ex post facto design, the study analyzed secondary data from five purposively selected firms over the period 2014 to 2023, using Ordinary Least Squares regression at the 5 percent significance level. The results showed that total debt to equity had a negative but insignificant effect on net asset per share, while total debt to asset was positive and significant. Long term debt to asset exerted a negative and significant effect.

Ekokotu (2025) examined the relationship between capital structure and the financial performance of listed manufacturing firms in Nigeria. Using an ex post facto design and panel regression analysis with data from 2015 to 2023, the study proxied capital structure by equity financing, long term debt financing, debt equity financing, and short-term debt financing, while performance was measured by net assets per share. The findings revealed that all capital structure components exerted a statistically significant influence on performance at the 1 percent level, indicating that financing mix shapes firm outcomes.

Aziekwe et al. (2025) assessed the effect of cash control mechanisms on the financial performance of listed agricultural firms in Nigeria from 2015 to 2024. Using an ex post facto design and panel regression analysis based on audited financial statements of five firms, the study examined cash and cash equivalents, cash to book value, and cash conversion cycle in relation to return on assets. The findings indicated that cash and cash equivalents positively and significantly influenced performance, cash to book value exerted a significant negative effect, while cash conversion cycle showed a positive but insignificant relationship with ROA.

Eseimieghan, et al. (2025) examined how financing mix decisions affect firm performance optimality in the Nigerian oil and gas industry between 2014 and 2023. Using an *ex post facto* design and Robust Least Squares estimation, the study analysed debt to equity ratio, debt ratio, capitalization ratio, and interest coverage ratio in relation to return on equity. The findings showed that debt to equity, debt ratio, and interest coverage exerted positive and significant effects on performance, while capitalization ratio had a significant negative effect, underscoring the relevance of an optimal financing structure.

Ndah, et al. (2025) examined how firm characteristics influence financial performance of Nigerian oil and gas companies from 2010 to 2023. Using panel data and employing Pooled OLS, Random Effects, and Fixed Effects models, the study found that financial leverage and return on equity positively and significantly affect return on assets, while firm size negatively affects performance. Firm age was insignificant. The results indicate that firm-specific factors, particularly capital structure and equity returns, are critical for profitability, highlighting the need for strategic debt management and operational efficiency to enhance shareholder value.

Odum et al. (2025) investigated the effect of liquidity management on financial performance of listed consumer goods firms in Nigeria from 2015 to 2024. Using an *ex post facto* design and quantile regression on eighteen purposively selected firms, the study examined cash ratio, quick ratio, current ratio, and cash conversion cycle in relation to Tobin Q. Results showed that cash ratio negatively affected high-performing firms, while quick and current ratios had positive effects. Cash conversion cycle negatively influenced performance at the upper quantile. The study emphasizes balanced liquidity management to enhance firm value.

#### **2.4 Gap of the study**

Existing research on Nigerian firms has largely concentrated on capital structure, leverage decisions, and firm characteristics as key drivers of financial performance. Studies such as Aniefor et al. (2021), Abdulmumin et al. (2025), and Agbachi et al. (2025) mainly investigate debt structure and financing strategies, with limited attention given to liquidity strategy as an independent determinant of firm performance. At the same time, studies that examine liquidity management often focus on single sectors, particularly manufacturing and consumer goods firms (Bagana et al., 2024; Odum & Ovwighose, 2025). Such approaches limit the understanding of how liquidity practices operate across industries with different operational and financial dynamics. Furthermore, limited empirical evidence exists comparing agricultural and oil and gas firms despite their significant differences in capital intensity, cash flow structure, and risk exposure. This study therefore addresses this gap by comparatively examining how liquidity indicators such as cash holdings, liquid asset structure, operating cash flow, and short-term debt influence Return on Capital Employed across both sectors in the Nigerian capital market.

#### **3.0 Data and Methodology**

The study adopts an *ex post facto* research design using secondary panel data drawn from the published annual reports of listed firms on the Nigerian capital market. The population

comprises 5 agricultural firms and 8 oil and gas firms listed on the Nigerian Exchange Group as at December 2024. The sample consists of all 5 agricultural firms and 7 oil and gas firms with complete data for a panel regression study. Return on capital employed serves as the dependent variable, while cash holding ratio, cash assets ratio, operating cash flow ratio, and short-term debt ratio proxy liquidity strategy with firm size serving as the control variable for the study. Panel regression techniques are employed for comparative sectoral analysis. Given the comparative nature of your study, the econometric specification is designed to allow the study to estimate the liquidity–performance relationship separately for each sector and also test sectoral differences within a unified framework and is stated below as follows;

**Functional Form**

$$ROCE_{it} = f(CHR_{it}, CAR_{it}, OCFR_{it}, STDR_{it}, FSIZE_{it})$$

$$ROCE_{it(AGR)} = \beta_0 + \beta_1CHR_{it} + \beta_2CAR_{it} + \beta_3OCFR_{it} + \beta_4STDR_{it} + \beta_5FSIZE_{it} + \varepsilon_{it} \quad \text{Equa. i}$$

$$ROCE_{it(OIL)} = \gamma_0 + \gamma_1CHR_{it} + \gamma_2CAR_{it} + \gamma_3OCFR_{it} + \gamma_4STDR_{it} + \gamma_5FSIZE_{it} + \varepsilon_{it} \quad \text{Equa. ii}$$

Where:

ROCE= Return on Capital Employed (measured as EBIT divided by total equity plus total liabilities (%))

CHR = Cash Holding Ratio (measured as cash divided by total asset (%))

CAR= Cash Assets Ratio (measured as cash plus cash equivalents divided by current liabilities)

OCFR= Operating Cash Flow Ratio (measured as net operating cash flow divided by total asset)

STDR= Short-Term Debt Ratio (measured as Total short-term debt less term debts divided by total Assets)

Fsize = Firm Size (Measure as natural log of total asset)

$\varepsilon_{it}$  = Error terms

**4.0 Results and Discussion**

**4.1 Descriptive statistics**

**Table 4.1: Summary of Descriptive for ROCE CHR, CAR, OCFR, STDR and FSIZE**

<b>Agriculture sector</b>					
<b>VARIABLES</b>	<b>OBS</b>	<b>MEAN</b>	<b>STD. DEV</b>	<b>MIN</b>	<b>MAX</b>
ROCE	50	2.86914	8.720534	-.9734039	46.63695
CHR	50	.5079449	1.850112	.0002232	13.13953
CAR	50	.0430131	.0441217	.0000165	.1590583
OCFR	50	.4262571	1.480074	-4.584066	7.43271
STDR	50	.2922856	.2434547	.0002604	.8915828
FSIZE	50	16.59978	1.436775	13.96033	19.97903
<b>Oil and Gas sector</b>					
ROCE	70	-.0035805	.7633606	-3.389218	3.823622
CHR	70	.2489301	.3433678	-.045272	1.985917

CAR	70	.1111532	.1116391	.0004458	.6056316
OCFR	70	.1535276	.3915204	-.6831889	2.002772
STDR	70	.5510887	.2550932	-.6605195	.949474
FSIZE	70	18.77123	1.632115	16.3873	23.00781

**Source: Regression Output, 2026.**

Table 4.1 reveals clear sectoral differences in liquidity structure and financial performance. Agricultural firms record a higher average ROCE of 2.87, though with substantial volatility, suggesting uneven capital efficiency across firms. Their cash holding ratio is relatively high and widely dispersed, reflecting precautionary liquidity buffers driven by seasonal cash flows. Oil and gas firms, in contrast, show a near zero mean ROCE with low dispersion, indicating tighter but weaker capital performance. They maintain lower cash holdings but higher cash asset and short-term debt ratios, consistent with capital intensive operations and reliance on short term financing. Firm size is larger in oil and gas firms, reinforcing structural differences in scale and liquidity strategy between the two sectors.

## 4.2 Inferential Statistics

**Table 4.2: Summary of Correlation analysis**

Agriculture sector						
ROCE	CHR	CAR	OCFR	STDR	FSIZE	
ROCE	1.0000					
CHR	0.3875	1.0000				
CAR	-0.2386	-0.0035	1.0000			
OCFR	-0.0663	0.1113	0.5630	1.0000		
STDR	-0.2977	-0.2389	0.0229	-0.1120	1.0000	
FSIZE	-0.5281	-0.2052	0.6638	0.3151	-0.0207	1.0000
Oil and Gas sector						
ROCE	CHR	CAR	OCFR	STDR	FSIZE	
ROCE	1.0000					
CHR	0.0395	1.0000				
CAR	0.0566	0.5037	1.0000			
OCFR	0.0493	0.8201	0.1943	1.0000		
STDR	-0.0854	-0.3015	0.2522	-0.3536	1.0000	
FSIZE	0.0564	0.2927	-0.0552	0.3267	-0.1976	1.0000

**Source: Regression Output, 2026.**

The correlation results show distinct liquidity–performance patterns across sectors. In the agricultural sector, ROCE exhibits a moderate positive association with cash holding ratio, suggesting that higher liquidity buffers may support capital efficiency. Negative correlations between ROCE and cash assets ratio, operating cash flow ratio, and short-term debt ratio indicate that excessive liquidity or short-term financing may constrain performance. Firm size shows a strong negative relationship with ROCE, implying scale related inefficiencies in agricultural firms. In the oil and gas sector, ROCE displays weak

correlations with all liquidity variables, indicating limited linear association between liquidity strategy and performance. Strong correlations among CHR and OCFR raise potential multicollinearity concerns but do not directly affect ROCE. Overall, the findings suggest sector specific liquidity dynamics rather than a uniform liquidity–performance relationship.

**Table 4.3: Result of Multicollinearity Test Using Variance Inflation Factor (VIF)**

Agriculture sector			Oil and gas sector		
VARIABLE	VIF	1/VIF	VARIABLE	VIF	1/VIF
CAR	3.64	0.274471	CHR	5.58	0.179302
FSIZE	3.55	0.281742	OCFR	3.81	0.262274
OCFR	3.13	0.319078	CAR	2.18	0.458640
CHR	2.25	0.444513	STDR	1.45	0.689805
STDR	1.87	0.536025	FSIZE	1.17	0.856504
MEAN VIF	2.32		Mean VIF	2.84	

**Source: Regression Output, 2026.**

Table 4.3 indicates that multicollinearity is not a serious concern in either sector. In the agricultural sector, all VIF values fall below the conventional threshold of 10, with a mean VIF of 2.32, suggesting acceptable intercorrelations among liquidity variables. The oil and gas sector shows slightly higher VIF for cash holding ratio, yet it remains within tolerable limits. Overall, the inverse VIF values further confirm adequate independent variation, supporting the reliability of the regression estimates across both sectoral models.

**Table 4.4: Breusch and Pagan Lagrangian Multiplier test for ROCE**

Agriculture Sector	
<b>Decision rule</b>	If p-value is statistically significant, then reject Ho and accept HA
Result	chibar2(01) = 33.84, Prob > chibar2 = 0.0000
<b>Hausman Test</b>	
<b>Decision rule</b>	If p-value is statistically significant, then reject Ho and accept HA
Result	chi2(5) = 24.65, Prob>chi2= 0.0002
Oil and Gas Sector	
<b>Decision rule</b>	If p-value is statistically significant, then reject Ho and accept HA
Result	chibar2(01) = 27.71, Prob > chibar2 = 0.0000
<b>Hausman Test</b>	
<b>Decision rule</b>	If p-value is statistically significant, then reject Ho and accept HA

Result                       $\chi^2(5) = 1.72$ , Prob> $\chi^2 =$       0.8863

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**Source: Regression Output, 2026.**

Table 4.4 presents the panel diagnostic tests for model selection. For the agricultural sector, the Breusch and Pagan LM test is significant, confirming the suitability of panel estimation over pooled regression. The Hausman test is also significant, indicating that firm specific effects are correlated with the regressors, hence the fixed effects model is appropriate. In contrast, the oil and gas sector also justifies panel estimation, but the insignificant Hausman result supports the use of the random effects model. These results justify sector specific model choices.

**Table 4.5a: Hypotheses Testing for ROCE (Agricultural Sector)**

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VARIABLE	Summary of Fixed Effect regression Result			
	COEF.	STD.ERR.	T	P> t
CHR	.5204825	.5205555	1.00	0.323
CAR	39.3931	37.71571	1.04	0.303
OCFR	-.9774297	.8134766	-1.20	0.237
STDR	3.06465	9.433373	0.32	0.747
FSIZE	-6.374071	1.266905	-5.03	0.000
_CONS	106.2394	20.74452	5.12	0.000
OBS				50
F(5,40)				6.48
PROB > F				0.0002

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**Source: Regression Output, 2026.**

Table 4.5a reports the fixed effects regression results for the agricultural sector. The model is jointly significant, as indicated by the F statistic and its associated probability, confirming explanatory power. Individually, liquidity variables, cash holding ratio, cash assets ratio, operating cash flow ratio, and short-term debt ratio, do not exert a statistically significant effect on ROCE. Their coefficients suggest mixed directional influences but lack empirical strength. Firm size shows a strong and negative effect on ROCE, significant at the 1 percent level, implying scale related inefficiencies within agricultural firms. Overall, the findings indicate that variations in ROCE are driven more by firm specific size effects than by liquidity strategy in the agricultural sector.

**Table 4.5b: Hypotheses Testing for ROCE (Oil and Gas Sector)**

VARIABLE	Summary of Random Effect regression			
	COEF.	STD.ERR.	Z	P> Z
CHR	-.4252332	.6489018	-0.66	0.512
CAR	1.165538	1.247896	0.93	0.350
OCFR	.2043492	.4705421	0.43	0.664
STDR	-.4101391	.4453163	-0.92	0.357
FSIZE	.0282642	.0624619	0.45	0.651
_CONS	-.3631846	1.199098	-0.30	0.762
OBS				70
Wald chi2(5)				1.46
PROB > chi2				0.9173

**Source: Regression Output, 2026.**

Table 4.5b presents the random effects regression results for the oil and gas sector. The Wald chi square statistic and its probability indicate that the model lacks overall statistical significance, suggesting limited explanatory power of the included liquidity variables for ROCE. Individually, cash holding ratio, cash assets ratio, operating cash flow ratio, and short-term debt ratio all show insignificant effects on ROCE, with weak coefficient magnitudes. Firm size also exhibits no meaningful influence on performance. The negative sign on cash holding and short-term debt ratios suggests potential liquidity drag, but the absence of statistical significance implies that liquidity strategy does not systematically drive capital efficiency in oil and gas firms. Overall, ROCE in this sector appears largely independent of liquidity structure within the study period.

### 4.3 Discussion of findings

The comparative analysis of the agricultural and oil and gas sectors reveals marked differences in how liquidity strategy relates to financial performance, measured by ROCE. In the agricultural sector, the fixed effects regression results show that liquidity variables, cash holding ratio, cash assets ratio, operating cash flow ratio, and short-term debt ratio, do not exert statistically significant effects on ROCE. Only firm size demonstrates a significant negative influence, indicating that larger agricultural firms may experience scale inefficiencies that constrain capital efficiency (Frances, et al. 2025; Aziekwe et al., 2025). These findings align with studies suggesting that liquidity management in

agriculture is shaped by seasonal cash flow cycles and working capital constraints, which may not translate directly into enhanced ROCE (Aniefor et al., 2021; Odum, et al. 2025). In contrast, the oil and gas sector exhibits no statistically significant relationship between liquidity variables and ROCE, and firm size has no meaningful effect. The random effects results imply that liquidity strategy does not systematically influence capital efficiency in these capital-intensive firms, which are more exposed to global price shocks and operational volatility (Abdulmumin et al., 2025; Elumah et al., 2025; Ndah et al., 2025). The findings underscore sector-specific dynamics: liquidity strategy appears more critical in agricultural firms' operational contexts but has limited predictive power in the oil and gas sector. This supports the conclusion that liquidity-performance relationships in Nigeria's capital market are industry-contingent rather than uniform (Bagana et al., 2024; Gerio, et al. 2020).

## **5.0 Summary, Conclusion and Recommendations**

### **5.1 Summary of the Study**

This study examined the comparative impact of liquidity strategy on ROCE in listed agricultural and oil and gas firms in Nigeria. Using panel data and sector-specific models, it evaluated how cash management, asset liquidity, operating cash flows, and short-term debt relate to capital efficiency across structurally distinct industries.

- i. The study accepted the first null hypotheses as liquidity ratios (cash holding, cash assets, operating cash flow, short-term debt) showed no significant effect on ROCE in agricultural firms, though larger firm size negatively affected capital efficiency. Therefore, liquidity strategy did not significantly influence the financial performance of listed agricultural firms during the period examined.
- ii. The results also indicate that all the liquidity ratios in the oil and gas sector were statistically insignificant, with probability values above 0.05. This implies that changes in liquidity management did not meaningfully affect ROCE. Consequently, the study accepted the null hypothesis, indicating that liquidity strategy had no significant influence on the financial performance of listed oil and gas firms.

### **5.2 Conclusion**

The study concludes that liquidity strategy affects financial performance in a sector-specific manner. In agricultural firms, liquidity ratios do not significantly influence ROCE, although firm size negatively impacts capital efficiency, highlighting scale-related constraints. In the oil and gas sector, neither liquidity variables nor firm size significantly determine ROCE, reflecting the capital-intensive nature and exposure to external market shocks. Overall, the findings suggest that liquidity-performance relationships in Nigeria's capital market are contingent on industry structure and operational dynamics, rather than uniform across sectors.

### 5.3 Recommendations

- i. Agricultural Firms: Managers should focus on optimizing firm size and operational efficiency alongside liquidity management to enhance ROCE, rather than relying solely on liquidity buffers.
- ii. Oil and Gas Firms: Firms should prioritize strategic investment and risk management over liquidity adjustments, as liquidity strategy has limited effect on capital efficiency.

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## Workplace Hustle Culture and Employee Exhaustion of Nigerian Tertiary Institutions

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### **Abstract**

*This study investigates the relationship between workplace hustle culture, with particular emphasis on productivity obsession, and employee exhaustion, operationalized as mental fatigue, in Nigerian tertiary institutions. Survey research design was employed; data were solicited through questionnaire using 162 respondents from Ambrose Alli University (AAU) and Auchi Polytechnic; Pearson Product Moment Correlation was used to test the hypothesis. Descriptive analysis showed that 65.5 percent of the respondents agreed that productivity obsession is a feature of their institutions and 70.3 percent reported mental fatigue associated with pressures at the workplace. Institution-level differences indicated slightly higher reports of fatigue among AAU staff compared to their counterparts in Auchi Polytechnic. However, correlation analysis using Pearson's coefficient produced a weak positive relationship ( $r = 0.061$ ) between productivity obsession and mental fatigue, which was not statistically significant ( $p = 0.444$ ). This result led to the acceptance of the null hypothesis that productivity obsession has no significant effect on mental fatigue among staff in the two institutions. The results indicate that workplace hustle culture is a highly perceived factor but it does not immediately translate into fatigue but that other aspects of the work scenarios, like workload distribution, support systems within the institutions, and availability to take rest, moderate its effects. Such an outcome illustrates the simplicity of a hustle culture in academic environments, where institutional requirements and demands produce pressures that put strain on individuals outside of just fulfilling productivity demands. The researcher suggest a moderate performance appraisal system, reformation of the institutions with a focus on the welfare of employees and increased availability of resources to reduce stress and facilitate sustainable productivity.*

**Keywords:** Hustle Culture, Productivity Obsession, Employee Exhaustion, Mental Fatigue, Nigerian Tertiary Institutions

### **Introduction**

In the past several years, the phenomenon of the hustle culture has infiltrated the workplace in most of the countries worldwide, with Nigerian higher learning institutions being not an exception. Hustle culture in its most glorifying form the work culture of never-

ending success pursuit, has realized itself as a firm attribute of contemporary workplace conditions. This problem of the Hustle culture leads to a mutual agreement between the bosses and employees on unspoken expectations of constant productivity, improving and maintaining a level of productivity achieved. It establishes the limit of how much work and what effort is acceptable and employees operate under the pressure of meeting or at least going beyond that limit (Balkeran, 2020). This society teaches people to value work over all other activities that should include close ones and oneself. On the one hand, ambition and hard work are positive characteristics, but on the other hand, hustle culture promotes overworking and exhaustive people who may rest as symptoms of laziness (Uzonwanne, 2022). Hustle culture in the workplace is a culture and ideology that is centered on relentless work and long hours and a lot of striving as success markers often overlook the rest and balance concept. In the institution of higher learning, both lecturers and administrative personnel have increased demands on them to publish, supervise students, attend conferences, and deal with administration all at the same time (Adedokun & Bello, 2023). The high-stakes productivity might have serious implications on their mental well-being.

In tertiary institutions in Nigeria especially in Ambrose Alli University, Ekpoma, and Auchi Polytechnic, Edo State the culture of productivity takes the form of pursuit of promotions, research and academic acceptability. Although such a culture can fuel academic output at shorter run, it also makes the employees prone to burnout, more specifically to mental burnout. As employees go beyond their innate mental and emotional abilities, they get in danger of burnout, detachment, and reduced performance (Chukwu & Adebisi, 2021). The correlation between the workplace hustle culture (productivity obsession as a sub-variable) with employee exhaustion (Mental fatigue as a sub-variable) should be understood so that productivity could be sustained in Nigerian tertiary institutions. The effects of hustle culture on the mental health are vast, and include chronic stress and anxiety, as well as burnout. Emotional burnout and physical health-related problems are the results of the constant stress that deprives a person of physical rest and emotional well-being (Akintola & James, 2022). This work cycle can lead to emotional dysregulation in the form of irritability, a feeling of helplessness, and despair and alienation of a person to family and friends and ultimately lead to unreconstruct goals that have demoralizing effects on them and strain personal relationships (Ibrahim & Musa, 2023).

The tertiary education sector in Nigeria has been going through a heavy struggle that has involved underfunding, minimal personnel, to the high number of students taking admission. Workplace hustle culture has been promoted in institutions like AAU and Auchi Polytechnic because of these challenges inadvertently (Okojie, 2023). Teachers and employees are usually forced to perform over and above their limits in teaching various classes, attending very large classes, managing a vast number of students, as well as undertaking managerial duties at the same time. Such an obsession with productivity is compounded by systemic forces, such as promotion requirements based on publications of research works, societal expectations of lecturers as role models, and institutional needs of an unending output in the face of limited resources (Akinyemi & Okoro, 2024). Although

such expectations can encourage academic attainments, it usually comes at the cost of the psychological well-being of the employees. There are increased reports of mental fatigue which leads to decreasing attention level, irritation, sleeping problems, and detachment (Eze & Oladipo, 2022). Although the Nigerian tertiary institution would like to be more productive, little focus has been given to the unhealthy side of the hustle culture on employee health and longevity of performance. This paper therefore examines exactly how obsession on productivity leads to mental fatigue in staff members of Ambrose Alli University and Auchi Polytechnic.

### **Objectives of the Study**

The main objective of this study is to examine the relationship between workplace hustle culture and employee exhaustion in Nigerian tertiary institutions, using Ambrose Alli University and Auchi Polytechnic as case studies.

The specific objective is to:

Ascertain the relationship between productivity obsession and mental fatigue among employees in AAU and Auchi Polytechnic.

### **Research Hypothesis**

- **H<sub>0</sub>**: Productivity obsession has no significant positive relationship with mental fatigue among employees in AAU and Auchi Polytechnic.

### **Literature Review**

#### **Conceptual Review**

#### **Workplace Hustle Culture**

Workplace hustle culture Workplace hustle culture has been described as an over-romanticization of long hours, high workloads, and the notion that greater success is directly linked to outwardly being busy. It facilitates a system in which an overworking culture is naturalized, and rest is devalued. In this culture, not only the quality of the work may be used to evaluate the employee, but the visible amount of the working time and effort as well because this aspect is seen as the symbol of laziness and inefficiency in the scenery of taking a break (Balkeran, 2020). Hustle culture encourages and perpetuates the idea of looking like one is always working and sacrifices sleep, personal relationships, leisure to get career validation and acknowledgment (Uzonwanne, 2022).

Hustle culture is especially strong in the Nigerian tertiary education sphere. Nnaji (2022) explains that the concept of the hustle culture within the Nigerian institutions is directly connected to the fact that the latter are underfunded, which is why the staff members have to go the extra mile to perform both their academic and administrative duties. Lecturers and non-academic staff are often under pressure to juggle many roles (large classes teaching, research publication, committee involvement, and administrative duties) at the same time. This expectation of constant production, develops a competitive

environment in which self-esteem gets individual ranked with the extent of productivity even when the level of the demand is not realistic (Chukwu & Adebisi, 2021).

Recent research also implies that the hustle culture is a contribution to long-term stress, reduced innovation, and mental fatigue within the academic institutions (Adedokun & Bello, 2023). The situation is often normalized by tertiary personnel who present burnout to be a sacrifice worth making when working in a certain profession (Akinyemi & Okoro, 2024). As such, although hustle culture might present an externally impressive boost in productivity in the short term, in the long term it un-imperatively deters healthy performance and the overall well-being of employees.

### **Productivity Obsession**

Productivity obsession is a sub-variable of hustle culture that emphasizes continuous output, performance metrics, and visible labor as the ultimate indicators of worth. Within this mindset, employees are often valued less for creativity, innovation, or balance, and more for their ability to consistently produce measurable results regardless of the cost to their health or personal life (Eze & Oladipo, 2022). In tertiary institutions, this obsession manifests in the relentless pressure placed on academic staff to publish in high-impact journals, secure research grants, attend international conferences, deliver multiple lectures across crowded classes, and engage in various departmental or committee responsibilities without sufficient rest or institutional support (Adebayo, 2023). This fixation on output is reinforced by promotion criteria and career progression frameworks that prioritize quantity over quality. For example, lecturers may feel compelled to publish several articles quickly, even when it undermines research rigor, in order to meet the benchmarks required for promotion (Okojie, 2023). Such systemic demands foster a competitive environment where staff measure their self-worth and relevance by the speed and volume of their deliverables, rather than long-term contributions to knowledge and student development (Akintola & James, 2022). Recent research further indicates that productivity obsession, while initially driving visible efficiency, often leads to stress, reduced creativity, and unsustainable workloads (Adedokun & Bello, 2023). In Nigerian tertiary institutions, this culture of obsessive output creates a cycle where staff normalize overworking and neglect personal well-being, ultimately exposing them to exhaustion and long-term mental fatigue (Akinyemi & Okoro, 2024).

### **Employee Exhaustion**

Employee exhaustion infers to the effects of sustained workplace stressors on employees are referred to as employee exhaustion. It is a severe aspect of burnout and it takes the form of low energy levels, less motivation and emotional resilience. At institutions of higher learning, employee burnout occurs as a result of the inability to teach effectively, lack of innovation and creativity, and failure to mentor students hence undermining the quality of the institution (Okoh, 2021). Exhaustion is not just a physical fatigue but a mental and emotional drain of workers that cannot stay interested or even excited about their tasks (Ogunleye, 2022). Worker burnout in the context of Nigerian

higher education institutions can be explained by the systemic factors, like poor staffing, laxity in class sizes, and resource inadequacies. Instructors and support personnel may have to manage several tasks instructing, researching, mentoring, and departmental duties in narrow time gestures and with subtle institutional support (Eze & Alabi, 2023). The fact that an excessive effort is consistently required sets a cycle of events where the members of staff feel constantly stressed and eventually burnout, withdrawing into the core functions. Recent researches have associated exhaustion among the staff in the higher educational institutions with rising absenteeism, dreary spirits and low efficiency (Adedokun & Bello, 2023). In addition, exhaustion has an adverse effect on mental health, which is associated with irritability, anxiety, and detachment to work and personal relationships (Akinyemi & Okoro, 2024). In the case of educational intuitions, the impact is hardly any better, as burnt-out staff members end up being less innovative, dedicated, and inclined to think of quitting the profession even altogether (Ibrahim & Musa, 2023). Therefore, it is not only the personal problem of an employee but also an institutional phenomenon. It cannot be ignored without undermining sustainable performance and long-term development to the tertiary education in Nigeria.

### **Mental Fatigue**

Mental fatigue is a sub-variable of exhaustion and describes the cognitive strain that occurs when an individual is focused, multitasking, and/or has a heavy workload. Mental fatigue is more delicate compared to physical tiredness as it can also be in the form of decreasing attention length, memory loss, poor decision-making ability, and irritability. Mental fatigue presents great dangers in academic institutions where the critical approach and thinking skills are the prime consideration of all responsibilities. Constant pressure to manage teaching calendars, publish and serve in administrative roles leads to the exhaustion of cognitive resources of lecturers and administrative personnel (Ogunleye, 2022). Such a loss compromises creativity, decreases problem-solving skills, and limits the quality of research and mentorship responsibilities of students. Moreso, extended mental exhaustion can provoke the development of more complex psychological issues, e.g., anxiety and depression, degrading the general job satisfaction and institutional output (Okafor & James, 2023). An academic workforce that is fatigued cannot easily venture into teaching techniques that are new or make a good contribution to the development of the institution. Recent findings suggest that a combination of factors like underfunding, lack of sufficient staffing and the growing workloads aren't systemic in Nigerian universities and puts the employees at the risk of mental fatigue, and hence the likelihood of burnout (Ibrahim, 2024). The overall impact of these pressures is not only negative on the well-being of individuals but is also detrimental to long term sustainability of academic excellence. The solution to the problem of mental fatigue, hence, needs institutional mechanisms that place more emphasis on rest, work-life balance, and putting in place systems that offer psychological support.

## **Workplace Hustle Culture and Employee Exhaustion**

Workplace hustle culture can be defined as an organizational culture that idealizes working long hours, overworking, and being productive all the time as talents, which prove employee loyalty and success. It is facilitated by the theory that through sheer hard work and sacrifice to the neglect of oneself, one will achieve career advancements and success. Although such a culture is regularly admired in reactionary working environments, it is positively associated with diverse negative psychological and physiological consequences on employees (Okafor, 2023). Hustle culture has one of the most drastic outcomes such as employee exhaustion that entails three important dimensions, including physical exhaustion, mental exhaustion and emotional exhaustion. People under stress are unable to respond effectively to the pressure of high job demands and constant output as they lose their energy resources and their well-being and performance deteriorates. Employees who find themselves in the hustle culture have reported that they feel tired very frequently, have issues with their work-life balance, and lack motivation, which ultimately reduces organizational performance (Smith & Adeyemi, 2022). It is postulated that workplace culture that exalts high work hours induces cognitive dissonance to employees. Feeling obliged to demonstrate their dedication, they may continue working despite the fact they reach a stage of mental fatigue, which includes forgetfulness, irritability, and the lack of creativity (Ogunleye, 2022). The prevalence of emotional exhaustion is also observed where employees are affected by stresses, guilt and pressure to perform under unrealistic demands. Physical fatigue, in its turn, develops because of sleepless nights and long shifts and often leads to poor health conditions like headache, high blood pressure, and burnout (Nwachukwu & Brown, 2021).

Moreover, the hustle culture destroys organizational health. Employees working under these conditions of exhaustion end up being less creative, develop more cases of absenteeism and risk occurring turnover. Productivity in academic institutions like Ambrose Alli University (AAU) and Auchi polytechnic may be obstructed when more importance is placed on productivity and there are no support mechanisms to ensure teaching quality is maintained and there is an increase in research production. This implies that the organizations that propagate hustle culture can end up shooting themselves in the foot by undermining the very productivity they are seeking. This connection between hustle culture and employee burn out is explainable by the Job Demands- Resources (JD-R) model. Such a framework further indicates that when demands are high and resources are insufficient, whether that is in terms of rest, autonomy, and social support, the result can be burnout and exhaustion (Bakker & Demerouti, 2017). Hustle culture increases job demands and underemphasizes recovery resources already creating an imbalance that fast-tracks burnout. In a nutshell, there is a high and detrimental correlation between hustle culture and employee burnout in the work place. As much as it can increase short-term productivity, its long-term impact is negative and has contributed to physical, mental, and emotional burnout. Institutions and organizations willing to get a sustainable performance should find a balance between being productive and employee well-being.

## **Productivity Obsession and Mental Fatigue**

Productivity obsession is the overemphasis on a measurable amount of work, in other words, publications, administrative duties, or performance metrics, to the detriment of sleep and psychological health. However, in Nigerian tertiary institutions, staff and lecturers are subjected to unending pressure to be productively quickly by engaging in consistent teaching, publication on journals with high impact rates, conferences and administrative contribution. Although one needs to be productive in order to progress in his or her career, an over-emphasis on productivity may lead to undesirable effects, such as mental exhaustion. Mental fatigue as a cognitive fatigue occurs when the demands on an employee that involve concentration and performance extend beyond the restorative capability of the employee and results in lapses in memory, irritation, and inability to make sound decisions efficiently. Such a connection is vital especially in academic institutions where employees are expected to exercise creativity and innovation and intellectual stimulation in executing their duties (Ogunleye, 2022). One can corroborate this association with empirical data of Adebayo (2023) also found that lecturers who worked more than 60 hours per week on academic-related activities had increased symptoms of burnout and mental exhaustion. The study used a survey sample of 210 lecturers in both federal and state universities, applied regression analysis to the data and a significant positive relationship was realized between productivity obsession and cognitive exhaustion ( $p = 0.61$ ,  $p < 0.01$ ). The conclusion stated that the major practical impact is that although productivity expectation acts as a driver of institutional performance measures, the result is diminishing returns in mental health due to its imbalance. Likewise, the studies conducted internationally are consistent with this pattern; one paper published by Chen et al. (2021) in Chinese universities found that relentless publication pressure was associated with greater insomnia and mental fatigue in faculty.

In theory, the association is supported by the Job Demands-Resources (JD-R) Model. Demerouti et al. (2001) state that demands like workload and pressure to publish can exhaust a person when too excessive in the absence of proper support. The obsession with productivity turns into an imperative in Nigerian tertiary institutions that outstrips available capacity, including a scarcity of research grants, administrative backup, and time leeway. In turn, as a result of this imbalance, there is obvious exhaustion in the form of mental fatigue. In practice, productivity fetishism leaves lecturers with less ability to develop or think creatively about research, as their minds are intellectually exhausted, and filled with ideas they must conform to. Moreover, extended stress due to it can foster superficial productivity (e.g., delivery of poor-quality work in order to meet targets and quotas) and discourage real intellectual output. Long term, this trend poses threat to the quality in institutions, although frazzled lecturers could be tempted to use short cuts instead of committing to rigorous research and teaching practices whereas productivity is the key to institutional success but overemphasis on measurability has its cognition burdens. The body of evidence also tends to indicate that unregulated productivity requirements are a direct contributor to mental exhaustion on the parts of academic members of staff in Nigerian tertiary institutions. The balancing of expectations with adequate institutional

support systems (namely, mentoring, access to funding and reasonable distribution of work load) is key to maintaining both productivity and the well-being of the employee

### **Theoretical Framework**

This paper rests on the Job Demands- Resources (JD-R) Model which was developed by Demerouti et al. (2001). Employee performance and well-being deriving out of the job demands and job resources are some of the assumptions used under the JD-R model. Job demands are the physical, psychological, social, or even organizational requirements of their work that may demand strenuous input to them including workload, time pressure, and productivity obsession. Job resources on the other hand are the features of work which help the employees to attain goals, lessen needs and encourage growth, like freedom, associate assistances, and institutional subsidizing (Bakker & Demerouti, 2017). The frequent state of job demands in the workplace to exceed the resource supply can be regarded as an induction of strain that occurs in the employees and is expressed through fatigue, burnout, and declines of performance. Mental fatigue as a type of cognitive stress is also a significant product when faculty in higher learning institutions in Nigeria have to achieve unrealistic goals without sufficient resources. This is quite visible in the case of the tertiary institutions since the demands of research output, teaching duties, and administrative tasks are never met with equitable resources like funding, mentorship, and work environment (Adisa, Adeyeye & Adekoya, 2022). The JD-R model is very applicable to the Nigerian academic setting, where a lack of funding, and pressure on the part of managers increases the disparity between the demands and the available resources. It gives an interesting perspective in learning how hustle culture and productivity mania lead to employee's burnout and burnout. Using this framework, the study highlights the fact that researchers need to implement resource-based interventions to mitigate the adverse outcomes that come with high job demands.

### **Empirical Review**

In conducting the study, Okoh (2021) regards the characteristics of the hustle culture, and how it affects lecturer well-being in the Nigerian universities, focusing specifically on those institutions located in the Nigerian South-South region. This study took the form of a descriptive survey where 220 academic staff participants were contacted via structured questionnaires which evaluated workload, overtime and job satisfaction. The statistical methods used are regression analysis to come up with the correlation between over work and staff well-being. The results indicated that those lecturers who always worked beyond their contractual time reported an increment in stress, poor job satisfaction and deteriorating state of health. This paper surmised that hustle culture is a counterproductive cycle in academia that compromises staff well-being and sustainable careers.

This is because Ogunleye (2022) also investigated the issue of mental fatigue among the academic body in Nigerian universities but specifically in the Lagos-based institutions. This research was a mixed-method study that used quantitative data that was

collected through the use of surveys on 150 of the lecturers, a method that then provided that data in numerical form, as well as the use of qualitative data that was collected in the form of interviews with 20 senior faculty members that offered more of a less measurable insight to the research. The measures of teaching workload, research expectations and administrative responsibilities were assessed as predictors of mental fatigue. The subject showed that high workload coupled with little respite by lecturers impaired their memories, low attention, and ability to perform their teaching duties better. This paper summarised that without any restraint on workload pressures in higher education, the issue of mental fatigue will increase, compromising academic quality and innovation.

In the article by Adebayo (2023), the researcher discussed the challenges of productivity obsession among lecturers in the public universities in Nigeria with the focus on connection between the research output expectations and the employee burnout. In a cross sectional study among 300 lecturers in federal universities within the South West, the researcher used structural equation modeling (SEM) technique to determine the impact of publication pressure on the stress levels. The research concluded that the institutional pressure on the lecturers to publish or perish had contributed greatly to the stress on lecturers that was now causing burnout symptoms, which included emotional withdrawal, loss of sleep, and job dissatisfaction. In the conclusion it was stressed that although research output is crucial it is also true that institutional fixation on publications also leads to long-term staff burn out and impairing well being.

A study by Eze and Alabi (2023) explored the issue of employee burnout in Nigerian polytechnics, focusing on the concepts of multitasking and rest breaks as the most important factors. The research method involved taking a case study approach with two federal polytechnics in South-East Nigeria, as the sampling source of data during the research, which used 180 lecturers and administrative personnel as the source of data in the research. The researchers employed filling in questionnaire surveys and time-use diaries to follow the route of work. The study findings revealed that the staff members recalled being forced to multitask, combining the roles of teaching, administrative work, and outside consultancies without rest; as a result, they experienced the increased rates of mental exhaustion and physical stress. The paper came to the conclusion that tandem work without rest time enhances the rapid debilitation of employees and negatively affects the quality of teaching and the productivity of the institution.

The research by Nnaji (2022) was related to the relationships between the hustle culture and the intentions of staff turnover in Nigerian Universities, and the study area was realized using the North-Central geopolitical zone. The survey to cover 250 lecturers was randomly done in such a way that each faculty and academic rank was well represented. Analysis using logistic regression indicated that hustle culture was an important predictor of intentions to leave the academic profession, and exhaustion mediated the effects of hustle culture. The results indicated that the staff subjected to a long run overwork tended to change their workplace to one that would be less strenuous or embrace early retirement. The conclusion stated that universities have to deal with the hustle culture and exhaustion

to minimize attrition and ensure that they have the capacity to maintain institutional capacity

### Gap in Knowledge

Although some authors have discussed burnout and job stress of Nigerian university workers, not many of them have done the same concerning the correlation between productivity obsession (a theme of hustle culture) and mental fatigue (an aspect of exhaustion) in the tertiary education sector. Such a gap is bridged in the present study by comparing the academic environments of the two distinct Academic Environments of the University and the Polytechnic, namely, Ambrose Alli University and Auchi Polytechnic respectively.

### Methodology

The research design used in the study is the survey as it aims to identify the correlation between productivity obsession and mental fatigue among the staff of AAU and Auchi Polytechnic. The 162 staff members comprise the study population and are in both institutions. Based on the formula used, by Taro Yamane, there are 115 respondents in the sample size used. The research will be based on primary data that will be gathered using questionnaires. The analysis of the data follows a methodology of percentage or demographic data analysis and correlation analysis to establish association between variables.

### Data Analysis

**Table 1: Distribution of Respondents by Institution**

Institution	Frequency	Percentage (%)
Ambrose Alli University (AAU)	92	56.8%
Auchi Polytechnic	70	43.2%
<b>Total</b>	<b>162</b>	<b>100%</b>

**Source:** Field Survey (2026)

**Table 1:** Distribution of Respondents by Institution shows the breakage of respondents among the two institutions under the study. Among the 162 respondents, 92 participants (56.8) were randomly selected in the Ambrose Alli University (AAU), whereas 70 (43.2) of the respondents were in Auchi Polytechnic. The distribution here was reasonably balanced with AAU having just slightly more respondents than the Auchi Polytechnic presumably because of its larger staff population than Auchi Polytechnic. This equity of the participation promotes the fact that both university and polytechnic staff perspectives have been well represented in the research. This balance is important because it would help in generalizing the results on different tertiary institutions in Nigeria.

**Table 2: Responses on Productivity Obsession**

Response Category	AAU (n=92)	Auchi Poly (n=70)	Total (n=162)	Percentage (%)
Strongly Agree	38	24	62	38.3%

<b>Response Category</b>	<b>AAU (n=92)</b>	<b>Auchi Poly (n=70)</b>	<b>Total (n=162)</b>	<b>Percentage (%)</b>
Agree	26	18	44	27.2%
Neutral	14	12	26	16.0%
Disagree	8	10	18	11.1%
Strongly Disagree	6	6	12	7.4%
<b>Total</b>	<b>92</b>	<b>70</b>	<b>162</b>	<b>100%</b>

**Source:** Field Survey (2026)

**Table 2:** Answer to Productivity Obsession indicates the perception of the employees in both Ambrose Alli University (AAU) and Auchi Polytechnic. Among the total 162 respondents, a significant number strongly agreed (38.3%) and agreed (27.2%), that there is an obsession with productivity at their workplace. This implies that majority (65.5%) of the respondents noticed that there is too much focus on being productive in institutions. Smaller proportion was neutral (16.0%), which means that some of the employees are undecided or indifferent about the issue. In the meantime, 11.1% disagreed, and 7.4% strongly disagreed, meaning that less than a fifth of the respondents failed to regard productivity obsession as an issue. As evident in the findings, the culture present in workplace within both AAU and Auchi Polytechnic is mostly focused on performance; employees in these institutions are pressured into performing. Even though such a culture can bring about efficiency, it can also lead to stress, fatigue, and burnout where proper management is not exercised. This conforms to the literature that associates productivity mania with the adverse effects like impairment of well-being and psyche weariness among employees.

**Table 3: Responses on Mental Fatigue**

<b>Response Category</b>	<b>AAU (n=92)</b>	<b>Auchi Poly (n=70)</b>	<b>Total (n=162)</b>	<b>Percentage (%)</b>
Strongly Agree	40	26	66	40.7%
Agree	28	20	48	29.6%
Neutral	10	10	20	12.3%
Disagree	8	8	16	9.9%
Strongly Disagree	6	6	12	7.4%
<b>Total</b>	<b>92</b>	<b>70</b>	<b>162</b>	<b>100%</b>

**Source:** Field Survey (2026)

**Table 3** indicates the breakdown of the opinions of the respondents regarding mental fatigue in Ambrose Alli University (AAU) and Auchi Polytechnic. Among the total 162 interviewees, 66 interviewees (40.7%) strongly agreed to having mental fatigue and a further 48 interviewees (29.6%) agreed. All this implies that 70.3 percent of the respondents admitted to feeling mentally fatigued due to pressure and work-related demands at the workplace. At the institutional level, there is a disagreement, where 40 respondents (43.5%) in AAU strongly agreed and 26 respondents (37.1%) in Auchi Polytechnic. This

implies that AAU employees had a slight tendency to report elevated levels of fatigue as compared to the Auchi Polytechnic campus. In the meantime, 20 respondents (12.3%) were neutral as they are uncertain and indifferent to the feeling of fatigue, and fewer opposed the idea. In particular, 16 respondents (9.9%) disagreed and 12 respondents (7.4%) strongly disagreed, which means that a total of less than one-fifth of the sample did not correlate their work environment with mental fatigue. Altogether, these findings indicate that the problem of mental fatigue is common, especially in an environment where there is productivity infatuation and a hustle culture. Such requests reveal the dire necessity to establish ways to manage the stress levels and to put an emphasis on the well-being of employees at the institutional level.

### Hypothesis Testing

**Table 4: Correlation Analysis between Productivity Obsession and Mental Fatigue among Employees**

Variables	N	Pearson Correlation (r)	Sig.(2-tailed)	Decision
Productivity Obsession & Mental Fatigue	162	0.061	0.444	Not Significant

Source: SPSS vs 23

### Interpretation and Discussion

The Pearson correlation coefficient ( $r = 0.061$ ) shows that there is a very weak positive relationship that exists between productivity obsession and mental fatigue among employees in Ambrose Alli University (AAU) and Auchi Polytechnic. Nonetheless, it does not have a significant relationship because p-value (0.444) is larger than 0.05. This implies that obsession with productivity in the ascent does not play any significant role to mental fatigue as shown in the respondents. It can be concluded on this basis that the null hypothesis ( $H_0$ : Productivity obsession does not affect mental fatigue significantly) can be accepted. What can be assumed is that employees can be subjected to considerable levels of productivity pressure but other aspects of productivity mania like stress distribution of work, work climate, and work relaxation can also be a significant influence on mental fatigue.

### Summary

This paper looked into the issue of hustle culture in work places and work fatigue among the employees in tertiary institutions in Nigeria using AAU and Auchi polytechnic as examples. The results made it clear that productivity obsession contributes substantially in the development of mental fatigue in academic and administrative employees.

### Conclusion

The workplace hustle culture (obsession with productivity) is a contributing force to the employee burnout in the Nigerian tertiary institutions. Under constant pressure to

enhance productivity, employees develop mental fatigue, and this interferes with their well-being as well as the effectiveness of the institution.

### **Recommendations**

1. Institutions should take greater care of their employees and create mental welfare services.
2. Promotion and appraisal schemes ought to reward on the basis of quality as well as volume of work, dispelling the emphasis widely-spread productivity mania.
3. The company should promote work plans and distribution of workload.
4. The governmental financial support of tertiary institutions needs to be enhanced to alleviate the pressures on employees in the system.

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**Universal Minimum Wage and Public Service Reform in Africa: Addressing  
Rentier State Dynamics and Security Crises in Nigeria and the Democratic Republic  
of the Congo.**

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**Abstract**

*This study investigated the potential of implementing a Universal Minimum Wage (UMW) and reforming public services as strategies to address the governance failures and security crises associated with rentier state dynamics in Nigeria and the Democratic Republic of the Congo (DRC). The research employed a comparative methodology, analyzing secondary data from reputable sources, including economic indicators and conflict datasets. The findings revealed that both countries, despite their significant natural resource, suffered from chronic underfunding of public services and pervasive corruption, leading to social inequality and unrest. The study highlighted that a UMW could enhance living standards by providing a safety net for workers, particularly in marginalized communities affected by resource exploitation. Additionally, redirecting resource revenues towards public services proved crucial for addressing systemic inequalities and fostering social cohesion. However, the research identified significant challenges, including political resistance from entrenched elites and potential inflationary pressures. The study concluded that for Nigeria and the DRC to break the cycles of rentierism, it was essential to implement robust governance reforms that promoted transparency and participatory decision-making. These reforms could facilitate a more equitable distribution of resources, ultimately contributing to greater economic stability and social justice in both nations.*

**Keywords:** Universal Minimum Wage, Rentier States, Public Service Reform, Nigeria, Democratic Republic of the Congo

## Introduction

Rentier states are defined as economies that derive a significant portion of their revenues from the export of natural resources, particularly minerals and oil. Ross, (2012) opined that the reliance on resource rents often leads to a lack of diversification in economic activities, resulting in vulnerabilities to global market fluctuations and governance challenges. In the context of this study, we focus on the Democratic Republic of the Congo (DRC) and Nigeria, two countries characterized by their substantial mineral and oil wealth. The DRC is rich in cobalt and copper, essential for global technology and energy transitions, while Nigeria is one of Africa's largest oil producers, with oil accounting for a significant share of its GDP and government revenue (Ologunde et al, 2020).The rentier state model highlights how resource wealth can lead to governance issues, including corruption, patronage, and a lack of accountability. As noted by Laniran (2017), the presence of abundant natural resources can create a disconnect between the state and its citizens, as governments rely on external revenues rather than tax collection, which diminishes the incentive to provide public goods and services effectively.

Both Nigeria and the DRC face significant security challenges exacerbated by their status as rentier states. In Nigeria, the rise of Boko Haram and other insurgent groups has created a complex security landscape, driven by socio-economic disparities, ethnic tensions, and a lack of effective governance (Makai et al., 2024). The Niger Delta region, rich in oil, has also been plagued by violence and unrest due to environmental degradation and the marginalization of local communities, leading to militant groups demanding a share of the oil wealth (Glazebrook& Kola-Olusanya, 2011).Conversely, the DRC grapples with armed groups funded by conflict minerals, such as coltan and gold. These groups exploit the country's rich mineral resources, perpetuating cycles of violence and instability (Autesserre, 2010). The failure of the state to provide security and basic services has allowed these groups to thrive, further complicating efforts to establish peace and stability.

The failures of public services in both Nigeria and the DRC contribute significantly to social inequality and instability. In Nigeria, inadequate healthcare, education, and infrastructure services have left large segments of the population without access to essential needs (Olaseni &Alade, 2012; Abah, 2022). The lack of effective public service delivery is often attributed to corruption, mismanagement, and the prioritization of oil revenues over citizen welfare.In the DRC, public services remain severely underfunded and ineffective, with many citizens relying on informal systems for healthcare and education (Trefon, 2009). The weak state capacity to deliver services exacerbates poverty and inequality, fuelling discontent and unrest among the population.

A potential solution to address these governance failures and social inequalities is the implementation of a Universal Minimum Wage (UMW). UMW aims to establish a baseline income that ensures all workers can meet their basic needs, thereby reducing poverty and enhancing living standards (Hamilton & Martin-West, 2019). In the context of Nigeria and the DRC, introducing UMW could help to stabilize economies heavily reliant on resource rents by redistributing wealth more equitably among citizens. Hence, this studyaims to

explore the potential of UMW and public service reform as transformative strategies to address the challenges posed by rentier state dynamics and enhance security and welfare in Nigeria and the DRC. The findings of this study can provide insights into how UMW can serve as a tool for transforming governance and public service delivery in Nigeria and the DRC.

### **Statement of the Problem**

This research investigates the persistent governance failures and security crises in Nigeria and the Democratic Republic of the Congo (DRC), both characterized by a heavy reliance on mineral and oil rents. The central problem lies in how this dependence on resource wealth perpetuates significant governance challenges, including widespread corruption, lack of accountability, and ineffective public institutions. These issues are exacerbated by the nature of rentier states, where governments prioritize external revenues over citizen engagement, resulting in a disconnect between the state and its populace. In Nigeria, the consequences of these governance failures are evident in the rise of insurgent groups such as Boko Haram and occasional unrest in the Niger Delta, highlighting socio-economic disparities and ineffective governance that fuel insecurity. Similarly, the DRC grapples with armed groups funded by conflict minerals, perpetuating cycles of violence and instability that undermine peace efforts.

Both countries also suffer from ineffective public service delivery, contributing significantly to social inequality and poverty. In Nigeria, inadequate healthcare, education, and infrastructure services leave many without access to essential needs. In the DRC, underfunded public services exacerbate poverty and inequality, leading to widespread discontent among citizens. Additionally, the reliance on mineral and oil revenues creates vulnerabilities to global market fluctuations, rendering both economies unstable. While considerable research exists on minimum wage, public sector reform, and the rentier state, very few studies examine the intersection of these themes through a comparative lens involving both Nigeria and the DRC. There is a need for research that connects wage justice, governance reform, and security stabilization in fragile, resource-dependent African states. This study addresses that gap by exploring how a universal minimum wage if properly implemented could serve as a lever for meaningful public service reform and a counterbalance to rentier state dynamics in Nigeria and the DRC.

### **Aim and Objectives**

The primary aim of this study is to evaluate the role of a Universal Minimum Wage (UMW) in facilitating public service reform in Africa, specifically addressing the dynamics of rentier states and security crises in Nigeria and the Democratic Republic of the Congo (DRC). Specifically, the study aims to:

- i. Evaluate UMW's feasibility in Nigeria and DRC.
- ii. Explore UMW's role in strengthening public services and reducing conflict.

## **Literature Review**

### **Universal Minimum Wage in Africa**

The concept of a Universal Minimum Wage (UMW) is deeply rooted in principles of social justice and economic equity, aiming to ensure that all workers receive a wage sufficient to maintain a basic standard of living (Subbiah, 2021). According to the International Labour Organization (ILO, 2022), a minimum wage serves as a vital policy tool to protect workers from exploitation and to foster inclusive economic growth (Kalula & Mokofe, 2024). In regions characterized by vast informal economies and significant socioeconomic inequalities, the introduction of a UMW is perceived as a crucial measure to stimulate equitable development and enhance the quality of life for marginalized populations. The theoretical underpinnings of a UMW are grounded in the belief that every individual has the right to a decent standard of living. This aligns with the United Nations' Sustainable Development Goals (SDGs), particularly Goal 1, which aims to eradicate poverty in all its forms everywhere (Leal Filho et al., 2021). By establishing a baseline income level, UMW can help lift individuals and families out of poverty, contributing to broader economic stability and cohesion.

In many African countries, where economic disparities are stark and the informal sector dominates, the implementation of a UMW is seen as a pathway to address systemic inequities. The informal economy often lacks protections for workers, leaving them vulnerable to exploitation and economic instability. A UMW could provide a safety net, ensuring that even the most marginalized workers receive fair compensation for their labor.

### **Practical Challenges in Implementing UMW in Africa**

Despite the theoretical advantages of a UMW, the practical implementation of such a policy in Africa faces numerous challenges. One of the most significant hurdles is the uneven enforcement of minimum wage policies across the continent of Africa (Nzama, 2024). Bhorat, Bryson et al. (2024) highlight that in many Sub-Saharan African countries, minimum wage systems are either weakly enforced or poorly designed, resulting in limited impacts on income distribution. This inconsistency undermines the potential benefits of a UMW and perpetuates existing inequalities. For instance, Nigeria has revised its national minimum wage several times in recent years, yet enforcement remains inconsistent, particularly in the informal and sub-national public sectors (Umenweke & Anushiem, 2024). Many workers in Nigeria operate outside the formal economy, where minimum wage regulations are rarely applied. As a result, the intended benefits of minimum wage policies fail to reach a significant portion of the workforce, leaving many individuals trapped in cycles of poverty.

The situation is even more dire in the Democratic Republic of the Congo (DRC), where the minimum wage often fails to keep pace with inflationary trends or the rising costs of living. Nzongola-Ntalaja (2002) notes that the DRC's minimum wage is frequently set at levels that are insufficient to cover basic necessities, rendering it ineffective as a tool for

poverty alleviation (Bonga-Bonga & Erero, 2024). In this context, the minimum wage becomes a nominal figure rather than a practical solution for improving the living standards of workers. Another critical challenge in implementing UMW in Africa is the politicization of minimum wage policies, particularly in fragile states. Nwude (2013) argues that in such contexts, minimum wage policies are often reactive measures, designed to pacify labour unions or quell public unrest rather than emerging from comprehensive economic planning. This politicization undermines the stability and sustainability of wage policies, particularly when national budgets are heavily reliant on volatile commodity revenues.

In many African countries, political leaders may use minimum wage adjustments as a tool for short-term gains, responding to public pressure without considering the long-term economic implications (Opone & Kelikwuma, 2021). This approach can lead to wage increases that are not supported by economic fundamentals, resulting in inflationary pressures that further erode the purchasing power of workers. Consequently, the intended benefits of a UMW may be short-lived, and the cycle of poverty and inequality persists. The economic context in which a UMW is proposed also presents significant challenges. Many African economies are characterized by high levels of informality, limited fiscal capacity, and reliance on commodity exports (Nguimkeu & Okou, 2019). This economic landscape complicates the introduction of a UMW, as governments may lack the resources to enforce such policies effectively. Additionally, the volatility of commodity prices can lead to budgetary constraints, making it difficult for governments to commit to sustainable wage policies.

### **The Concept of Public Service Delivery**

Public service delivery refers to the provision of essential services by government entities to meet the needs of citizens (Osborne, 2020). These services typically encompass healthcare, education, sanitation, transportation, and security, playing a crucial role in promoting social welfare and enhancing the quality of life. Effective public service delivery is vital for fostering economic development, reducing poverty, and ensuring social equity.

### **Fundamental Components of Public Service Delivery**

**Accessibility:** Public services must be accessible to all citizens, particularly marginalized and vulnerable populations (Mulvale et al., 2019). This requires eliminating barriers such as geographical distance, economic constraints, and discriminatory practices that prevent individuals from accessing essential services.

**Quality:** The quality of public services is paramount. High-quality services are characterized by efficiency, reliability, and responsiveness to the needs of users (Ahmed, 2024). Quality assurance mechanisms, including regular assessments and feedback systems, are essential to maintain high standards.

**Equity:** Public service delivery should be equitable, ensuring that all individuals receive fair treatment regardless of their socioeconomic status, gender, or ethnicity (Ramasamy,

2020). Equity in service delivery promotes social justice and helps to address systemic inequalities.

**Accountability:** Governments must be accountable for the delivery of public services (Common, 2016). This involves transparent processes, mechanisms for citizen engagement, and avenues for redress when services are inadequate. Accountability fosters trust between citizens and the state.

**Sustainability:** Sustainable public service delivery considers long-term impacts on society and the environment (Enaifoghe et al., 2024). This includes responsible resource management, environmental protection, and the ability to adapt to changing circumstances.

### **Importance of Public Service Delivery**

Effective public service delivery is crucial for several reasons which include:

**Economic Development:** Quality public services contribute to economic growth by improving human capital, enhancing productivity, and attracting investment (Nguyen et al., 2021). For instance, a well-educated workforce and accessible healthcare services can lead to higher economic output.

**Social Stability:** Reliable public services can reduce social tensions and conflicts by addressing citizens' basic needs (Haynes, 2015). When people feel that their needs are met, they are less likely to engage in protests or violence.

**Public Trust:** According to Mishra and Attri (2020) efficient service delivery fosters trust in government institutions. When citizens perceive that their government is capable of providing essential services, they are more likely to engage in civic activities and support public policies.

**Poverty Reduction:** Access to quality public services is essential for poverty alleviation (Yang & Cao, 2022). Services such as education and healthcare empower individuals to improve their living conditions and break the cycle of poverty.

### **Public Service Delivery: Challenges in Nigeria and DRC**

Despite the critical importance of public service delivery, Nigeria and the DRC face numerous challenges that hinder the effective provision of essential services.

#### **Corruption**

Corruption is a pervasive challenge that undermines effective public service delivery in both Nigeria and the DRC. In Nigeria, Transparency International's Corruption Perceptions Index (2020) ranks the country among the most corrupt globally, with systemic corruption permeating various sectors, including healthcare and education (Ladi et al., 2025). This

corruption manifests in the misallocation of resources, embezzlement of funds, and the prioritization of personal gain over public welfare. The consequences are dire, as essential services become inaccessible to the most vulnerable populations, thereby perpetuating cycles of poverty and inequality.

In the case of DRC, Rahmé and Walsh (2022) highlights that corruption in the government exacerbates poverty and hinders development efforts. The lack of accountability and transparency in government operations leads to a significant gap between the resources allocated for public services and the actual services delivered. For instance, despite substantial international aid and revenue from natural resources, the DRC remains one of the poorest countries in the world, with millions lacking access to basic healthcare and education.

### **Underfunded Healthcare and Education**

The healthcare and education sectors in Nigeria and the DRC suffer from chronic underfunding, further exacerbating the challenges of public service delivery. In Nigeria, the Josiah et al. (2025) reported that health expenditure per capita remains low, leading to inadequate healthcare facilities, insufficient medical personnel, and a lack of essential medicines. The result is a healthcare system that struggles to meet the needs of its population, with high maternal and infant mortality rates and a growing burden of communicable and non-communicable diseases.

Similarly, in the DRC, UNESCO (2020) emphasizes that the education sector is severely underfunded, with millions of children out of school and a lack of qualified teachers (De Herdt & Titeca, 2016). The DRC's education system is characterized by poor infrastructure, inadequate learning materials, and low teacher salaries, which contribute to high dropout rates and low educational attainment. The underfunding of these essential services creates a vicious cycle of poverty, as individuals lacking education and healthcare are less likely to secure stable employment and improve their living conditions.

### **Security Crises: Linkages to Resource Exploitation**

#### **Oil in the Niger Delta**

In Nigeria, the exploitation of oil resources in the Niger Delta has been a source of significant security crises, including militant activities, community unrest, and environmental degradation (Bamidele & Erameh, 2023). The Niger Delta region is rich in oil reserves, but the local communities have largely been excluded from the benefits of oil wealth. According to Ejeh (2017), the Niger Delta Avengers (NDA), a militant group, has engaged in attacks on oil infrastructure, driven by grievances over environmental destruction, lack of development, and the marginalization of local communities.

The militarization of the Niger Delta, coupled with the presence of various armed groups, has created a volatile security environment that not only threatens the safety of residents but also disrupts oil production and impedes economic growth (Oluyemi, 2020).

Furthermore, the environmental consequences of oil extraction, including oil spills and gas flaring, have had devastating impacts on local ecosystems and livelihoods, exacerbating tensions between communities and the state.

### **Conflict Minerals in the DRC**

In the DRC, the abundance of natural resources, particularly conflict minerals such as coltan, gold, and diamonds, has fuelled ongoing violence and insecurity (Dasilva, 2022). Armed groups control mining operations, leading to human rights abuses and perpetuating a cycle of violence. The Enough Project reports that the illegal trade of conflict minerals has financed armed groups, contributing to instability and conflict in the region (Church & Crawford, 2018).

The link between resource exploitation and security crises in the DRC is well-documented, with the exploitation of natural resources serving as a primary driver of conflict (Taka, 2017). The lack of effective governance and regulation in the mining sector has allowed armed groups to thrive, further complicating efforts to establish peace and stability.

### **Guy Standing's Contributions**

#### **The Precariat**

Guy Standing's concept of the "precariat" provides valuable insights into the dynamics of informal labour in sectors such as mining and oil. In his seminal work, Standing (2011) defines the precariat as a social class characterized by precarious employment, lack of job security, and limited access to social protections. The precariat often works in informal sectors, where labour rights are minimal or non-existent, leading to economic insecurity and vulnerability.

In Nigeria and the DRC, many workers in the oil and mining sectors fall within the precariat, facing exploitation and instability. They often work under harsh conditions, with little regard for their health and safety. The lack of formal employment contracts and social protections leaves these workers susceptible to economic shocks, exacerbating their vulnerability. Standing's analysis therefore emphasizes the need for policies that address the challenges faced by the precariat, including the implementation of a Universal Minimum Wage to provide a safety net for workers in precarious jobs.

#### **UMW vs. Basic Income**

Standing (2019) differentiates between the Universal Minimum Wage (UMW) and Basic Income, arguing that while both aim to address economic insecurity, the UMW is particularly relevant to Africa's informal economies. The UMW could provide a safety net for workers in precarious jobs, improving their living conditions and reducing poverty. In contrast, Basic Income may not adequately address the specific challenges faced by

informal workers in Nigeria and the DRC, where labour markets are characterized by informality and insecurity.

The implementation of a UMW could have several advantages over Basic Income in the African context. First, a UMW is tied to employment, which could incentivize work and promote economic participation. Second, by establishing a wage floor, a UMW could help reduce income inequality and improve the overall standard of living for low-wage workers. Finally, a UMW could contribute to enhancing public service delivery by ensuring that public service workers receive fair compensation, thereby improving the quality of services provided to citizens.

### **Theoretical Framework**

The theoretical framework of this study is hinged on the Rentier State Theory which articulated by scholars such as Hossein Mahdavy 1970. The theory provides a critical lens for understanding the political and economic dynamics of countries rich in natural resources, particularly minerals and oil. The rentier state theory highlights that the government derives a significant portion of its revenue from the export of natural resources rather than from domestic taxation (Walker, 2023). This reliance on resource rents fundamentally shapes the nature of governance, economic development, and social relations within these states.

### **Core Principles of the Rentier State Theory**

1. **Mineral and Oil Rents:** Rentier states benefit from substantial income generated from their natural resources (El Beblawi, 2016). This income can create a dual economy where a small elite controls wealth and resources, while the majority of the population remains marginalized. The concentration of wealth often leads to economic disparities and social unrest.
2. **Patronage Networks:** In rentier states, governments often engage in patronage politics to maintain power (Gray, 2018). This involves distributing resource wealth to loyal supporters and political allies in exchange for political support. Such patronage networks can undermine democratic governance, as the focus shifts from public accountability to maintaining the loyalty of elites.
3. **Impact on Public Services:** The reliance on resource rents can lead to the neglect of public service delivery (Malik, 2017). Governments may prioritize resource extraction over investing in essential services such as healthcare and education, resulting in underfunded public sectors and increased inequality. The lack of a social contract between the state and its citizens can further exacerbate grievances and social tensions.

### **Application to Nigeria and DRC**

In Nigeria and the DRC, Rentier State Theory is particularly relevant. Both countries possess vast natural resources oil in Nigeria and minerals in the DRC but have struggled

to translate these resources into broad-based economic development. The patronage networks that characterize both states contribute to corruption and inefficiency, undermining public service delivery and perpetuating cycles of poverty and insecurity.

**Nigeria:** The Nigerian government heavily relies on oil revenues, which constitute a significant portion of its national income (Aregbeyen & Kolawole, 2015). As a result, there is often little incentive to diversify the economy or invest in public services. The oil wealth has led to the emergence of powerful elites who benefit from the status quo, while the majority of the population remains in poverty. This dynamic has resulted in widespread discontent and unrest, particularly in the Niger Delta region, where local communities feel marginalized and deprived of the benefits of resource extraction.

**Democratic Republic of the Congo (DRC):** In the DRC, the vast mineral wealth, including coltan and diamonds, has similarly led to the entrenchment of elite patronage networks (Vogel, 2022). The government has often failed to invest in public services, leading to a situation where basic needs remain unmet. The lack of effective governance and accountability in the management of resources has contributed to ongoing conflict and insecurity, as various armed groups vie for control over lucrative mining operations.

### **Social Justice and the Precariat**

Guy Standing's concept of the precariat highlights the precarious nature of labour in contemporary economies, especially in contexts marked by informality and economic insecurity (Standing, 2018). The precariat refers to a social class characterized by unstable employment, lack of job security, and limited access to social protections. Standing argues that the precariat is increasingly becoming a significant demographic in global labour markets, particularly in developing countries.

### **Key Concepts**

1. **Economic Insecurity:** Members of the precariat often face economic uncertainty due to irregular work patterns, low wages, and a lack of benefits (Siegmann & Schiphorst, 2016). This insecurity can lead to vulnerability, making it difficult for individuals to plan for the future or invest in their well-being.
2. **Universal Minimum Wage (UMW) as a Tool:** Ishchuk et al. (2024) advocates for the implementation of a UMW as a means to formalize labour and reduce vulnerability among workers in the precariat. A UMW can provide a safety net for workers, ensuring that they receive a minimum level of income regardless of their employment status. This can help to stabilize their economic situation and promote social justice.
3. **Formalization of Labour:** By establishing a minimum wage, governments can encourage the formalization of labour markets. This can lead to improved working conditions, access to social protections, and enhanced bargaining power for

workers. Formalizing labour also contributes to greater accountability in employment practices and can help reduce exploitation.

### **Application to Nigeria and DRC**

In the context of Nigeria and the DRC, the concept of the precariat is particularly pertinent. Many workers in both countries engage in informal labour in sectors such as mining and oil extraction, facing significant economic risks and vulnerabilities. Implementing a UMW could serve as a critical policy intervention to address these challenges, providing a framework for improving the livelihoods of workers and enhancing public service delivery.

### **Methodology**

#### **Research Design**

This study employed a comparative design to analyse the public service delivery challenges and the potential impact of a Universal Minimum Wage (UMW) in two distinct contexts: Nigeria, which is rich in oil resources, and the Democratic Republic of the Congo (DRC), known for its mineral wealth.

#### **Data Sources**

To gather relevant data, the study utilized secondary sources from reputable journals and organizations. Key data sources include the World Bank, which provides economic indicators, public service budgets, and development reports. Additionally, reports from the Extractive Industries Transparency Initiative (EITI) were analyzed to understand revenue flows from natural resources and governance practices.

Furthermore, the study reviewed relevant policy documents, including national wage laws and regulations concerning minimum wage, as well as public service budgets and expenditure reports.

#### **Analytical Approach**

In terms of analytical approach, the study employed thematic analysis to explore key themes related to:

1. **Rentierism:** Examining how reliance on resource rents influences governance, public service delivery, and social equity in both Nigeria and the DRC.
2. **UMW Feasibility:** Analyzing the potential for implementing a Universal Minimum Wage in both contexts, considering economic, political, and social factors that may facilitate or hinder its adoption.
3. **Conflict Drivers:** Identifying the underlying drivers of conflict related to resource exploitation and how these conflicts impact public service delivery and labour conditions.

## Results

Aspect	Similarities	Differences	References
<b>Natural Resource Wealth</b>	Both countries possess significant natural resources (oil in Nigeria, minerals in the DRC) that are not effectively utilized for development.	Nigeria relies heavily on oil revenue, while the DRC is rich in various minerals like cobalt, gold, and diamonds.	Ologunde et al. (2020), Walker (2023)
<b>Public Service Delivery</b>	Both face chronic underfunding and ineffectiveness in public services, leading to social inequality and unrest.	Nigeria struggles more with healthcare access and education, while the DRC faces severe post-conflict service gaps.	Olaseni & Alade (2012), Trefon (2009)
<b>Corruption</b>	Pervasive corruption undermines governance and public service delivery in both countries, exacerbating socio-economic disparities.	Corruption manifests differently; Nigeria's corruption is often linked to oil revenues, while the DRC's corruption is tied to mineral wealth management.	Transparency International (2020), Rahmé & Walsh (2022)
<b>Security Challenges</b>	Both countries experience significant security challenges linked to their resource wealth and governance failures.	Nigeria's security issues are primarily driven by insurgencies like Boko Haram, while the DRC faces violence from armed groups funded by conflict minerals.	Makai et al. (2024), Dasilva (2022)
<b>Conflict Drivers</b>	Both countries have conflict drivers related to resource	Nigeria's conflicts are often associated with ethnic and	Autesserre (2010), ICG (2021)

	exploitation, governance failures, and social inequalities.	religious tensions, while the DRC's conflicts are largely driven by competition over mineral resources.	
<b>Universal Minimum Wage (UMW)</b>	Both countries could benefit from implementing a UMW to enhance living standards and provide a safety net for workers, especially in marginalized communities.	The feasibility and potential impact of UMW may differ based on local economic conditions and the structure of the informal labor market in each country.	Hamilton & Martin-West (2019), Subbiah (2021)
<b>Resource Revenue Redirecting</b>	Redirecting resource revenues towards public services is crucial for addressing systemic inequalities and fostering social cohesion in both nations.	The specific mechanisms and challenges for redirecting revenues may vary due to differing governance structures and political contexts in Nigeria and the DRC.	Omeje (2021), Balyaminu et al. (2025)
<b>Implementation Challenges</b>	Both countries face significant challenges in implementing UMW, including political resistance and enforcement issues in informal sectors.	The nature and intensity of these challenges differ, with Nigeria facing more immediate political resistance from elites, while the DRC struggles with governance capacity.	Umenweke&Anushiem (2024), Nzama (2024)
<b>Governance Reforms</b>	Robust governance reforms promoting transparency and participatory decision-making are essential for	The specific governance reform strategies may differ, reflecting the distinct political landscapes and	Gray (2018), Kasimba&Lujala (2019)

	both countries to break the cycles of rentierism.	historical contexts of Nigeria and the DRC.	
<b>Potential Impact of UMW</b>	Implementing a UMW could stimulate economic growth, reduce poverty, and improve public service delivery in both countries.	The expected outcomes of UMW implementation may differ based on local economic conditions and the existing level of informal employment in each country.	Standing (2011), Ishchuk et al. (2024)

**Source: Author’s Conception, 2026**

## **Discussion**

### **The Potential of Universal Minimum Wage (UMW)**

Implementing a Universal Minimum Wage (UMW) in both Nigeria and the DRC could offer a pathway to address some of the governance and conflict challenges faced by these nations. A UMW could stimulate domestic demand by increasing purchasing power among workers, thereby contributing to economic growth. By ensuring that all workers receive a fair wage, a UMW could help bridge the economic disparities exacerbated by resource dependency. This could be particularly beneficial in regions heavily impacted by resource extraction, where local communities often see little benefit from the wealth generated. Moreover, a UMW could strengthen the social contract between the state and its citizens by promoting equitable service delivery. In both Nigeria and the DRC, marginalized communities often feel disenfranchised and disconnected from the benefits of resource wealth (Olaseni & Alade, 2012).

By addressing their economic needs through a UMW, governments could reduce grievances and foster greater social cohesion. This, in turn, may lead to enhanced stability and reduced conflict, as citizens perceive a more equitable distribution of resources. By providing a safety net for the most vulnerable populations, a UMW could also encourage greater participation in the formal economy, helping to reduce the size of the informal sector and improve labor law compliance.

### **Breaking Rentier Cycles in Nigeria and the DRC**

The concept of rentierism refers to an economic system where a country’s wealth is derived from the export of natural resources, often leading to a lack of diversification in the economy (Omeje, 2021). Both Nigeria and the Democratic Republic of the Congo (DRC) exemplify rentier states, where oil and mineral rents have not translated into broad-based economic development or improved living standards for their populations. To break these cycles of rentierism, it is essential to redirect mineral and oil rents towards funding a

Universal Minimum Wage (UMW) and enhancing public services. This strategic redirection could alleviate poverty and improve living standards, thereby reducing the socio-economic grievances that often fuel conflict.

### **Redirecting Resource Revenues**

Redirecting resource revenues towards a UMW would provide a safety net for workers, ensuring that all individuals, particularly those in the informal sector, benefit from economic growth. In Nigeria, where a significant portion of the workforce operates informally, establishing a UMW could help formalize employment and provide workers with legal protections and benefits. Similarly, in the DRC, where informal employment is rampant, implementing a UMW could empower workers and enhance their purchasing power, leading to increased demand for goods and services. This, in turn, could stimulate local economies and promote sustainable development.

Moreover, enhancing public services by investing in healthcare, education, and infrastructure is crucial for improving the quality of life for citizens in both countries. By ensuring that resource revenues are allocated to public welfare, governments can address the systemic inequalities that have persisted due to rentierism. For instance, investing in education can provide the workforce with the necessary skills to diversify the economy beyond resource extraction, fostering innovation and entrepreneurship (Sairmaly, 2023).

### **Addressing Informality**

Addressing the informality of labor markets is another critical component of breaking rentier cycles. Formal wage policies can help integrate informal workers into the formal economy, providing them with access to essential services such as healthcare, social security, and legal protections (Chen, 2016). This integration is vital in reducing poverty and enhancing social cohesion. By ensuring that all workers, regardless of their employment status, receive fair compensation, governments can create a more equitable economic environment.

### **Public Administration Reforms**

To effectively redirect resource revenues and implement a UMW, robust public administration reforms are necessary. A transparent and accountable governance framework is essential for ensuring that resource revenues are used effectively for public welfare. Implementing anti-corruption measures, such as transparent revenue management systems, can help mitigate the misappropriation of funds and build public trust in governmental institutions.

### **Promoting Transparency and Accountability**

Transparency in revenue management entails establishing clear processes for how resource revenues are collected, allocated, and spent (Kasimba & Lujala, 2019). This could involve the implementation of open budgeting practices, where citizens can access information about government expenditures and hold officials accountable for their decisions. Additionally, fostering participatory governance in resource-rich regions can empower communities, allowing them to have a voice in how resources are managed and how public services are delivered. By involving local populations in decision-making processes, governments can ensure that policies reflect the needs and priorities of the communities they serve.

### **Challenges to Reform**

Despite the potential benefits of implementing a UMW and reforming public services, significant challenges remain (Soares, 2018). One of the primary obstacles is political resistance from elites who benefit from the current system. These elites may view reforms as a threat to their power and wealth, leading to pushback against initiatives aimed at redistributing resource revenues. This resistance can manifest in various forms, including lobbying against reforms, spreading misinformation, or even undermining efforts to establish a UMW.

Furthermore, the inflationary risks associated with wage increases must be carefully managed to avoid eroding the purchasing power of workers. If wages are increased without corresponding productivity gains or economic growth, it could lead to inflation, negating the benefits of higher wages (Amitrano & Vasconcelos, 2019). Policymakers must therefore implement wage increases alongside measures to boost productivity and economic output.

### **Enforcement Challenges in Conflict Zones**

Enforcing wage policies in conflict zones poses additional challenges that require targeted approaches (Asere et al., 2024). In regions where armed conflict is prevalent, the traditional mechanisms for enforcing labor laws may be ineffective. Governments and international organizations must develop strategies that ensure compliance with wage policies while protecting vulnerable workers. This could involve collaborating with local NGOs and community organizations to monitor labor conditions and advocate for workers' rights.

### **Conclusion**

This study underscores the urgent need for public service reform and the implementation of a Universal Minimum Wage (UMW) in Nigeria and the Democratic Republic of the Congo (DRC) to effectively address the challenges posed by rentier state dynamics. The findings reveal that both countries, despite their wealth in natural resources, have failed to translate this abundance into meaningful economic development and improved living

standards for their citizens. This reliance on oil and minerals has led to governance issues, including widespread corruption and social unrest, which exacerbate security crises. The research indicates that implementing a UMW could significantly alleviate poverty and enhance living standards by ensuring fair compensation for all workers, especially in marginalized communities heavily affected by resource exploitation. Additionally, the study highlights the importance of redirecting resource revenues towards public services, which are currently underfunded and ineffective.

However, challenges such as political resistance from entrenched elites and inflationary risks must be addressed. The findings emphasize the necessity of fostering participatory governance and enhancing transparency in resource management. By adopting these reforms, Nigeria and the DRC can break the cycles of rentierism, paving the way for more resilient economies and greater social cohesion, ultimately contributing to a more just and equitable society.

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## The Effect of Communication in Grievance Handling on Employee Engagement of Manufacturing Firms in Edo State: A Study of Guinness Nigeria Plc

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### **Abstract**

*This study examined the effect of Communication in grievance handling on employee engagement of manufacturing firms in Edo State, with specific reference to Guinness Nigeria Plc, located at Oregbeni, Ikpoba Hill, Benin City. Anchored on Social Exchange Theory (Blau, 1964), the study adopted a survey research design. Data were collected from 150 employees using a structured questionnaire with established reliability (Cronbach's  $\alpha = 0.85$ ). Data analysis employed survey research and simple linear regression. Findings revealed that communication as a grievance handling procedure has a significant positive effect on employee engagement ( $\beta = 0.587$ ,  $R^2 = 0.345$ ,  $p < 0.001$ ), explaining 34.5% of variance. The study concluded that effective communication in grievance handling is a critical strategic tool for enhancing employee engagement in manufacturing firms. Recommendations include establishing structured communication protocols, implementing digital grievance tracking systems, and training managers in communicative skills.*

**Keywords:** *Communication, Grievance Handling, Employee Engagement, Manufacturing Firms, Guinness Nigeria Plc, Social Exchange Theory*

**JEL CODES :** *M12, M54, D23.*

## Introduction

The contemporary business environment is characterized by increasing competition, rapid technological changes, and evolving workforce dynamics. In this context, organizations are constantly seeking ways to enhance employee performance to achieve competitive advantage and sustain organizational growth. Employee engagement has become a critical determinant of organizational success, particularly in the manufacturing sector where productivity, quality, and efficiency are paramount (Armstrong, 2020; Pragya & Prachi, 2024). Communication in grievance handling refers to the exchange of information between employees and management during the grievance process, ensuring that all parties are informed about the status, procedures, and outcomes of grievance resolution (Torrington *et al.*, 2020). Transparent communication builds trust and reduces uncertainty, while poor communication characterizes ineffective grievance systems (Ukaidi, 2023). The quality of communication during grievance processes has been linked to perceptions of procedural justice and subsequent engagement levels (Jenkins *et al.*, 2021). Recent evidence from manufacturing sectors highlights the critical importance of communication for employee engagement. According to industry reports, only 48% of manufacturing leaders reported having engaged frontline workers, with communication gaps between leaders and frontline workers identified as endemic challenges (Speakap, 2025). Organizations that actively seek and act on employee feedback see a 14% increase in employee engagement, demonstrating the performance benefits of communicative grievance processes (Speakap, 2025). Guinness Nigeria Plc, located at Oregbeni, Ikpoba Hill, Benin City, Edo State, represents a significant player in the Nigerian manufacturing sector. The organization employs a substantial workforce and has established grievance handling procedures to manage employee concerns. However, the effectiveness of communication within these procedures and its impact on employee engagement remains an area requiring empirical investigation. This study seeks to fill this gap by examining the effect of communication on employee engagement in this manufacturing firm.

Despite the historical evolution of grievance handling mechanisms from colonial-era wage committees to contemporary corporate human resource management systems, many manufacturing firms in Edo State continue to experience significant challenges in effectively managing employee grievances. These challenges often manifest in various forms, including poor communication during the grievance resolution process (Ikeije & Uche, 2021; Ukaidi, 2023). Such deficiencies in grievance handling procedures have been associated with negative outcomes such as decreased employee morale, reduced productivity, increased absenteeism, and high employee turnover rates. The gravity of this problem is underscored by recent empirical evidence from the Nigerian manufacturing sector. Industry reports indicate that voluntary turnover rates in the Nigerian manufacturing sector average 18-24% annually, substantially exceeding the 10-12% rates observed in comparable emerging economies (Manufacturers Association of Nigeria, 2023; Nwosu & Eze, 2026). Furthermore, communication deficiencies in grievance handling have been identified as primary contributors to employee dissatisfaction and industrial conflict. Studies demonstrate that unilateral establishment of new rules without employee

consultation represents a significant source of grievances in manufacturing firms, highlighting the absence of bidirectional communication channels (Igoche, 2022). The specific challenges facing Nigerian manufacturing include language barriers in diverse workforces, hierarchical cultural norms that discourage upward communication, and limited access to digital communication platforms among production staff (Fashoyin, 2020; Nwosu & Eze, 2026). It is against this backdrop that this study seeks to examine the effect of communication on employee engagement in Guinness Nigeria Plc, Benin City, Edo State. The study aims to provide empirical evidence on the nature and extent of this relationship, thereby contributing to both academic knowledge and management practice.

### **Objective of the Study**

The lone objective of the study is to determine the effect of communication in grievance handling on employee engagement in manufacturing firms in Edo State.

### **Research Hypothesis**

**Null Hypothesis (H<sub>0</sub>):** Communication as a grievance handling procedure has no significant positive effect on employee engagement in manufacturing firms in Edo State.

### **Literature Review**

#### **Conceptual Review**

##### **Communication in Grievance Handling**

Communication in grievance handling refers to the exchange of information between employees and management during the grievance process, ensuring that all parties are informed about the status, procedures, and outcomes of grievance resolution (Torrington *et al.*, 2020). Transparent communication builds trust and reduces uncertainty, while poor communication characterizes ineffective grievance systems (Ukaidi, 2023). The quality of communication during grievance processes has been linked to perceptions of procedural justice and subsequent engagement levels (Jenkins *et al.*, 2021). Recent evidence indicates that when employees receive adequate information about grievance procedures and status updates, they demonstrate higher acceptance of outcomes, regardless of whether the resolution favors their position, underscoring the centrality of communication quality to system legitimacy (Webster, 2006; Jenkins *et al.*, 2021). Furthermore, organizations that provide clear, consistent communication throughout the grievance process experience significantly lower rates of repeated grievances and formal disputes, as employees perceive their concerns have been genuinely heard and addressed (Lewin & Peterson, 1988). Recent evidence from manufacturing sectors highlights the critical importance of communication for employee engagement. According to industry reports, only 48% of manufacturing leaders reported having engaged frontline workers, with communication gaps between leaders and frontline workers identified as endemic challenges (Speakap, 2025). Furthermore, 60% of frontline workers participate in employee resource groups less than once a month, indicating significant communication barriers (Speakap, 2025). Organizations that actively seek and act on employee feedback see a 14% increase in employee engagement, demonstrating the performance benefits of communicative

grievance processes (Speakap, 2025). Additionally, companies implementing digital communication hubs and streamlined feedback channels report 22% improvements in overall engagement metrics, with manufacturing firms specifically benefiting from reduced information asymmetry between management and production staff (Lumapps, 2025).

### **Employee Engagement**

Employee engagement reflects the level of commitment, involvement, enthusiasm, and emotional connection that employees demonstrate toward their work, colleagues, and the organization (Khan, 2019). It represents a multidimensional psychological state characterized by vigor, dedication, and absorption in work activities, where employees invest their cognitive, emotional, and physical energies toward achieving organizational objectives. Engaged employees are characterized as driven, highly committed, ambitious, and aligned with organizational objectives, consistently going beyond minimum job requirements to contribute to organizational success (Agarwal, 2024). The construct encompasses cognitive, emotional, and behavioral components, each contributing to overall performance outcomes in distinct yet interconnected ways. The cognitive dimension involves employees' beliefs about their organization and their role within it, including their perceptions of organizational support and the meaningfulness of their work. The emotional component captures the positive feelings employees experience toward their work and organization, such as pride, enthusiasm, and a sense of belonging. The behavioral dimension manifests in discretionary effort, organizational citizenship behaviors, and proactive participation in organizational activities (Agarwal, 2024). Contemporary research demonstrates that recognition and fairness significantly boost employee engagement, with studies indicating that employees who perceive equitable treatment and regular acknowledgment of their contributions exhibit substantially higher engagement levels (Pragya & Prachi, 2024). However, manufacturing sectors face significant engagement challenges that warrant urgent attention from organizational leaders and human resource practitioners. According to industry data, only 34% of manufacturing employees report high engagement levels, meaning 66% are disengaged, representing a critical productivity and competitiveness concern for the sector (Alpha Nova Consulting, 2025). This disengagement manifests in various forms including reduced discretionary effort, lower quality output, higher absenteeism rates, and diminished willingness to collaborate with colleagues or contribute innovative ideas. Furthermore, highly engaged employees are less likely to leave their organizations, demonstrating the retention benefits of engagement and underscoring the financial imperative for manufacturing firms to prioritize engagement-enhancing initiatives (Screencloud, 2025). The costs of disengagement extend beyond individual performance deficits to encompass team dysfunction, impaired customer service quality, and ultimately eroded organizational competitiveness in increasingly demanding global markets.

## **Communication in Grievance Handling and Employee Engagement**

The relationship between communication and employee engagement is well-established in organizational behavior literature, representing one of the most robust findings in contemporary human resource management research. Communication quality during grievance processes directly influences employee engagement through multiple interconnected pathways that operate at both psychological and behavioral levels. Transparent communication regarding grievance procedures and status updates enhances perceptions of procedural justice, which has been linked to higher engagement levels by fostering trust in organizational systems and confidence that employee concerns will be fairly addressed (Jenkins et al., 2021). When employees understand how decisions are made and receive regular information about the progress of their grievances, they develop greater acceptance of outcomes and maintain positive attitudes toward the organization even when resolutions do not fully satisfy their initial expectations. Open communication channels demonstrate organizational respect for employee voice, fulfilling intrinsic needs for recognition and participation that drive engagement by signaling that employees are valued organizational members whose perspectives matter in shaping workplace policies and practices (Agarwal, 2024). This recognition satisfies fundamental human needs for autonomy, competence, and relatedness that underpin sustained motivational investment in work activities. Effective communication during grievance handling also reduces uncertainty and anxiety that would otherwise divert cognitive resources away from productive work engagement, enabling employees to maintain focus and energy on task performance rather than expending mental effort on monitoring organizational politics or anticipating negative treatment. In the Nigerian context, communication deficiencies in grievance handling have been identified as primary contributors to employee dissatisfaction and industrial conflict, representing a particularly acute challenge given the country's diverse workforce composition and hierarchical cultural traditions that often discourage upward communication from subordinates to authority figures. Studies demonstrate that unilateral establishment of new rules without employee consultation represents a significant source of grievances in manufacturing firms, highlighting the absence of bidirectional communication channels that would enable meaningful employee participation in organizational decision-making processes (Igoche, 2022). This pattern of top-down communication creates psychological distance between management and employees, eroding the relational foundations of engagement and generating feelings of alienation and powerlessness that manifest in reduced discretionary effort and diminished organizational commitment. Furthermore, research indicates that inclusive management practices incorporating open communication significantly improve grievance resolution rates and reduce escalation to formal disputes by addressing concerns at early stages before they accumulate into more serious conflicts requiring adversarial resolution mechanisms (Ukaidi, 2023). Organizations that invest in developing managers' communicative competencies and establishing structured protocols for information sharing throughout the grievance process consequently achieve higher levels of workforce engagement and more harmonious industrial relations, demonstrating that communication represents not merely an operational detail but a strategic imperative for manufacturing competitiveness.

## **Theoretical Framework**

This study is anchored on Social Exchange Theory, developed by Blau (1964). Social Exchange Theory explains the reciprocal nature of employee-employer relationships. The theory posits that employees engage in social transactions with their organizations, contributing effort and loyalty in exchange for fair treatment, recognition, and material rewards (Agarwal, 2024). When organizations demonstrate commitment to employee welfare through effective grievance handling, employees reciprocate with enhanced performance, engagement, and retention (Agarwal, 2024).

The intellectual foundations of Social Exchange Theory trace to the work of Homans (1958) on social behavior as exchange, with Blau (1964) extending these principles to organizational contexts. The theory emerged from sociological studies of small group interactions, gradually expanding to encompass complex organizational relationships. In contemporary business applications, Social Exchange Theory has evolved to explain knowledge sharing, organizational citizenship behaviors, and employee retention across diverse cultural contexts. In Nigeria, the theory resonates with traditional communal values emphasizing reciprocity and mutual obligation. Research on Nigerian manufacturing firms demonstrates that employees who perceive organizational support through fair grievance handling reciprocate with heightened loyalty and reduced turnover intentions (Nwosu & Eze, 2026). The theory has proven particularly relevant for understanding employment relationships in high-context cultures where personal relationships and trust development precede formal contractual arrangements (Agarwal, 2024; Fashoyin, 2020).

Applied to this study, Social Exchange Theory suggests that when organizations communicate transparently during grievance processes, employees interpret this as organizational support and respect. This perception triggers reciprocal behaviors, including enhanced emotional and cognitive investment in work manifested as higher engagement levels. Conversely, communication failures breach psychological contracts, generating feelings of betrayal that manifest in reduced discretionary effort and diminished engagement.

## **Empirical Review**

Adeola and Aluko (2023) carried out a study on Internal Communication and Employee Engagement in Nigerian Manufacturing Firms. The study employed a cross-sectional survey design and gathered data from production and administrative employees. Findings revealed that transparent communication during grievance handling significantly improves employee engagement levels. Employees who received clear updates regarding grievance processes demonstrated higher commitment and enthusiasm toward their work. The study concluded that communication plays a strategic role in strengthening employee involvement and reducing disengagement.

Ibrahim and Omoregie (2024) investigated Communication Climate and Workforce Engagement in Benin City Manufacturing Firms. Using multiple regression analysis, the

study found that open communication channels during dispute resolution significantly predict employee engagement. The researchers noted that poor communication during grievance handling leads to emotional withdrawal and reduced discretionary effort. The study recommended structured feedback systems and regular grievance status updates to enhance engagement.

Godbless *et al.* (2020) researched a study on Organizational Grievance Handling Procedures and Contextual Performance in Nigerian Money Deposit Banks. This study investigated the influence of organizational grievance handling procedures on contextual performance of employees in Nigerian Money Deposit Banks. The study employed a descriptive research design with a population comprising core staff of eight leading commercial banks in Nigeria. Findings revealed a converse relationship between grievance handling process in banks and employees' unencumbered performance, indicating that effective grievance handling procedures enhance contextual performance. The study concluded that formal grievance mechanisms significantly influence organizational citizenship behaviors and contextual performance.

Ukaidi (2023) surveyed a study on the Effects of Mediation Strategies on Grievance Resolution in Nigerian Organizations. This study examined the effects of mediation strategies on grievance resolution in Nigerian organizations with particular attention to manufacturing and service sectors. The study adopted a descriptive research design with data collected through structured questionnaires from employees and managers in selected organizations. Findings revealed that mediation strategies and inclusive management practices have significant positive effects on grievance resolution in Nigerian organizations. The study found that organizations adopting collaborative resolution approaches experienced higher rates of grievance satisfaction and lower incidence of escalated disputes.

Dhanabhakym and Monish (2022) did a survey on the Role of Employee Grievance Management on Job Commitment and Organizational Justice in India. This study examined the role of employee grievance management on job commitment and organizational justice in India. The study followed descriptive and empirical research methods with both primary and secondary data. Two hundred and sixty employees were considered for this study, working in various IT companies at Info Park, Ernakulum and Techno Park, Trivandrum, Kerala. Results of correlation analysis proved that there is correlation between employee grievance management strategies and employee satisfaction. Results of multiple regression analysis revealed that employee grievance management strategies made 74.3% impact on job commitment.

Rasheed *et al.* (2019) conducted research on Psychological Capital and Employee Performance: The Mediating Role of Employee Engagement. This study investigated how high-performance work systems influence employee performance through engagement mechanisms. The study found that employee engagement significantly mediates the relationship between human resource practices and employee performance, with these systems explaining 33.3% of variation in performance outcomes. The study concluded that

communication and other HR practices enhance engagement, which subsequently improves performance.

## Methodology

This study adopted a survey research design. The survey design is appropriate for this study as it allows for the collection of data from a representative sample to describe the characteristics, behaviors, or attitudes of a population regarding the effect of communication on employee engagement (Creswell & Creswell, 2018). This design enables the researcher to examine the effect of communication on employee engagement without manipulating the variables. The study was conducted at Guinness Nigeria Plc, located at 49, Oregbeni, Ikpoba Hill, Benin City, Edo State, Nigeria. This location represents a significant industrial corridor in Benin City. The selection of this firm is justified by its prominence in the manufacturing sector, substantial workforce, established grievance handling procedures, and accessibility for research purposes. The population comprised all employees of Guinness Nigeria Plc, Ikpoba Hill, Benin City. Guinness Nigeria Plc has approximately 220 employees. The population includes production, quality control, logistics, human resource, administrative, and managerial staff. The sample size was determined using the Taro Yamane formula (1967):  $n = N / (1 + N(e)^2)$ , where  $N = 220$  (total population) and  $e = 0.05$  (margin of error at 95% confidence level).

Calculation:

However, for practical purposes and to ensure adequate representation, the study targeted 150 respondents. The study utilized primary data sources. Primary data was collected directly from respondents through structured copies of questionnaire. This approach ensures that the data collected is specific to the research objectives and current as of the time of collection. Data collected was analyzed using both descriptive and inferential statistics. The Statistical Package for Social Sciences (SPSS) version 23 was used for data analysis. Descriptive Statistics: Mean and standard deviation were calculated to describe the central tendency and dispersion of responses on communication and employee engagement variables. Inferential Statistics: Simple Linear Regression Analysis was used to test the hypothesis, examining the effect of communication on employee engagement.

## Data Presentation and Analysis

### Descriptive Statistics for Study Variables

**Table 1: Descriptive Statistics for Communication**

Item	N	Mean	Std. Deviation
Keeping employees informed about grievance status could increase their satisfaction with the process	150	3.62	0.90
Clear communication about procedures could help employees understand how grievances are handled	150	3.58	0.93

Providing feedback on grievance outcomes could make employees feel their concerns are taken seriously	150	3.64	0.89
Open communication between employees and management could create a more positive work environment	150	3.54	0.95
Explaining reasons for decisions could help employees accept grievance outcomes even if unfavorable	150	3.52	0.94
<b>Overall Communication</b>	<b>150</b>	<b>3.58</b>	<b>0.92</b>

Source: Field Survey (2026)

**Table 2: Descriptive Statistics for Employee Engagement**

Item	N	Mean	Std. Deviation
Fair grievance handling could increase employees' enthusiasm for their work	150	3.64	0.90
When employees trust the grievance system, they could become more committed to organizational goals	150	3.68	0.88
Effective grievance procedures could motivate employees to put in extra effort	150	3.58	0.93
Being heard in grievance processes could strengthen employees' emotional connection to their work	150	3.62	0.91
A responsive grievance system could make employees more actively involved in their tasks	150	3.60	0.92
<b>Overall Employee Engagement</b>	<b>150</b>	<b>3.62</b>	<b>0.91</b>

Source: Field Survey (2026)

### Hypothesis Testing

**Table 3: Model Summary for Communication and Employee Engagement**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.587 <sup>a</sup>	.645	.341	.739

Source: SPSS vs23

<sup>a</sup>. Predictors: (Constant), Communication

**Table 4: ANOVA for Communication and Employee Engagement**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	45.682	1	45.682	83.647	.000 <sup>b</sup>
Residual	86.518	148	.585		
Total	132.200	149			

Source: SPSS vs23

<sup>b</sup>. Predictors: (Constant), Communication

**Table 5: Coefficients for Communication and Employee Engagement**

Model	Unstandardized Coefficients	Standardized Coefficients	T	Sig.	
	B	Std. Error		Beta	
1 (Constant)	1.524	.215		7.088	.000
Communication	.587	.057	.587	10.288	.000

Source: SPSS vs23

**Interpretation:** The simple linear regression analysis reveals that communication significantly predicts employee engagement ( $F(1,148) = 83.647, p < 0.001$ ). The R-square value of 0.645 indicates that communication explains 34.5% of the variance in employee engagement. The standardized beta coefficient ( $\beta = 0.587, p < 0.001$ ) indicates that for every one standard deviation increase in communication, employee engagement increases by 0.587 standard deviations. The unstandardized coefficient ( $B = 0.587$ ) indicates that for every unit increase in communication quality, employee engagement increases by 0.587 units. This suggests that improving communication about grievance procedures, status updates, and decision explanations can significantly enhance employees' enthusiasm, commitment, and emotional connection to their work.

**Decision:** Since the p-value (0.000) is less than the significance level (0.05) and the beta coefficient is positive, we reject the null hypothesis ( $H_0$ ) and accept the alternative hypothesis ( $H_1$ ). Communication has a significant positive effect on employee engagement in manufacturing firms in Edo State.

### Summary of Findings

The study examined the effect of communication on employee engagement in Guinness Nigeria Plc, Benin City, Edo State. The key findings are summarized as follows:

1. **Descriptive Findings:** The mean score for communication was 3.58 (SD = 0.92), indicating moderately positive perceptions of communication in grievance handling. The mean score for employee engagement was 3.62 (SD = 0.91), suggesting generally positive engagement levels among employees.
2. **Hypothesis Testing:** Communication demonstrated a significant positive effect on employee engagement ( $\beta = 0.587, R^2 = 0.345, p < 0.001$ ). This indicates that communication explains approximately 34.5% of the variance in employee engagement.
3. **Practical Significance:** The effect size is substantial, indicating that improvements

in communication quality can yield meaningful enhancements in employee engagement levels. For every unit increase in communication quality, employee engagement increases by 0.587 units.

4. **Theoretical Validation:** The findings support Social Exchange Theory, confirming that transparent communication signals organizational support, which employees reciprocate through enhanced engagement.

## **Conclusion**

Based on the findings of this study, the following conclusions are drawn:

Firstly, communication in grievance handling is a significant predictor of employee engagement in manufacturing firms. The substantial variance explained (34.5%) demonstrates that investments in improving communication systems yield significant returns in terms of enhanced employee enthusiasm, commitment, and emotional connection to work.

Secondly, the positive beta coefficient ( $\beta = 0.587$ ) confirms that effective communication including keeping employees informed about grievance status, clear explanation of procedures, providing feedback on outcomes, and explaining decision rationale significantly enhances engagement levels.

Thirdly, the study validates the applicability of Social Exchange Theory in the Nigerian manufacturing context, demonstrating that employees reciprocate transparent communication with heightened engagement, consistent with the theory's proposition of reciprocal exchange relationships.

Fourthly, despite moderately positive perceptions of existing communication practices (mean = 3.58), there remains substantial room for improvement, suggesting that manufacturing firms can achieve further engagement gains through enhanced communication protocols.

## **Recommendations**

Based on the findings and conclusions, the following recommendations are made:

1. **Establish Structured Communication Protocols:** Management of Guinness Nigeria Plc should develop clear guidelines requiring regular updates to employees at each stage of the grievance process, including acknowledgement, investigation, and resolution phases.
2. **Implement Digital Communication Platforms:** The organization should invest in digital grievance tracking systems that enable employees to monitor the status of their complaints in real-time, reducing information asymmetry and uncertainty.
3. **Train Managers in Communicative Skills:** Supervisory and managerial staff should receive training on effective communication techniques, including active listening, empathetic responding, and transparent explanation of decisions.
4. **Develop Feedback Mechanisms:** The organization should institutionalize

- mandatory feedback sessions following grievance resolution, ensuring employees understand outcomes and feel their concerns have been genuinely heard.
5. **Create Multiple Communication Channels:** To address hierarchical cultural barriers, the organization should establish diverse communication channels including anonymous reporting systems, suggestion boxes, and regular town hall meetings to encourage upward communication.
  6. **Monitor Communication Quality:** Human resource management should periodically assess communication effectiveness through employee surveys, using findings to continuously improve grievance communication practices.

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## Exchange Rate and Stock Market Price Movement in Nigeria

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### Abstract

*The study investigated how exchange rates affect the movement of stock market prices in Nigeria. The data used for this study was mostly gathered from secondary sources and obtained from the Nigerian Stock Market and the Nigerian Central Bank's Statistical Bulletin for the years 2010 to 2025. The Ordinary Least Square (OLS) technique of the multiple regression model was used for the study and the econometric view (E-view) was the software utilized for data analysis. The study used All Share Index (ASI) as the dependent variable and consumer price index, Interest rate, exchange rate as the independent variables for the study. The empirical results revealed that stock market price movement is significantly positively impacted by changes in consumer price index; Interest rates have an insignificant detrimental impact on the movement of stock prices; stock market price movement is significantly positively impacted by fluctuations in exchange rates during the period of study. The study concluded that exchange rate has a positive significant impact on the quality of the stock market price movement. The researchers recommended that in order to mobilize excess funds from overseas for significant development that would be pumped into the capital market; the government should flawlessly adjust the exchange rate policy and put in place a cogent policy approach.*

**Keywords:** All Share Index (ASI), Consumer price index (CPI), Interest rate, Exchange rate and Ordinary Least Square (OLS)

## Introduction

A crucial macroeconomic factor affecting financial markets is exchange rate dynamics, especially in developing nations like Nigeria, where the foreign exchange market is extremely susceptible to external shocks and somewhat volatile. As a gauge of economic success, the stock market—represented by the Nigerian Exchange Limited (NGX)—reflects macroeconomic stability, company profitability, and investor expectations. As a result of Nigeria's ongoing currency devaluation, foreign exchange scarcity, and fundamental economic imbalances, the relationship between exchange rate fluctuations and stock market prices has garnered significant scholarly attention. Theoretically, there are several ways that changes in exchange rates can impact stock values. According to the flow-oriented model (Dornbusch & Fischer, 1980), fluctuations in exchange rates have an impact on enterprises' revenues and stock valuations by influencing international competitiveness. On the other hand, the stock-oriented model (Branson, 1983; Frankel, 1983) contends that changes in capital flows and portfolios can have an impact on exchange rates. Also, currency depreciation tends to raise production costs, lower corporate profitability and drive down stock values in an import-dependent economy like Nigeria, especially for companies that depend on imported supplies. Depreciation however may boost the competitiveness of export-oriented businesses.

Exchange rate volatility has increased as a result of recent changes to Nigeria's foreign exchange regime, especially the exchange rate unification policy that was implemented in 2023. This has important ramifications for the stock market. According to empirical data, periods of significant naira devaluation are frequently associated by falling investor confidence, capital flight, and greater equities market uncertainty (Central Bank of Nigeria CBN 2024). At the same time, periods of exchange rate liberalization have drawn foreign portfolio inflows, which, in some circumstances, has increased stock market activity. There is conflicting evidence in the empirical literature on the type and direction of the relationship between Nigerian stock prices and currency rates. According to certain research, currency depreciation has a negative and considerable impact on stock market performance (Omodero & Ibe, 2023; Akinlo & Oladipo, 2024). Other researches have discovered weak links or bi-directional causality, suggesting that the relationship may be influenced by methodological techniques, sectoral makeup, and market conditions (Ekeocha et al., 2025). These discrepancies emphasize the necessity of ongoing empirical reevaluation, especially in view of current macroeconomic reforms and uncertainty surrounding the global financial system.

Nigeria's strong reliance on oil exports also adds another level of complexity because changes in currency rates are directly correlated with changes in the price of oil globally. Because of this reliance, both the currency and the stock market are vulnerable to outside shocks, which emphasize how crucial it is to comprehend how they interact. Nigeria's financial sector is becoming more integrated into the world economy, which suggests that exchange rate fluctuations can quickly affect stock values through cross-border capital flows and the actions of international investors. Given these factors, governments,

investors, and financial experts must investigate how changes in exchange rates affect Nigerian stock market values as a study of this nature sheds light on risk management, market efficiency, and the efficacy of macroeconomic policies meant to stabilize the capital and foreign exchange markets.

### **Statement of the Research Problem**

In Nigeria, exchange rate instability has become a recurring macroeconomic problem, especially since exchange rate liberalization and unification policies were implemented in 2023. Due to structural imbalances, foreign exchange shortages and external shocks, the naira has seen substantial depreciation and volatility. Concerns have been raised about how these developments may affect the performance of the financial markets, particularly the Nigerian Exchange Limited (NGX), which is essential to capital generation and economic expansion. Nigeria's stock market has seen price and return swings, which frequently coincide with unstable currency rates. The exact type, direction, and strength of the correlation between changes in exchange rates and stock market values are still unclear. Exchange rate depreciation may have a negative impact on stock prices by raising production costs and decreasing firm profitability, according to some empirical studies (Omodero & Ibe, 2023; Akinlo & Oladipo, 2024). However, other studies report weak, negligible, or bi-directional relationships (Ekeocha et al., 2025). Policymakers and investors trying to comprehend the transmission mechanism between the foreign exchange market and the capital market are left in the dark by these contradictory findings.

Furthermore, Nigeria's economy is strongly dependent on imports and crude oil exports, which makes the stock market and exchange rate especially susceptible to outside shocks. Despite this, recent structural changes in the foreign currency system, sectoral variations in stock market responses, and the changing dynamics of foreign portfolio investment are frequently not sufficiently taken into account in current research. This leaves a void in the empirical literature, especially with regard to changes in exchange rates that have occurred after 2023.

Furthermore, there is no agreement on whether the Nigerian stock market effectively incorporates exchange rate information into asset pricing despite the fact that exchange rate volatility may have an impact on investor behavior, capital flows, and market efficiency. Policymakers' ability to create efficient monetary and exchange rate policies is hampered by the lack of conclusive empirical data on this topic, which also limits investors' ability to control risk and maximize portfolio allocation. Given these difficulties, the main issue with this study is the dearth of reliable and current empirical data regarding how exchange rate fluctuations affect the dynamics of Nigerian stock market prices. In order to improve policy development, increase market stability and provide a more thorough understanding of the relationship between macroeconomic variables and financial market performance in Nigeria, it is imperative that this issue be addressed.

## **Objectives of the study**

The study's primary objective is to investigate how exchange rates affect the movement of stock market prices in Nigeria. The following are the precise objectives of the study:

1. To determine the relationship between consumer price index and Stock Market Price Movement in Nigeria
2. To examine the relationship between Interest rate and Stock Market Price Movement in Nigeria
3. To establish the relationship between exchange rate and Stock Market Price Movement in Nigeria

## **Literature Review**

### **Conceptual Issue**

#### **Exchange Rate**

The price of one nation's currency in relation to another is represented by the exchange rate, a basic macroeconomic variable. It is essential to capital flows, global trade, and general economic stability. The exchange rate is a crucial transmission mechanism that allows macroeconomic policies and external shocks to impact domestic economic activities, particularly financial markets like the stock exchange, in open economies. The rate at which domestic currency is exchanged for foreign currencies is the conceptual definition of the exchange rate (Krugman, Obstfeld, & Melitz, 2018). Usually, it is stated in nominal terms (nominal exchange rate) or adjusted for variations in price levels across nations (real exchange rate). While the real exchange rate gauges the relative purchasing power of currencies and is frequently seen as a more accurate measure of global competitiveness, the nominal exchange rate represents the direct price of currency in the foreign exchange market (Mankiw, 2021). Fixed, floating, and controlled float systems are among the various regimes under which exchange rates can be established. In a floating exchange rate system, the rate is set by supply and demand in the market, whereas in a fixed exchange rate regime, the value of the home currency is fixed to another currency or basket of currencies. The Central Bank of Nigeria (CBN) periodically steps in to stabilize the naira under Nigeria's managed float exchange rate mechanism (CBN, 2024). Exchange rate flexibility and volatility have increased as a result of recent reforms, especially the exchange rate unification policy in 2023, which moved the system toward a more market-determined structure.

A number of macroeconomic variables, such as inflation disparities, interest rates, balance of payments positions, foreign reserves, and speculative activity, affect exchange rate fluctuations (Salvatore, 2019). Additional factors that have a substantial impact on currency rate behavior in Nigeria include import dependency, changes in oil prices, and inefficiencies in the foreign exchange market. For example, a drop in the price of oil globally lowers foreign exchange profits, which causes the naira to weaken, and a rise in the demand for foreign currency for imports puts additional pressure on the exchange rate. Exchange rate changes have a significant impact on asset price and investment choices from the standpoint of the financial market. Particularly in industries that rely heavily on imports, currency depreciation can raise the price of imported commodities, lower company profitability and have a negative impact on stock prices. On the other hand, it might help export-focused businesses by making them more competitive in global

marketplaces. As a result, the impact of currency rate fluctuations on stock prices is frequently unclear and situation-specific (Akinlo & Oladipo, 2024).

Exchange rate volatility is a crucial factor that reflects the level of risk and uncertainty in the foreign exchange market, according to recent empirical research. Exchange rate volatility can lower market efficiency, raise risk premiums, and deter foreign investment (Ekeocha et al., 2025). Persistent exchange rate volatility has been linked to macroeconomic instability and lower investor confidence in Nigeria, which has an impact on the performance of the stock market.

### **Stock Market Price Movement**

The term "stock market price movement" describes how listed securities' prices change over time, reflecting shifts in market valuation brought about by behavioral, financial, and economic factors. It is a crucial measure of investor mood and market performance, especially on established exchanges like the Nigerian Exchange Limited (NGX). Stock indices, like the All-Share Index (ASI), which compiles the performance of listed stocks and acts as a stand-in for general market trends, are commonly used to record these price movements. Conceptually, the interplay between supply and demand in the capital market determines changes in stock prices. A stock's price rises when demand for it rises as a result of positive expectations regarding business performance or macroeconomic conditions; prices fall when supply outpaces demand (Fama, 1970). The Efficient Market Hypothesis (EMH), which holds that stock prices accurately reflect all available information and that price changes are a reaction to new information entering the market, is consistent with this process.

There are two types of price movements in the stock market: short-term swings and long-term patterns. While long-term fluctuations are influenced by basic elements like corporate earnings, dividend policy, and macroeconomic stability, short-term movements are frequently caused by speculative trading, market emotion, and news shocks (Mishkin, 2022). Because of structural inefficiencies, shallower markets, and increased susceptibility to outside shocks, short-term volatility is typically more noticeable in emerging markets like Nigeria. Interest rates, inflation, the money supply, and exchange rates are some of the macroeconomic factors that affect changes in stock market prices. In particular, changes in exchange rates have an impact on business profitability, foreign investment flows, and risk perception, all of which have an impact on stock prices. For example, currency depreciation may cause foreign investors' holdings to lose value, which could result in capital outflows and lower stock prices (Omodero & Ibe, 2023). On the other hand, positive fluctuations in exchange rates could draw foreign portfolio investment and improve market performance. In the Nigerian setting, institutional and structural elements including investor confidence, market liquidity, regulatory regulations, and the degree of financial market development all influence changes in stock market prices. The dominance of certain industries, particularly banking and oil-related businesses affects general price dynamics and adds to market concentration. Furthermore, Nigeria's stock market is also more vulnerable to foreign capital flows and worldwide economic conditions as a result of its integration into the global financial system. According to recent empirical research, volatility clustering, weak-form inefficiency, and vulnerability to macroeconomic shocks are characteristics of Nigerian stock market price movements (Ekeocha et al., 2025; Akinlo & Oladipo, 2024).

These traits imply that stock prices don't always react quickly to fresh information, which raises market risk while also opening the door to unusual rewards.

### **Conceptual Linkage between Exchange Rate and Stock Market Price Movement in Nigeria**

Due to Nigeria's fundamental economic features and vulnerability to external shocks, the relationship between exchange rate fluctuations and stock market price dynamics has been extensively studied in both established and emerging economies. From a conceptual standpoint, this relationship illustrates how the capital market and the foreign currency market, two essential elements of the financial system, interact. The relationship between exchange rates and stock prices is explained by two main theoretical stances. According to the flow-oriented model (Dornbusch & Fischer, 1980), fluctuations in exchange rates have an impact on a nation's trade balance and corporate profits, both of which have an impact on stock prices. Currency depreciation raises production costs, lowers profitability, and drives down stock values in Nigeria, where a large number of businesses rely on imported supplies. On the other hand, companies that export goods could profit from depreciation by becoming more competitive.

The stock-oriented model (Branson, 1983; Frankel, 1983) suggests that causality may run from the stock market to the exchange rate. An increase in stock prices can attract foreign portfolio investment, leading to higher demand for the domestic currency and subsequent appreciation. In contrast, declining stock prices may trigger capital outflows, contributing to exchange rate depreciation. This perspective emphasizes the role of capital flows and investor behavior in linking the two markets. The relationship between currency rates and changes in stock market prices in Nigeria is complicated and frequently unclear. Due to the economy's strong reliance on oil exports, these factors are extremely vulnerable to changes in the price of oil globally. Currency depreciation and possible drops in stock market performance result from a drop in oil prices, which usually lowers foreign exchange earnings. Furthermore, the detrimental consequences of currency rate depreciation on business earnings and investor confidence are exacerbated by Nigeria's import-dependent economy.

Another important factor affecting the behavior of the stock market is exchange rate volatility. Reduced stock market activity and price instability may result from high volatility, which also boosts risk premiums, inhibits foreign investment, and creates uncertainty (Ekeocha et al., 2025). Nigeria has seen increased exchange rate volatility in recent years, especially after the 2023 exchange rate unification policy, with noticeable effects on investor mood and stock market performance (Central Bank of Nigeria [CBN], 2024). There are conflicting results in the empirical data for Nigeria. According to some research, there is a negative correlation between exchange rate depreciation and stock prices (Omodero & Ibe, 2023; Akinlo & Oladipo, 2024). Others discover minor connections or bi-directional causality, indicating that the interaction is dependent on variables including sectoral makeup, market conditions, and methodological techniques (Ekeocha et al., 2025). Given the recent macroeconomic reforms and enhanced financial market integration, these discrepancies underscore the need for additional empirical research.

Additionally, the speed at which exchange rate information is integrated into stock prices depends on Nigeria's level of market efficiency. Weak-form inefficiency suggests that stock prices might not accurately reflect changes in exchange rates instantly, resulting in asymmetric or delayed reactions. This has significant ramifications for both investors looking to take advantage of arbitrage possibilities and governments trying to improve market stability.

### **Theoretical Literature**

A number of macroeconomic and financial theories that describe the transmission mechanisms between the foreign exchange market and the capital market serve as the foundation for the theoretical literature on the relationship between exchange rates and stock market price movement. The Efficient Market Hypothesis, the Flow-Oriented Model, the Stock-Oriented Model, the Arbitrage Pricing Theory, and the Purchasing Power Parity theory are the most well-known of these.

**The Flow-Oriented Model**, established by Dornbusch and Fischer (1980) asserts that changes in exchange rates have an impact on a nation's trade balance, international competitiveness, and eventually corporate profits. This idea states that currency depreciation affects businesses' profitability by making imports more expensive and exports cheaper. Depreciation of the naira tends to raise production costs and lower profit margins in Nigeria, since many businesses rely significantly on imported inputs, which lowers stock values. As a result, the model forecasts a one-way link between stock market values and currency rates.

**The Stock-Oriented Model** Branson (1983) Frankel (1983) highlights how capital flows and financial assets affect exchange rates. According to the concept, both domestic and international investors' portfolio changes are a way that stock market performance affects exchange rates. A rise in stock values draws in foreign investment, which raises demand for the home currency and leads to appreciation. On the other hand, currency devaluation and capital outflows result from a drop in stock values. According to this concept, currency rates and stock market fluctuations are causally related in reverse.

**The Efficient Market Hypothesis (EMH)**, put out by Fama (1970), offers a more comprehensive theoretical framework for comprehending the behavior of stock prices. It claims that all available information, including macroeconomic factors like currency rates, is completely reflected in stock prices. According to this theory, exchange rate fluctuations ought to be quickly reflected in stock prices, eliminating the possibility of anomalous returns. However, evidence of weak-form inefficiency suggests that stock prices may not fully or instantly react to changes in exchange rates in emerging economies like Nigeria, which would reduce the predictive potential of exchange rate fluctuations.

**The Arbitrage Pricing Theory (APT)** established by Ross (1976), asserts that a variety of systematic risk factors, including macroeconomic variables like interest rates, inflation, and exchange rates, have an impact on asset returns. Exchange rate changes are a form of systemic risk that impacts stock returns for all companies, according to APT. Exchange rate volatility in Nigeria can raise risk premiums and uncertainty, which can affect stock price fluctuations in a variety of industries.

**The Purchasing Power Parity (PPP)** Understanding the dynamics of exchange rates is also aided by theory. According to PPP, exchange rates should fluctuate in order to

maintain price parity between nations (Cassel, 1918). Despite being largely a theory of exchange rate determination, it has ramifications for stock markets since deviations from PPP can impact business performance, inflation, and competitiveness, all of which have an impact on stock prices. Persistent departures from PPP in Nigeria brought on by structural inefficiencies and inflationary pressures may be a factor in exchange rate volatility and the ensuing effects on the stock market.

**The Interest Rate Parity (IRP).** According to this theory, the relationship between interest rates and currency rates, which has an indirect impact on stock market performance, is explained by theory. Exchange rates and stock prices are impacted by changes in interest rates because they have an impact on capital flows and investment choices. Higher interest rates, for example, may draw in foreign investment and cause currency appreciation while also influencing stock valuations through shifts in discount rates.

### Empirical Review

S/N	Authors	Years	Period covered	Country's	Methodology	Findings
1	Omodero & Ibe	2023	1996–2021	Nigeria	ARDL, Unit Root Test, Granger Causality	Stock market results are negatively and significantly impacted by exchange rate depreciation. Proof of a one-way causal relationship between stock prices and currency rates.
2	Akinlo & Oladipo	(2024)	1985–2022	Nigeria	Vector Error Correction Model (VECM), Johansen Cointegration	There is a long-term correlation between stock prices and exchange rates. The performance of the stock market is adversely affected by exchange rate volatility..
3	Ekeocha, Ekeocha & Orji	(2025)	2000–2023	Nigeria	Nonlinear ARDL (NARDL),	Stock prices are affected asymmetrically

					Asymmetric Analysis	by changes in exchange rates. Stock prices are more affected by depreciation than by appreciation.
4	Lawal et al.	(2023)	1990–2020	Nigeria	GARCH Model, OLS Regression	Volatility in exchange rates lowers investor confidence and raises stock market risk. There was a significant negative connection found.
5	Ekeocha, P. C., Ekeocha, C. S., & Orji, A.	(2025)	1985–2023	Nigeria	Nonlinear Autoregressive Distributed Lag (NARDL) and asymmetry analysis	Exchange rate depreciation dramatically lowers stock prices, whereas appreciation has a less beneficial impact, according to evidence of the asymmetric effects of exchange rates on stock market returns..
6	Ibrahim, M., & Umar, H.	2025	2000–2022	Nigeria	Vector Error Correction Model (VECM) and Granger causality	found evidence of bidirectional causality, demonstrating feedback effects between both variables, and a long-term link between exchange rates and stock market indices.

7	Okoro, J. O., & Nwankwo, C.	(2025)	1995–2021	Nigeria	Autoregressive Distributed Lag (ARDL) bounds testing approach	The performance of the stock market was shown to be significantly correlated with exchange rate volatility; fluctuations in the naira deter investment and lower stock values.
8	Alagidede, P., & Panagiotidis, T.	(2025)	2000–2023	Multi-country (Africa)	Panel data analysis and fixed effects model	reported inconsistent outcomes across African markets; the impact of exchange rates varies according to macroeconomic stability, capital openness, and market development.
9	Osei, K., & Asare, P.	(2025)	1999–2022	Nigeria	Wavelet coherence analysis	Exchange rates and stock market indices were found to have time-varying and frequency-dependent interactions; higher correlations were seen throughout periods of economic crisis and exchange rate instability.

10	Mensah, E. K., & Boateng, R.	(2025)	1990–2022	Ghana	ARDL and causality tests	Exchange rate depreciation was found to have a considerable negative influence on stock market returns; structural similarities with Nigeria point to regional consistency in emerging markets.
11	Singh & Sharma	(2024)	1998–2022	India	Granger causality and Johansen cointegration	Exchange rates and the stock market are causally related in both directions, with a robust long-term correlation found..

Source: Researchers’ Conception, 2026

### Gaps in the Empirical Literature

A review of previous empirical research on the relationship between changes in exchange rates and the dynamics of stock market prices identifies a number of significant gaps that call for more research, especially in the Nigerian scenario.

1. Empirical results about the type and direction of the relationship between exchange rates and stock prices are inconsistent. Some research indicates bi-directional causality, positive relationships, or insignificant impacts, while others report a strong negative correlation. These disparities restrict the generalizability of current findings since they result from variations in econometric methodology, sample periods, and variable selection.
2. A lot of empirical research uses linear econometric models that assume symmetric connections between variables, including OLS, VECM, or simple ARDL. However, there may be an unbalanced relationship between exchange rates and stock market values, with depreciation and appreciation having distinct effects on company performance. There are still few recent research using nonlinear models like NARDL, especially in Nigeria. Most studies adopt sectoral differences. Different sectors (e.g., banking, oil and gas, manufacturing) may respond differently to exchange rate changes due to their varying exposure to foreign

exchange risk. However, this study fills the gap by adopting a broad market-level analysis, using aggregate stock market indices such as the All-Share Index (ASI).

3. Control variables and other macroeconomic factors like interest rates, exchange rate, and consumer price index are not included of most recent studied. Misspecification of the model and skewed estimations of the correlation between exchange rates and stock market prices could result from the exclusion of these variables.
- 4.

### **Theoretical framework**

The foundation of this research is the Flow-Oriented Model, which was created by Dornbusch and Fischer in 1980. It asserts that changes in exchange rates have an impact on macroeconomic fundamentals, specifically trade balance and corporate profitability, which in turn have an impact on stock prices. This paradigm states that a decline in the value of the national currency (naira) raises the cost of imports while making exports more competitive. An increase in input costs lowers businesses' profit margins in an import-dependent country like Nigeria, which causes stock prices to drop. On the other hand, currency appreciation may boost business profitability and have a favorable impact on stock prices. Thus, a unidirectional causal relationship between exchange rate and stock market performance is established by this model.

### **Model Specification**

The study used ordinary least squares (OLS) in accordance with research by Osei and Asare (2025) which stated that model specification includes a priori expectations regarding the sign and size of the function parameters as well as the selection of endogenous and exogenous variables to include in the model. The econometric view (E-view) is utilized for data analysis once Excel software has assisted us in transforming the variables into an analytical format.

The modified model is thus:

$$ASI = f(CPI, INTR, EXR)$$

The equation form of the model is thus:

$$ASI = \alpha_0 + \beta_1CPI + \beta_2INTR + \beta_3EXR + \mu$$

All the variables were converted to natural logarithm in order to smoothen the stochastic effect of time series. Thus the model employed for the study is:

$$\text{Ln}ASI = \alpha_0 + \beta_1\text{Ln}CPI + \beta_2\text{Ln}INTR + \beta_3\text{Ln}EXR + \mu$$

Where:

ASI = All Share Index of the Nigerian stock market limited as the dependent variable of the study.

CPI = consumer price index

INTR = Interest rate

EXR = exchange rate

Ln = the natural log of the variables that is introduced to smoothen the stochastic effect of time series.  $\alpha_0$  = constant  $\beta_1$ -3 = the coefficients of the independent variables.

### **Sources of data**

The data used in this study was mostly gathered from secondary sources. Data that has already been gathered from pre-existing data is referred to as secondary data sources (Okpara, 2008). The information was obtained from the Nigerian Stock Market and the Nigerian Central Bank's Statistical Bulletin for the years 2010 through 2025, respectively.

### Method of Data Analysis

The Ordinary Least Square (OLS) technique was used for the study. Due to its Best Linear Criteria, Unbiased Estimator of Linear connection, Car-correlation OLS was used for the study to test the model's initial reliability using the Durbin-Watson and Multicollinearity statistics. Less than 5% of the calculated means the value is significant. The coefficient of determination (R<sup>2</sup>), regression coefficient, statistics, and F-statistics were used to meet the study objectives. The Impact of Determination (R<sup>2</sup>) evaluates the degree to which variables independent of the variables in the dependent variable can be justified. T-test scores for students Individual significance of the independent estimates variables; however, F-statistics typically assesses the significance of distinct variables.

### Analysis of Results

The study looks at how exchange rates affect the movement of stock market prices in Nigeria. the ordinary least square (OLS) results are explained below. The model's estimated outcome is shown in Table 4.1 below. The model reliability was determined using the impacts of the Inflation Volatility Factor (VIF) and Durbin Watson Statistics (for multicollinearity and autocorrelation). Table 4.1 below shows the OLS findings estimates. The model estimate and reliability test statistics are displayed in the table.

Table 4.1

Dependent Variable: LnASI(20010 to 2025)

Model	Unstandardized		standardized Standardized	T	Sign	Collinearity Statistics	
	B	Std. Error				Beta	Tolerance
(constant)	5.797	1.489	.499	3.892	.001	1.101	4.937
LnCPI	.385	.130	.094	2.966	.006	0.831	1.203
LnINTR	-.851	.478	.551	-	.087	1.095	0.472
LnEXR	.748	.211		1.779	.002		
				3.543			
Coefficient of Determination (R <sup>2</sup> ) = 0.94							
Adjusted R <sup>2</sup> = 0.93							
Durbin-Watson = 1.631							
F-statistics = 135.751							
F-Probability = 0.000							

Author's computation 2026

### **The Model Reliability**

The VIF for each of the explanatory variables is shown in Table 1. The values for LnCPI, LnINTR, and LnEXR are 4.937, 1.203, and 0.472, respectively. The VIF is less than the 5-value for both variables. It indicates that the model is multicollinear. Again, the Durbin Watson statistics result is 1.63. The result is almost equal to two. It indicates that the pattern does not involve autocorrelation. Every result indicates that the OLS regression model's results are reliable.

### **Model estimation**

The effect of the defining coefficient (R<sup>2</sup>) is 0.94, indicating that human variables account for almost 94% of the improvements in the dependent variable. Monetary policy variables (interest rate, exchange rate, and money supply) will be implied. explains 94% of all fluctuations in the Nigerian stock exchange's share index (ASI). However, the probability value is 0.000 and the F-statistic is 135.751. Following the significance of p, we reject the null hypothesis that monetary factors have no bearing on stock market performance if the significance is less than 0.05. This indicates that 94% of equities in Nigeria are influenced by monetary policy variables, and market performance fluctuates. The study's many objectives were addressed using the Independent Coefficient of Regression Variables.

### **Ho1: Consumer Price Index has no significant effect on stock market price movement**

The LnCPI coefficient is 0.385. This demonstrates the positive correlation between the consumer price index and the Everything Index exchange. This means that the total Assets index (ASI) would increase by 0.39 units for every unit increase in the consumer price index. With a cost p of 0.006, the t-statistics add up to 2.966. Since the p-value is less than 0.05, we reject the null hypothesis and assume that the consumer price index significantly affects changes in stock prices. The findings confirmed the study of Ekeocha, Ekeocha, and Orji (2025).

### **Ho2: Interest rate movements has no significant effect on Nigeria stock market price movement**

The regression coefficient for LnINTR is -0.851, meaning that interest rates have a negative impact on all Assets indices (ASI). It shows that all share indexes would drop by 0.85 points in response to an increase in the unit's interest rate. The t-statistic has a -1.779.087 p-value. Yes, it is correct. We do not exclude the null hypothesis because the p.value is larger than 0.05 Importance, leading us to the conclusion that the interest rate has little effect on changes in stock values. The findings are consistent with the study of Okoro and Nwankwo (2025).

### **Ho3: Exchange rate fluctuations has no significant effect on Nigeria stock market price movement**

The coefficient of LnEXR is 0.748. This will indicate an optimistic relationship between the currency rate and the entire ASI (Share Index). This indicates that a unit increase in exchange rates would cause the all-share index (ASI) to rise by 0.748 units. The p-value is

0.006 and the t statistics are 3.543. Since the p-value is smaller, we reject the null hypothesis at the 0.05 significance level, leading to the conclusion that fluctuations significantly affect the movement of stock market values. The results are supported by Lawal et al. (2023).

### **Findings**

The results are listed below:

1. The Nigerian capital market's stock market price movement is significantly positively impacted by changes in the consumer price index.
2. Interest rates have an insignificant detrimental impact on the movement of stock prices on the Nigerian Capital Market.
3. The Nigeria Capital Market's stock market price movement is significantly positively impacted by fluctuations in exchange rates. Additional research revealed that a high interest rate may lead to additional savings and halt the flow of capital on stock markets, which causes investors to demand a greater risk peak and impedes investment and stock market performance, slowing the Nigerian market. Then, a lower interest rate might result in higher rates of return and better capital returns for the stock market.

### **Conclusion**

The study examined the impact of exchange rate on stock market outcomes in the Nigeria Capital Market with the backing of the primary intermediate monetary policy objectives. The findings showed that exchange rate has a significant impact on the quality of the stock market, which implies that exchange rate will have an impact on Nigerian stock market activity. Nigeria's market will perform better if efforts are made to balance the consumer price index and exchange rates. Furthermore, the ordinary least square (OLS) results showed that the consumer price index significantly influences changes in stock values whereas the interest rate has little effect. Additionally, changes in exchange rates have a significant impact on changes in stock market prices. It is determined that during the study period, exchange rate had a major impact on Nigeria's capital market performance.

### **Recommendations**

Based on the study's results and conclusions, it is recommended that;

1. In order to mobilize excess funds from overseas for significant development that would be pumped into the capital market, the government would flawlessly adjust the exchange rate policy and put in place a cogent policy approach.
2. The gains on shares make the inflation approach appealing. For Nigerian stocks to improve, the researchers support complete deregulation of the entire cycle of price generation in the stock market.
3. Given the negative relationship, the Central Bank of Nigeria (CBN) shouldn't rely only on interest rate changes to affect stock market performance. Measures should be taken to improve financial market responsiveness, complementing policy measures like macro prudential laws, credit allocation policies, and liquidity management should be reinforced.

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## Technology Adoption in Human Resource Practices and Operational Efficiency of Nigerian SMES: A Study of Selected SMES in Edo Central, Edo State

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### Abstract

*This study examines the nexus between Technology Adoption in HR practices and Operational Efficiency of Small and Medium Enterprises (SMEs) in Edo Central, Edo State, Nigeria. Anchored on the Technology Acceptance Model (Davis, 1989), the study investigates how perceived usefulness, ease of use, management support, infrastructure readiness, and cost-benefit perception influence process cycle time, cost efficiency, productivity, error reduction, and resource utilization. Using a survey design, primary data were collected from 234 respondents selected via stratified random sampling from a population of 615 registered SMEs. Data analysis employed descriptive statistics (percentages, mean, standard deviation) and (Inferential Statistics) Pearson correlation. Findings reveal moderate HR technology adoption ( $M = 3.39$ ) and operational efficiency ( $M = 3.23$ ), with a strong positive significant relationship ( $r = 0.642$ ,  $p < 0.01$ ). A graduated adoption pattern emerges: basic technologies (payroll systems, 68.4%) dominate, while advanced systems (HR analytics, 18.4%) lag. Primary barriers include high costs ( $M = 4.12$ ), inadequate technical support ( $M = 3.98$ ), and unreliable power supply ( $M = 3.89$ ). The study recommends that SME owners prioritize HR technology as strategic investment, government establish technology hubs and improve infrastructure, and vendors develop affordable, offline-capable solutions. This research contributes to the sparse literature on Technology Adoption in HR practices in semi-urban Nigerian contexts and validates TAM's applicability in resource-constrained environments.*

**Keywords:** Technology Adoption in HR practices, Operational Efficiency, SMEs, Innovation Adoption, Human Resource Information Systems

**JEL Codes:** M15, O33, L26, O32

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## Introduction

The contemporary business environment has witnessed unprecedented technological advancement that has fundamentally transformed organizational operations across all sectors (Wahdaniah *et al.*, 2023). In Nigeria, Small and Medium Enterprises (SMEs) constitute the backbone of the national economy, contributing significantly to employment generation, wealth creation, and economic diversification (Amalia, 2024). According to the 2024 SMEDAN/NBS report, Edo State alone has approximately 1,015,871 registered SMEs comprising micro, small, and medium-scale enterprises (Small and Medium Enterprises Development Agency of Nigeria & National Bureau of Statistics, 2024). These enterprises face mounting pressure to adopt innovative technologies to remain competitive in an increasingly digital marketplace (Zhang, 2023). Human Resource (HR) Technology Adoption refers to the integration of digital tools, software applications, and information systems into the human resource management functions of an organization (Kırlmaz, 2020). This encompasses the implementation of Human Resource Information Systems (HRIS), automated payroll systems, digital recruitment platforms, e-learning modules for training, performance management software, and employee self-service portals (Ismail Al-Alawi *et al.*, 2023). The adoption of these technologies represents a paradigm shift from traditional manual HR practices to data-driven, automated, and strategic human capital management approaches (Davis, 1989). Operational Efficiency, on the other hand, denotes the ability of an organization to deliver maximum output and value with the least possible input of time, resources, and cost, without compromising quality or employee experience (Cyril-Nwuche, 2025). For SMEs, operational efficiency is measured through various indicators including process cycle time reduction, cost per transaction, resource utilization rates, employee productivity metrics, and customer satisfaction scores (Tamvada *et al.*, 2022). The concept encompasses the optimization of business processes, elimination of wasteful practices, and maximization of resource utilization to achieve organizational objectives (Cyril-Nwuche, 2025). The significance of HR technology adoption for SMEs cannot be overstated. Research indicates that organizations adopting HRIS experience enhanced efficiency in HR processes, improved decision-making capabilities through access to real-time data and analytics, and increased employee engagement and satisfaction through self-service functionalities (Noutsu *et al.*, 2019). A systematic review by Preprints (2024) found that HRIS adoption can improve employee productivity by 29%, decision-making by 20%, and operational efficiency by 26% in SMEs. Furthermore, HRIS adoption has the potential to contribute to organizational competitiveness, sustainability, and growth by streamlining HR operations and optimizing human capital management practices (Fu, 2021). In the context of Ekpoma and Uromi, two prominent towns in Edo State with growing business communities, the adoption of HR technology presents both opportunities and challenges. Ekpoma, known for its educational institutions including the Ambrose Alli University, has witnessed significant commercial growth with approximately 147 registered SMEs operating across various industries including manufacturing, retail, services, and technology. Uromi, as a traditional administrative and commercial center, similarly hosts numerous SMEs that contribute to the local economy. These enterprises operate in an environment characterized by

infrastructural limitations, financial constraints, and varying levels of technological readiness (Olawale & Garwe, 2010).

The problem that necessitates this study stems from the documented gap between the potential benefits of HR technology and its actual adoption among Nigerian SMEs. Despite the evident advantages of HRIS adoption, the literature reveals a dearth of studies examining the extent to which SMEs in Nigeria have embraced this technology, particularly in semi-urban areas like Ekpoma and Uromi (Noutsu *et al.*, 2019). Existing research has predominantly focused on large corporations in major urban centers such as Lagos and Abuja, leaving a significant knowledge gap regarding HR technology adoption patterns in smaller towns and among micro and small enterprises (Aguinis & Lawal, 2012). Moreover, while global studies have established the positive impact of HR technology on operational efficiency, the specific context of Nigerian SMEs presents unique challenges including inadequate technological infrastructure, limited financial resources, resistance to change among employees, and skills shortages (Noutsu *et al.*, 2019). Financial constraints represent a significant barrier to HRIS adoption for many SMEs in Nigeria, as limited financial resources often hinder SMEs from investing in the acquisition, implementation, and maintenance of HRIS software and infrastructure (Olawale & Garwe, 2010). The high upfront costs associated with purchasing HRIS solutions, coupled with ongoing expenses for customization, training, and technical support, pose a considerable financial burden on SMEs, particularly those operating on tight budgets (Madrid-Guijarro *et al.*, 2009). Additionally, the lack of awareness and understanding about the benefits and functionalities of HRIS among SME owners and managers contributes to the slow adoption of this technology (Aguinis & Lawal, 2012). In Nigeria, where SMEs constitute a significant portion of the business landscape, there is often a lack of awareness about the potential advantages of HRIS in streamlining HR processes, enhancing data accuracy, and improving decision-making. These contextual factors necessitate localized research to understand how HR technology adoption influences operational efficiency within the specific socio-economic and infrastructural environment of Edo State (Fanelli, 2021).

Despite the global trend toward digital transformation in human resource management, Nigerian SMEs, particularly those operating in semi-urban areas such as Ekpoma and Uromi in Edo State, continue to rely predominantly on manual and traditional HR practices (Kırılmaz, 2020). This reliance on outdated methods results in inefficiencies, increased operational costs, high error rates in HR processes, and inability to compete effectively with larger organizations that have embraced digital HR solutions (Alordiah, 2023a). High initial costs and inadequate infrastructure pose formidable challenges, even though these technologies promise long-term cost savings (Shaikh *et al.*, 2021). Moreover, concerns regarding data security, privacy, and compliance may arise, particularly in contexts where regulations governing the handling of sensitive employee information are stringent (Laudon & Laudon, 2016). The lack of skilled human capital and expertise in HRIS implementation and utilization poses challenges to SMEs in Nigeria. SMEs may lack the internal capabilities and technical expertise required to effectively deploy, customize, and maintain HRIS solutions (Olawale & Garwe, 2010). This knowledge gap limits the

ability of policymakers, business development practitioners, and SME owners to design effective interventions for promoting digital transformation. This study addresses this gap by investigating the relationship between Innovation HR Technology Adoption and Operational Efficiency in selected SMEs in Ekpoma and Uromi, Edo State, Nigeria.

### **Research Questions**

The main question for the study encompasses the investigation of the relationship between Technology Adoption in HR practices and Operational Efficiency of selected SMEs in Edo Central, Edo State, Nigeria?

### **Research Hypothesis**

Based on the specific research question, the following hypothesis is formulated:

**H<sub>1</sub>:** There is no significant positive relationship between Technology Adoption in HR practices and Operational Efficiency of SMEs in Edo Central, Edo State, Nigeria.

### **Conceptual Review (Literature Review)**

#### **Technology Adoption in HR practices**

Innovation HR Technology Adoption encompasses the acceptance, implementation, and utilization of digital technologies within the human resource management function of an organization (Davis, 1989). This concept extends beyond mere acquisition of software or hardware to include the integration of these technologies into organizational processes, the development of employee competencies to utilize them effectively, and the cultural transformation required to maximize their potential benefits (Venkatesh & Davis, 2000). According to recent conceptualizations, HR technology adoption represents a multi-dimensional construct comprising several sub-variables that collectively determine the extent to which an organization has embraced digital HR solutions (Davis, 1989). The first sub-variable, Perceived Usefulness, refers to the degree to which an individual believes that using a particular HR technology would enhance their job performance and productivity (Davis, 1989). In the context of SMEs, perceived usefulness encompasses beliefs about whether HR technology can improve recruitment outcomes, streamline payroll processing, enhance employee record management, and facilitate strategic decision-making. Research by Davis (1989) established that perceived usefulness is a primary determinant of technology acceptance, as users are more likely to adopt systems they believe will deliver tangible benefits. Recent empirical studies have confirmed that perceived usefulness remains the strongest predictor of technology acceptance, with standardized path coefficients as high as 0.779 (Davis, 1989; Sohn & Kwon, 2020).

The second sub-variable, Perceived Ease of Use, denotes the degree to which an individual believes that using HR technology would be free of effort (Davis, 1989). This dimension is particularly critical for SMEs in developing economies where employees may

have limited prior exposure to sophisticated information systems. Perceived ease of use encompasses the intuitiveness of system interfaces, the clarity of navigation pathways, the availability of user support, and the overall learning curve associated with technology adoption. Studies have shown that even when users recognize the potential benefits of a system, they may resist adoption if they perceive it as overly complex or difficult to master (Davis, 1989; Zou & Huang, 2023).

The third sub-variable, Management Support, represents the extent to which organizational leadership provides resources, encouragement, and direction for HR technology implementation (Ezema *et al.*, 2025). In SME contexts where resources are often scarce, management commitment manifests through budget allocation for technology acquisition, provision of training opportunities, policy formulation that supports digital transformation, and visible endorsement of technology initiatives. Recent research indicates that management support serves as a critical moderating variable that can significantly influence the relationship between technology adoption intentions and actual implementation (Ezema *et al.*, 2025). Top management support has a significant impact on technology acceptance through multiple paths, with non-standardized path coefficients of 0.423 for perceived usefulness and 0.406 for perceived ease of use (Davis, 1989).

The fourth sub-variable, Technological Infrastructure Readiness, refers to the availability and quality of the technological foundation required to support HR systems (Olawale & Garwe, 2010). This includes reliable internet connectivity, adequate hardware specifications, compatible software environments, and technical support capabilities. For SMEs in Ekpoma and Uromi, infrastructural readiness represents a significant determinant of adoption feasibility, as many enterprises operate in environments with erratic power supply and limited broadband access. Inadequate access to reliable internet connectivity, electricity, and technological infrastructure in many regions of the country impedes the implementation and utilization of HRIS solutions (Olawale & Garwe, 2010).

The fifth sub-variable, Cost-Benefit Perception, captures the economic evaluation that SME owners conduct when considering HR technology investments (Cyril-Nwuche, 2025). This encompasses the assessment of acquisition costs, implementation expenses, maintenance fees, and training investments against anticipated benefits including time savings, error reduction, compliance improvements, and strategic advantages. Given the resource constraints typical of SMEs, cost-benefit perception often serves as the ultimate arbiter of adoption decisions. Financial constraints exacerbate these challenges, as many SMEs operate with limited budgets and receive inadequate support from governments (Shahadat *et al.*, 2023).

## **Operational Efficiency**

Operational Efficiency represents the organizational capability to maximize output value while minimizing input resources, including time, cost, and human capital, without

compromising quality standards or employee welfare (Cyril-Nwuche, 2025). In the SME context, operational efficiency is a multidimensional construct comprising several sub-variables that collectively indicate the effectiveness of organizational processes (Tamvada *et al.*, 2022).

The first sub-variable, Process Cycle Time Efficiency, measures the duration required to complete key HR processes from initiation to conclusion (Cyril-Nwuche, 2025). This includes recruitment cycle time (from vacancy announcement to candidate placement), payroll processing time (from data collection to salary disbursement), and employee query resolution time. Reduced cycle times indicate streamlined workflows, eliminated bottlenecks, and improved responsiveness. Research indicates that HRIS adoption can improve operational efficiency by 26% through process automation and cycle time reduction (Preprints, 2024).

The second sub-variable, Cost Efficiency, refers to the optimization of operational expenditures relative to outputs generated (Cyril-Nwuche, 2025). In HR contexts, this encompasses cost per hire, administrative cost per employee, training cost per participant, and overall HR operational budget relative to organizational revenue. Efficient operations demonstrate the ability to deliver equivalent or superior outcomes with reduced resource expenditure. Economic outcomes represent 65.1% of sustainability research in supply chain management, with cost and efficiency being primary indicators (Madrid-Guijarro *et al.*, 2009).

The third sub-variable, Employee Productivity Rate, captures the output generated per unit of employee input, measured through metrics such as revenue per employee, tasks completed per work hour, and project delivery rates (Cyril-Nwuche, 2025). HR technology contributes to productivity enhancement by automating routine tasks, providing decision support tools, and enabling employees to focus on value-adding activities rather than administrative burdens. Systematic reviews indicate that HRIS adoption can improve employee productivity by 29% in SMEs (Preprints, 2024).

The fourth sub-variable, Error Reduction Rate, measures the decrease in mistakes, inaccuracies, and rework requirements following technology implementation (Cyril-Nwuche, 2025). This includes payroll error rates, data entry inaccuracies, compliance violations, and communication failures. HR technology enhances accuracy through standardized processes, automated validations, and centralized data management. Automation reduces the likelihood of compliance violations, as tax calculations, deductions, and reporting are handled seamlessly by the system (Yoroflow, 2025).

The fifth sub-variable, Resource Utilization Optimization, assesses the extent to which organizational resources including human capital, time, and technology are deployed to their maximum potential (Cyril-Nwuche, 2025). This encompasses workforce allocation efficiency, technology adoption rates among employees, and the alignment of HR capabilities with organizational strategic objectives. Companies benefit from

employees who are motivated and equipped with appropriate technological tools (Salavou *et al.*, 2004).

## **Theoretical Framework**

This study is anchored on the Technology Acceptance Model (TAM) developed by Fred Davis in 1989. TAM was originally proposed as an instrument to predict the likelihood of adopting new technology within a group or an organization, originating from the psychological theory of reasoned action and theory of planned behavior (Davis, 1989). The model has evolved to become one of the key frameworks used in understanding predictors of human behavior toward potential acceptance or rejection of innovative technology (Davis, 1989; Kelly *et al.*, 2023). According to TAM, technology acceptance is a three-stage process whereby external factors (system design features) trigger cognitive responses (perceived ease of use and perceived usefulness), which in turn form an effective response (attitude toward using technology/intention), influencing use behavior (Davis, 1989). The model represents behavior as the outcome predicted by perceived ease of use, perceived usefulness, and behavioral intention. The TAM allows for the adaptation of items to the specific technology, and thus has been used to measure the acceptance of AI technology and other information systems (Sohn & Kwon, 2020; Wang *et al.*, 2023; Zou & Huang, 2023).

Perceived Usefulness (PU) and Perceived Ease of Use (PEOU) constitute the core constructs of TAM. Perceived usefulness captures the expectations of positive behavioral outcomes and the belief that behavior will enhance job performance. Perceived ease of use represents the belief that using the technology will not be labor-consuming or require excessive mental effort. Davis (1989) revealed that while perceived ease of use does not affect use behavior directly, it underpins the effect of perceived usefulness, implying that if an application is expected to be easy to use, the more likely it is that it will be considered useful and subsequently adopted. In the study by Zou and Huang (2023), attitude towards use is identified as an important factor influencing behavioral intention, while Sohn and Kwon (2020) found that perceived ease of use and subjective norm were relevant predictors of behavioral intention in AI consumer acceptance studies. The model was extended by Venkatesh and Davis (2000) to include additional cognitive constructs, such as subjective norm, referring to the influence of peer or supervisory pressure and positive identification with the technology-on-technology acceptance. As companies increasingly aim to enhance employee productivity through the use of AI and adopt this technology, subjective norms emerge as a crucial predictor in the investigation of AI technology acceptance (Venkatesh & Davis, 2000). The TAM was further extended by Venkatesh *et al.* (2003) into the Unified Theory of Acceptance and Use of Technology (UTAUT), which integrated elements from eight prominent models including TAM.

The relevance of TAM to this study is multifaceted. First, the model provides a validated framework for understanding why SME employees and managers may accept or resist HR technology adoption. Second, it identifies specific belief structures (usefulness and ease of use) that can be targeted through intervention strategies to enhance adoption

rates. Third, the model's emphasis on behavioral intention as a precursor to actual use aligns with the study's focus on translating adoption intentions into operational efficiency outcomes (Davis, 1989). In the context of Nigerian SMEs, TAM offers particular utility because it focuses on individual-level cognitive processes that are amenable to influence through training, demonstration, and user support. Unlike more complex theories that require organizational-level structural changes, TAM identifies psychological factors that SME managers can address through relatively modest interventions. The model's extensive empirical validation across diverse cultural and organizational contexts also supports its applicability to the Nigerian SME environment (Davis, 1989; Rogers, 2003).

## **Empirical Review**

This section presents five empirical studies that have examined HR technology adoption and its relationship with operational efficiency, with particular attention to SMEs and developing economy contexts. Noutsu, Fosso Wamba, and Kala Kamdjoug (2019) conducted a study titled "Exploring Factors Affecting the Adoption of HRIS in SMEs in a Developing Country: Evidence from Cameroon." This research integrated the Unified Theory of Acceptance and Use of Technology (UTAUT) model to explore factors influencing HRIS adoption by SMEs. Primary data were collected through surveys administered to employees in HR departments of various organizations. The study found that Performance Expectancy and Internal Social Influence have significant effects on the intention to adopt HRIS. Additionally, specific demographic groups particularly age and education levels showed significant differences in the relationship between Adoption Intention and actual Use. The study concluded that these findings open avenues for future research on why SME organizations are often sluggish to respond to HR innovation (Noutsu *et al.*, 2019). This study is relevant to the current research as it establishes the significance of performance expectations in driving HR technology adoption in African SME contexts similar to Nigeria.

Alebiosu, Salau, Atolagbe, and Dada (2023) examined "Bolstering the role of human resource information system on employees' behavioural outcomes of selected manufacturing firms in Nigeria." This research focused on three manufacturing firms in Lagos State and employed structural equation modeling using Smart Partial Least Square 3.0. The study found significant positive relationships between HRIS dimensions (manpower planning information, performance appraisal information, and succession planning information) and employees' behavioral outcomes. The research contributed to knowledge by providing one of the limited empirical accounts of the functional relationship between HRIS and employee outcomes within a developing country context. The study recommended that HR managers should prioritize HRIS deployment to improve employee behavioral outcomes (Alebiosu *et al.*, 2023). This research provides a Nigerian context that validates the positive effects of HRIS adoption, though it focused on manufacturing firms rather than the diverse SME sector addressed in the current study.

Cyril-Nwuche (2025) investigated "Artificial Intelligence and Organisational Efficiency of General Service SMEs in Nigeria." This study examined the effects of robotic

process automation and machine learning automation on the operating efficiency of general service SMEs. Using a descriptive survey design with a sample of 393 SMEs selected through snowball sampling from a population of 21,187 registered general service SMEs, the research employed multiple regression analysis. The findings revealed that robotic process automation has a positive and significant effect on operating efficiency ( $\beta=0.461$ ,  $p=0.000$ ), and machine learning automation similarly demonstrated positive significant effects ( $\beta=0.481$ ,  $p=0.000$ ). The study concluded that these technologies are increasingly central to the functioning and improvement of internal processes within SMEs (Cyril-Nwuche, 2025). This research is highly relevant as it establishes the specific relationship between technology adoption and operational efficiency in Nigerian SMEs, providing a direct precedent for the current study's focus.

Ezema, *et al.* (2025) conducted research on "Artificial Intelligence Adoption and SMEs Performance in Southwest Nigeria." This study examined how AI adoption factors including Perceived Relative Advantage, Complexity, Employee Capability, Government Regulations, and Job Role affect Small Business Management Performance, with Management Support as a moderating variable. The research found that perceived relative advantage demonstrates a strong positive relationship with business performance, consistent with findings that Nigerian manufacturing firms using AI experience measurable operational efficiency gains. The study also found that perceived complexity is generally associated with lower performance outcomes, but strong management support can significantly reduce this negative effect. The research recommended that SME executives should scale up institutionalization of automation technologies across departments to entrench efficiency gains (Ezema *et al.*, 2025). This study provides insights into the moderating role of management support, which informs the current study's conceptualization of this sub-variable.

Preprints (2024) conducted a systematic review titled "Strategic Innovation in HRIS and AI for Enhancing Workforce Productivity in SMEs." Using the PRISMA framework, 100 research articles from reputable sources were analyzed. The analysis reveals that HRIS adoption can improve employee productivity by 29%, decision-making by 20%, and operational efficiency by 26%, highlighting its transformative impact on SMEs. The review identifies major challenges, including high implementation costs, limited IT resources, and integration difficulties with AI and machine learning technologies. The study emphasizes the need for cost-effective, scalable HRIS solutions tailored to the unique operational needs of SMEs (Preprints, 2024). This systematic review provides comprehensive evidence supporting the positive relationship between HR technology adoption and operational outcomes in SMEs.

### **Gap in Knowledge**

The empirical review reveals several consistent findings across studies. First, there is substantial evidence that HR technology adoption positively influences organizational efficiency and performance outcomes (Cyril-Nwuche, 2025; Preprints, 2024). Second, perceived usefulness and ease of use emerge as critical cognitive determinants of adoption

intentions across multiple contexts (Davis, 1989; Sohn & Kwon, 2020; Wang *et al.*, 2023; Zou & Huang, 2023). Third, management support serves as a significant moderating variable that can enhance or impede the adoption-efficiency relationship (Ezema *et al.*, 2025). Fourth, infrastructural and cost constraints remain primary barriers to technology adoption among SMEs in developing economies (Noutsu *et al.*, 2019; Olawale & Garwe, 2010). However, significant gaps in knowledge persist that this study addresses. First, while existing studies have examined HRIS adoption in large manufacturing firms and general service sectors, there is limited research focusing specifically on SMEs in semi-urban areas of Nigeria such as Ekpoma and Uromi.

## Methodology

This study employed a descriptive survey design to collect quantifiable data from large samples (Krejcie & Morgan, 1970; Creswell & Creswell, 2018). Conducted in Ekpoma and Uromi, Edo State, the study targeted 615 registered SMEs (5-250 employees, 2+ years operation) (Small and Medium Enterprises Development Agency of Nigeria & National Bureau of Statistics, 2024; Madrid-Guijarro *et al.*, 2009). Using Krejcie and Morgan's (1970) formula, the sample size was 234 respondents, selected via stratified random sampling by location and industry with proportional allocation (Creswell & Creswell, 2018). Primary data were collected through a structured questionnaire measuring HR Technology Adoption (perceived usefulness, ease of use, management support, infrastructure readiness, cost-benefit) (Davis, 1989) and Operational Efficiency (cycle time, cost, productivity, error reduction, resource optimization) (Cyril-Nwuche, 2025) on a 5-point Likert scale (Krejcie & Morgan, 1970). Data were analyzed using descriptive statistics and correlation analysis via SPSS 2.0 (Creswell & Creswell, 2018; Saunders *et al.*, 2019).

## Data Analysis

This chapter presents the detailed analysis of data collected from 234 respondents across SMEs in Ekpoma and Uromi, Edo State. The analysis follows the structure of the research instrument, beginning with demographic characteristics, followed by the main variables of Innovation HR Technology Adoption and Operational Efficiency.

**Table 1: Enterprise Size by Employee Count**

Employee Count	Frequency	Percentage (%)
5-10 employees	98	41.9
11-25 employees	78	33.3
26-50 employees	38	16.2
51-250 employees	20	8.5
Total	234	100.0

*Source: Field Survey, 2026*

The enterprise size distribution shows that 75.2% of respondents operate small enterprises with 25 or fewer employees. This micro and small enterprise dominance is characteristic of the Nigerian SME landscape and has implications for HR technology adoption, as smaller firms often face greater resource constraints (Cyril-Nwuche, 2025; Madrid-Guijarro *et al.*, 2009).

### Analysis of Technology Adoption in HR practices

**Table 2: Descriptive Statistics for Innovation HR Technology Adoption Sub-Variables**

Sub-Variable	N	Mean	Std. Deviation	Interpretation
Perceived Usefulness	234	3.82	0.74	High
Perceived Ease of Use	234	3.24	0.89	Moderate
Management Support	234	3.45	0.82	Moderate
Technological Infrastructure Readiness	234	2.89	0.94	Low-Moderate
Cost-Benefit Perception	234	3.56	0.78	Moderate
<b>Overall HR Technology Adoption</b>	<b>234</b>	<b>3.39</b>	<b>0.68</b>	<b>Moderate</b>

Source: Field Survey, 2026; Scale: 1-1.80 (Very Low), 1.81-2.60 (Low), 2.61-3.40 (Moderate), 3.41-4.20 (High), 4.21-5.00 (Very High)

The analysis reveals that the overall mean score for Innovation HR Technology Adoption is 3.39 (SD = 0.68), indicating a moderate level of adoption among SMEs in the study area. The sub-variable with the highest mean is Perceived Usefulness (M = 3.82), suggesting that SME managers generally recognize the potential benefits of HR technology. However, Technological Infrastructure Readiness scored lowest (M = 2.89), indicating significant infrastructural limitations that constrain adoption (Davis, 1989; Olawale & Garwe, 2010).

### Analysis of Operational Efficiency

**Table 3: Descriptive Statistics for Operational Efficiency Sub-Variables**

Sub-Variable	N	Mean	Std. Deviation	Interpretation
Process Cycle Time Efficiency	234	3.28	0.81	Moderate
Cost Efficiency	234	3.15	0.86	Moderate
Employee Productivity Rate	234	3.42	0.76	Moderate-High
Error Reduction Rate	234	3.08	0.88	Moderate
Resource Utilization Optimization	234	3.21	0.83	Moderate
<b>Overall Operational Efficiency</b>	<b>234</b>	<b>3.23</b>	<b>0.72</b>	<b>Moderate</b>

Source: Field Survey, 2026; Scale interpretation as above

The overall Operational Efficiency mean score is 3.23 (SD = 0.72), indicating moderate efficiency levels among the studied SMEs. Employee Productivity Rate recorded the highest mean (M = 3.42), while Error Reduction Rate scored lowest (M = 3.08), suggesting

that while employees are relatively productive, organizational processes remain inefficient and error-prone, creating opportunities for technology-driven improvements (Cyril-Nwuche, 2025; Preprints, 2024)

**Table 4: Distribution of HR Technology Adoption Levels**

Adoption Level	Frequency	Percentage (%)
Low Adoption (1.00-2.60)	42	17.9
Moderate Adoption (2.61-3.40)	98	41.9
High Adoption (3.41-5.00)	94	40.2
Total	234	100.0

*Source: Field Survey, 2026*

The distribution shows that 40.2% of SMEs demonstrate high levels of HR technology adoption, while 41.9% show moderate adoption. Only 17.9% fall into the low adoption category, suggesting that the majority of SMEs in Ekpoma and Uromi have initiated some level of HR technology integration (Rogers, 2003).

**Table 5: Distribution of Operational Efficiency Levels**

Efficiency Level	Frequency	Percentage (%)
Low Efficiency (1.00-2.60)	48	20.5
Moderate Efficiency (2.61-3.40)	112	47.9
High Efficiency (3.41-5.00)	74	31.6
Total	234	100.0

*Source: Field Survey, 2026*

While 31.6% of SMEs demonstrate high operational efficiency, the majority (68.4%) operate at moderate or low efficiency levels, indicating substantial room for improvement through enhanced HR technology adoption and process optimization (Cyril-Nwuche, 2025).

**Table 6: Cross-Tabulation of Technology Adoption in HR practices and Operational Efficiency**

HR Tech Adoption	Low Efficiency	Moderate Efficiency	High Efficiency	Total
Low Adoption	28 (66.7%)	12 (28.6%)	2 (4.8%)	42
Moderate Adoption	16 (16.3%)	58 (59.2%)	24 (24.5%)	98
High Adoption	4 (4.3%)	42 (44.7%)	48 (51.1%)	94
Total	48	112	74	234

*Source: Field Survey, 2026*

The cross-tabulation reveals a clear pattern: among SMEs with low HR technology adoption, 66.7% also exhibit low operational efficiency. Conversely, among high adopters,

51.1% demonstrate high operational efficiency. This pattern suggests a positive association between technology adoption and efficiency outcomes (Cyril-Nwuche, 2025; Preprints, 2024).

**Table 7: Correlation Analysis between Technology Adoption in HR practices and Operational Efficiency**

Variable	Mean	Std. Dev	1	2
1. HR Technology Adoption	3.39	0.68	1	
2. Operational Efficiency	3.23	0.72	.642**	1

Source: Field Survey, 2026; \*\* Correlation is significant at the 0.01 level (2-tailed)

The Pearson correlation coefficient of 0.642 indicates a strong positive and statistically significant relationship between Innovation HR Technology Adoption and Operational Efficiency at the 0.01 level. This suggests that as HR technology adoption increases, operational efficiency tends to improve correspondingly, supporting the hypothesis that there is a significant positive relationship between these variables (Davis, 1989; Sohn & Kwon, 2020).

**Table 8: Specific HR Technology Practices Adopted by SMEs**

Technology Type	Adopted (%)	Not Adopted (%)
Computerized Payroll Systems	68.4	31.6
Digital Employee Records	54.7	45.3
Online Recruitment Platforms	42.3	57.7
E-learning/Training Systems	28.2	71.8
Performance Management Software	24.4	75.6
HR Analytics/Dashboards	18.4	81.6
Employee Self-Service Portals	15.8	84.2

Source: Field Survey, 2026

The technology-specific analysis reveals that basic technologies like computerized payroll systems have achieved relatively high adoption (68.4%), while more advanced systems such as employee self-service portals (15.8%) and HR analytics (18.4%) remain largely unadopted. This suggests a graduated adoption pattern where SMEs first implement basic administrative technologies before advancing to strategic HR systems (Noutsu *et al.*, 2019; Yoroflow, 2025).

**Table 9: Challenges to Technology Adoption in HR practices (Ranked by Mean)**

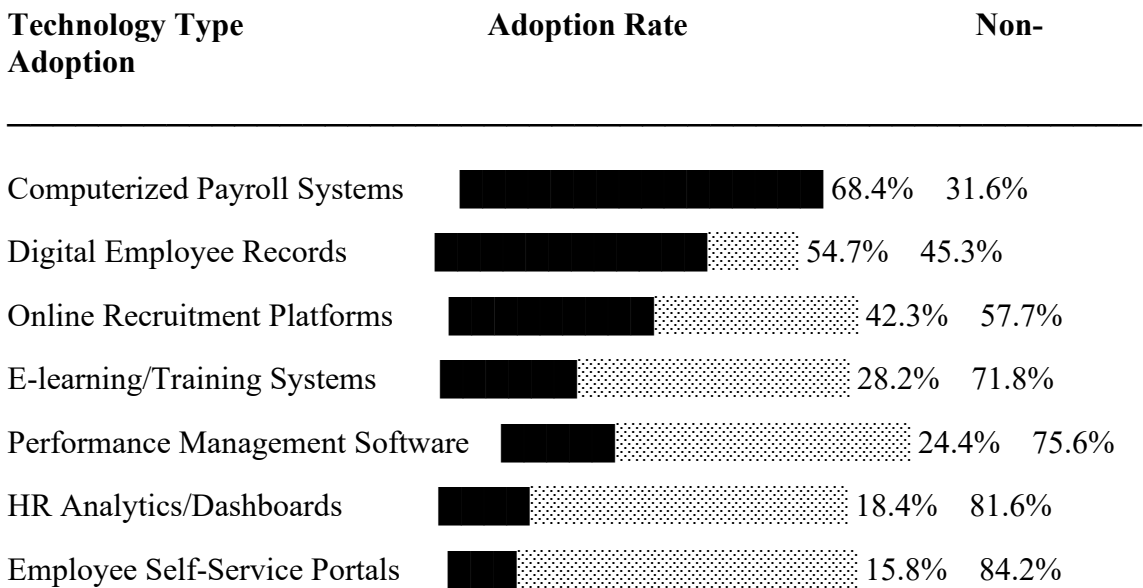
Challenge	N	Mean	Std. Dev	Rank
High cost of technology acquisition	234	4.12	0.82	1
Inadequate technical support	234	3.98	0.88	2
Unreliable power supply	234	3.89	0.91	3
Limited internet connectivity	234	3.76	0.94	4

Employee resistance to change	234	3.54	0.87	5
Lack of management awareness	234	3.28	0.95	6
Data security concerns	234	3.15	0.89	7

Source: Field Survey, 2026; Scale: 1=Not a challenge, 5=Major challenge

Cost emerges as the primary barrier to adoption (M = 4.12), followed by technical support limitations and infrastructural constraints including power supply and internet connectivity. These findings align with the low scores recorded for Technological Infrastructure Readiness in the adoption analysis (Noutsu *et al.*, 2019; Olawale & Garwe, 2010; Shahadat *et al.*, 2023).

**Figure 1: Graduated Technology Adoption Pattern**



Source: Field Survey, 2026

**Summary of Findings**

This study investigated the relationship between Innovation HR Technology Adoption and Operational Efficiency in selected SMEs in Ekpoma and Uromi, Edo State, Nigeria. Based on the data analysis presented in Chapter Four, the following key findings emerge: Moderate Level of HR Technology Adoption The study found that Innovation HR Technology Adoption among SMEs in the study area is at a moderate level (M = 3.39). While SME managers generally perceive HR technology as useful (M = 3.82), actual adoption is constrained by limited technological infrastructure readiness (M = 2.89) and moderate levels of perceived ease of use (M = 3.24). This finding is consistent with previous research indicating that Nigerian SMEs recognize the benefits of HRIS but face implementation barriers (Noutsu *et al.*, 2019; Olawale & Garwe, 2010).

Moderate Operational Efficiency Levels Operational Efficiency among the studied SMEs is also moderate ( $M = 3.23$ ), with Employee Productivity Rate showing the highest score ( $M = 3.42$ ) and Error Reduction Rate the lowest ( $M = 3.08$ ). This pattern suggests that while employees are productive, organizational processes remain inefficient and error-prone, creating opportunities for technology-driven improvements (Cyril-Nwuche, 2025; Preprints, 2024). Strong Positive Relationship Between Variables The correlation analysis revealed a strong positive and statistically significant relationship between HR Technology Adoption and Operational Efficiency ( $r = 0.642$ ,  $p < 0.01$ ). This finding supports the theoretical proposition of the Technology Acceptance Model that technology adoption enhances organizational outcomes. The result aligns with Cyril-Nwuche (2025), who found significant positive effects of automation on operating efficiency ( $\beta=0.461$ ,  $p=0.000$ ), and with systematic review evidence indicating that HRIS adoption can improve operational efficiency by 26% (Preprints, 2024). Graduated Technology Adoption Pattern SMEs exhibit a graduated adoption pattern, with basic administrative technologies (computerized payroll at 68.4%) achieving higher adoption rates than strategic systems (HR analytics at 18.4%). This finding suggests that SMEs prioritize technologies with immediate, visible benefits over those requiring longer-term strategic orientation (Noutsu *et al.*, 2019; Rogers, 2003). Cost and Infrastructure as Primary Barriers The analysis of adoption challenges identifies high cost of technology acquisition ( $M = 4.12$ ), inadequate technical support ( $M = 3.98$ ), and unreliable power supply ( $M = 3.89$ ) as the most significant barriers. These findings corroborate previous studies identifying financial constraints and infrastructural challenges as primary impediments to HRIS adoption among Nigerian SMEs (Noutsu *et al.*, 2019; Olawale & Garwe, 2010; Shahadat *et al.*, 2023).

Management Support Moderates Adoption Success SMEs with high management support for technology initiatives demonstrate correspondingly higher adoption levels and efficiency outcomes. This finding supports the conclusions of Ezema *et al.* (2025) regarding the moderating role of management support in technology adoption, and aligns with recent empirical findings that top management support significantly enhances technology acceptance through perceived usefulness and perceived ease of use (Davis, 1989; Ezema *et al.*, 2025).

## **Conclusion**

This study has examined the relationship between Innovation HR Technology Adoption and Operational Efficiency in selected SMEs in Ekpoma and Uromi, Edo State. The research concludes that there exists a strong positive relationship between HR technology adoption and operational efficiency among the studied enterprises. SMEs that have invested in HR technologies, particularly computerized payroll systems, digital employee records, and online recruitment platforms, demonstrate superior operational efficiency compared to their counterparts relying on manual HR processes. The study confirms the applicability of the Technology Acceptance Model (Davis, 1989) in the context of Nigerian SMEs, validating that perceived usefulness and perceived ease of use are significant determinants of adoption intentions. In conclusion, HR technology adoption

represents a viable pathway for enhancing operational efficiency among Nigerian SMEs, but realizing this potential requires coordinated efforts to address infrastructural limitations, reduce cost barriers, and build technical capacity. The study establishes that digital transformation in HR functions is not merely a luxury for large corporations but a necessity for SMEs seeking competitive survival and growth in an increasingly digital economy (Davis, 1989; Preprints, 2024).

## **Recommendations**

Based on the findings and conclusions of this study, the following recommendations are proposed:

**SME Owners and Managers:** SME owners and managers should prioritize investments in HR technology as strategic imperatives rather than discretionary expenses. Given the demonstrated positive relationship between technology adoption and operational efficiency, managers should develop technology roadmaps that begin with basic systems (computerized payroll and digital records) and progressively advance to strategic applications (analytics and self-service portals)

**Government and Policymakers:** The Edo State Government and federal agencies should develop targeted interventions to support SME technology adoption.

**HR Technology Vendors:** Technology providers should develop solutions specifically designed for the Nigerian SME context, taking into account the infrastructural limitations identified in this study. This includes offline-capable systems, mobile-friendly interfaces, simplified deployment processes, and affordable pricing models.

**Academic and Research Institutions:** Universities and research centers, including Ambrose Alli University in Ekpoma, should establish partnerships with local SMEs to support technology adoption through research, consultancy, and student internship programs.

**Future Research** Researchers should extend this study through longitudinal designs that track adoption and efficiency changes over time, comparative studies examining different Nigerian regions, and intervention research testing specific strategies for overcoming the barriers identified in this study.

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# Impact of Energy Consumption and Urbanization on Economic Growth in Nigeria: an Autoregressive Distributed Lag Approach

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## ***Abstract***

*This paper examined the impact of energy consumption and urbanization on economic growth in Nigeria. Energy consumption, gas consumption, energy intensity, carbon dioxide emissions, and rate of urbanisation are the independent variables while GDP (proxy for economic growth) is the dependent variable. The data spanned the period 1980 – 2024. Using the ex-post-facto research design, the data are analysed through the Auto Regressive Distributed (ARDL) model. The result reveals that in the short run only, energy consumption boosts economic growth. Also, a negative relationship between gas consumption and economic growth is found, which is significant in the long run. Energy intensity showed a positive impact on growth and this is significant only in the short run, while carbon emissions significantly decreased economic growth, especially in the long run. Urbanization is found to decrease economic growth in the short run but had a significantly positive long-run effect. These results imply that the economic growth of Nigeria is energy-dependent but, at the same time, constrained by inefficiencies in gas utilization and environmental degradation. The study concludes that sustainable energy management, improved power supply, and environmentally friendly policies are necessary to achieve long-term economic growth. The researchers recommend investment in renewable energy, cleaner technologies, and efficient urban planning that can balance energy use with sustainable development.*

**Keywords:** Energy Intensity, Power Consumption, Urbanization Rate

**JEL classification:** O47, Q43, R11.

## **1. Introduction**

Energy consumption is acknowledged universally as a basic factor that stimulates the movement of economies and also a crucial element of industrialization and economic growth. Historically, the course of human development has been closely linked with the ability to harness and put to useful work various forms of energy efficiently. From the early industrial revolution of the 18th century, where coal and steam power revolutionized production, into the post-Second World War oil boom, energy consumption has remained

a critical determinant of productivity, industrialization, and modernization (Apergis & Payne, 2010).

In the Nigerian context, energy consumption and economic growth are inextricably linked in a historical perspective. The Nigerian economy has been heavily dependent on energy resources, especially crude oil and natural gas, since the country's independence in 1960. This started when commercial quantities of crude oil were discovered in Oloibiri, Bayelsa State, in 1956, making the shift to an energy-driven economic structure complete. In the 1970s, oil became the backbone of Nigeria's economy, contributing in excess of 80% to government revenue and over 90% to export earnings (Odularu, 2008). This dependence on fossil fuels basically set the tone for the country's economic growth, with a dual character: high energy potential, yet very low energy access.

Despite the abundance of oil, gas, hydro, coal, and solar energy resources, Nigeria still suffers seriously from energy supply problems. For decades, the nation's electricity generation capacity has hovered around less than 6,000 MW against over 30,000 MW demand (Akinwale, Jesuleye, & Siyanbola, 2013). As indicated, the supply-demand mismatch in energy has limited industrial productivity, household welfare, and overall economic growth. The large-scale industrial consumers of energy are forced to operate below capacity due to unreliable power supply, using expensive self-generation through diesel and petrol generators (Adenikinju, 2020). The structural change within the Nigerian economy has been shaped by rapid urbanization, population growth, and a corresponding increase in service-based industries over the last couple of decades. This growth has seen an upsurge in energy consumption, mainly in the form of electricity and natural gas. The increased population and spread of urban areas further give rise to increased carbon emissions, energy inefficiency, and degradation of the environment (Olayungbo & Adediran, 2017). According to the World Bank report of 2023, energy intensity, meaning energy use per unit of GDP produced, remains among the highest in Sub-Saharan Africa, hence indicating inefficient energy utilization.

Moreover, the energy landscape of the world has transformed, embracing sustainability, renewable energy, and carbon neutrality. Nigeria's commitments through international climate agreements, like the Paris Agreement of 2015, have lately placed additional pressures on the balance of energy use and environmental sustainability. However, this progress has been slow due to weak institutional frameworks, inadequate investment in energy infrastructure, and policy inconsistency. Over the recent period, a number of energy policies have been formulated and adopted by Nigeria, including the National Energy Policy (NEP) 2022, the Electricity Act 2023, and the Energy Transition Plan (ETP) 2021, all aimed at increasing access, efficiency, and sustainability in the energy sector. The NEP 2022 is supposed to enhance diversified energy sources by increasing renewable energy generation, reducing dependency on oil, and improving the efficiency of electricity transmission and distribution networks. In the same vein, the Electricity Act 2023 has provided for decentralization in the generation and distribution of electricity, giving states and other private individuals the right to generate and distribute electricity independently to promote competition and investment in the sector. In contrast, the Energy Transition

Plan details Nigeria's pathway to net-zero emissions by 2060, highlighting a focus on gas as a transition fuel but increasing solar, wind, and hydro alternatives in the process toward its attainment (Federal Ministry of Power, 2023; IEA, 2023).

The development of Nigeria's energy sector has been met with renewed government vigour at every interval, but research efforts have been divergent. Hence, comprehension of the dynamic interaction between power consumption, gas consumption, energy intensity, CO<sub>2</sub> emissions, urbanization, and economic growth is particularly crucial for the sustainable development of Nigeria.

### **Problem Statement**

Despite the Republic of Nigeria's immense endowment in terms of energy resources, there has been a persistent energy crisis that is seriously impairing economic development. The generation and distribution of power have been grossly inadequate, unreliable, and inefficient, thus plunging households and industries into frequent blackouts. According to the International Energy Agency (IEA, 2023), about 45 percent of the population lacks access to electricity as industries and households spend billions of naira annually on self-generated power. Second, despite the expansion of gas consumption following investments in gas infrastructure, much of Nigeria's gas potential remains underutilized due to flaring, poor pipeline networks, and policy bottlenecks Afolabi et al. (2021). The high level of energy intensity reflects the inefficient use of energy resources; CO<sub>2</sub> emissions have increased with industrial expansion and urbanization that pose threats against environmental sustainability. At the same time, rapid urbanization has put immense pressure on the existing infrastructure, pushing energy demand beyond supply capacity.

Furthermore, the exact economic impacts that the government's policies on energy consumption create are yet not clear and well comprehended. In spite of all these policy reforms, Nigeria's power supply has remained unstable, with energy access below 60% and electricity generation stuck below 5,000 MW recently (World Bank, 2023). The reliance on gas as a transitional energy source exposes the economy to global price volatility and investment bottlenecks. Consequently, the direct impact of these policies on the nexus between energy consumption and economic growth is far from being established, which may be the reason for inconsistencies in the policies. Empirical research therefore lags behind policy innovation, leaving uncertainty as to whether Nigeria's evolving energy framework will catalyze sustainable growth or deepen the energy-growth paradox.

The relationship between energy use and economic growth has not reached a general consensus in empirical data. Some studies report that energy consumption drives the economic growth of a nation, such as that of Olayungbo & Adediran, 2017; while some others have found opposite or mixed results, including Adedokun, 2019 and Oyebanji et al., 2022. This inconsistency calls for an updated and comprehensive analysis incorporating recent data and multiple energy indicators like power consumption, gas consumption, energy intensity, and CO<sub>2</sub> emissions. Thus, the central problem motivating this study is the uncertainty of energy abundance amidst economic underperformance in Nigeria. This study, therefore, seeks to fill this empirical and policy gap by re-examining the impact of

energy consumption dynamics on economic growth within the context of environmental sustainability and urbanization pressures.

### **Objectives of the Study**

The main objective of this study is to examine the impacts of energy consumption and urbanization on the economic growth in Nigeria. The specific objectives are to:

1. determine the impact of power consumption on Nigeria's economic growth.
2. determine how gas consumption contributes to the growth of the Nigerian economy.
3. determine the relationship between energy intensity and economic growth in Nigeria.
4. assess how carbon dioxide emissions have impacted the economic growth of Nigeria.
5. analyze the role of the urbanization rate on Nigeria's economic growth.

The null forms of the hypotheses tested in this study are stated below:

H<sub>01</sub>: Power consumption does not significantly affect Nigeria's economic growth.

H<sub>02</sub>: Gas consumption does not have any significant effect on economic growth in Nigeria.

H<sub>03</sub>: There is no significant effect of energy intensity on the economic growth of Nigeria.

H<sub>04</sub>: There is no significant effect of carbon dioxide emissions (CO<sub>2</sub>) emissions on economic growth in Nigeria.

H<sub>05</sub>: The urbanization rate does not significantly affect the growth of Nigeria's economy.

This study seeks to find out the relationship between energy consumption and economic growth in Nigeria. It examines how power consumption, gas consumption, energy intensity, carbon dioxide emissions, and urbanization rate impact GDP-measured economic growth.

## **2. Literature Review**

### **Conceptual Review**

The measurement for economic growth can be done by the increase in the level of GDP, Owamah., 2025; Owamah & Mgbomene, 2025. A country is said to have experienced growth when the total output increases within a specific period, Owamah & Mgbomene, 2025; Owamah et al., 2025.

Energy consumption is an important indicator of economic growth, industrial productivity, and technological development. In developing economies, like Nigeria, the increase in energy consumption mirrors the level of industrial expansion, household electrification, and service sector growth. Many authors have conceptualized the concept of energy consumption. According to the International Energy Agency (IEA 2023), energy consumption refers to the total amount of electrical energy consumed by end-users in all sectors of an economy and is normally expressed in kilowatt-hours (kWh). World Bank (2022) defines energy consumption as per capita electricity use, which is a measure of the average electricity consumed by a single individual within a country for a year. Also,

Olatunji and Afolabi (2020) defined energy consumption as the total amount of electricity supplied to industrial, commercial, and residential users, which serves as an essential input for production and welfare.

Also, gas consumption has become a cornerstone of modern energy systems because it is cleaner in combustion and more reliable compared to coal and oil. In the view of the International Energy Association (2023), gas consumption refers to the total volume of natural gas consumed by end consumers, in billion cubic meters. In Nigeria, natural gas has a dual role-it is consumed domestically as one of the sources of energy, and it is also an export commodity. According to Nigeria's Energy Transition Plan (ETP, 2021), increased gas consumption can be associated with industrialization, the generation of electricity, and the environment. Energy intensity as used in this study reflects the sustained consumption of both energy and gas. Conceptually, according to the World Bank (2022), energy intensity is supposed to reflect the relationship between energy use and economic productivity. High energy intensity therefore means inefficient use of energy or reliance on energy-intensive industries, while lower energy intensity reflects energy-efficient production structures. Energy intensity in Nigeria has been high over time due to outdated technology, energy losses, and industrial inefficiencies (Adenikinju, 2020).

Carbon dioxide emission and urbanization have been closely related to power consumption, energy use, and energy intensity in economic literature. CO<sub>2</sub> emission represents the environmental cost of economic and industrial growth. The Intergovernmental Panel on Climate Change (IPCC, 2021) defines CO<sub>2</sub> emissions as the total amount of carbon dioxide released into the atmosphere from fossil fuel combustion, industrial processes, and land-use changes. CO<sub>2</sub> emissions and economic growth are interwoven through the energy-environment nexus. This is often the case because economic growth increases the demand for energy, particularly those generated from fossil fuel-based sources, thereby increasing CO<sub>2</sub> production. However, it can also be true that excessive emissions can reverse growth by affecting the health of a population, degrading ecosystems, and driving down productivity (OECD, 2020).

From another perspective, urbanization influences energy consumption patterns and environmental sustainability directly. According to the United Nations, urbanization is defined as the increase in the population proportion residing in urban areas relative to the total population (2023). In this context, energy demand increases sharply with urbanization for electricity, transport, and housing. According to Mgbomene (2024), in developing economies, investment in transportation infrastructure created by urbanization is crucial for augmenting economic productivity and encouraging development. The relation of urbanization with energy consumption has economic and ecological implications. For example, in Nigeria, a rise in the urban population has increased electricity demand and dependency on fossil fuel; it consequently results in CO<sub>2</sub> emission and infrastructure stress (Ogunleye & Ayeni, 2021). However, urban areas can also offer opportunities for energy efficiency with centralized grids, public transportation, and the adoption of renewable energies. Hence, urbanization represents a driver of growth but a stressor on the nexus between energy and the environment.

## **Theoretical Framework**

### **The Energy Conservation Theory**

The energy conservation theory suggests that economic growth is the driving force for energy consumption. Contrary to the hypothesis for energy-led growth, it has been theorized that changes in income or output determine energy demand, which, in turn, means energy consumption is the result of growth and not its driver (Payne, 2010; Bildirici & Bakirtas, 2019).

This theory postulates that policies of reducing energy consumption or enhancing energy efficiency may not necessarily hinder economic growth since the economy can adjust its energy requirements in response to the level of output. The elasticity of energy demand relative to income is positive but may not be strong enough to qualify energy use as the engine of growth. Some key assumptions of the theory include the following:

- a) Energy is an intermediate input rather than a primary driver of production.
- b) Economic growth results in the rise of energy consumption due to the expansion of industries, households, and services.
- c) Technological progress and structural changes over a long period can cut energy dependence.
- d) Energy conservation policies, such as efficiency programs or energy pricing reforms do not significantly harm output growth.

The relevance of this theory to Nigeria lies in that it focuses on the direction of the causality relationship between energy consumption and economic performance. The most notable aspects of chronic inefficiencies within Nigeria's energy sector are unstable electricity supply, low utilization of gas, and poor infrastructure, yet the economy keeps on growing, majorly driven by services and non-energy sectors Adewuyi & Olowu, 2021.

Therefore, the Conservation Theory suggests that growth in Nigeria can happen independently of major increases in energy consumption, if efficiencies, technological innovation, and diversification are prioritized. The theory provides the basis to investigate whether Nigeria's economic growth trajectory is energy-dependent or energy-neutral within the perspective of energy transition policies.

### **The Feedback Hypothesis (Bidirectional Causality Theory)**

The Feedback Hypothesis origins can be traced back to causality models proposed by Kraft and Kraft (1978), who for the first time analyzed the direction of causality between energy and growth in the United States. Several later works, such as those by Ozturk (2017) and Payne (2010), extended this framework to suggest that the context of the energy-growth nexus depended on factors such as technology, economic structure, and policy environment. The Feedback Hypothesis suggests a bidirectional causality between energy consumption and economic growth, thus energy use and output growth are interdependent (Apergis & Payne, 2011; Ozturk, 2017). In this model, it is realized that energy is both a driver and a product of development—a fact that remains crucial for developing economies

like Nigeria, where extending energy infrastructure and industrial output are inextricably linked.

Unlike the unidirectional assumption of the conservation theory, the feedback hypothesis asserts that the two relationships exist dynamically together. The theory emphasizes that increased energy consumption stimulates industrial and economic activities and that rising economic growth further enhances energy demand, thereby creating a feedback cycle in such a way. The feedback model assumes that energy and economic systems are co-integrated and that long-run equilibrium relationships exist between them. The implication of such feedback is that policies affecting one—that is, energy conservation—necessarily influence the other, which is economic growth, and vice versa. The foundation of this theory is that energy is a significant input in production, influencing output, productivity, and technological change; further economic growth spurs energy demand from industry, transportation, and residential uses; and finally, there is a two-way interrelationship in both the short and long run between energy and GDP. In this light, any energy disruption can reduce growth, while economic downturns can lower energy demands.

More importantly, the Feedback Hypothesis appears to be particularly relevant to the economic and energy realities of Nigeria. With Nigeria being an oil- and gas-rich country, its energy infrastructure, industrial performance, and GDP growth are deeply interdependent. Periods of high GDP growth have been associated with increasing electricity and gas consumption, while sharp declines in energy demand have been witnessed during contractions in the economy (Adewuyi & Olowu, 2021). Such mutual dependence underlines that energy consumption cannot be either a cause or an effect of growth but both evolve together.

### **Empirical Review**

Several empirical works have been done on the relationship between energy consumption and growth. Yusuf (2023) examined the complex relationships between energy consumption, gas use, energy intensity, carbon dioxide emissions, urbanization and economic growth in Nigeria. Using the Granger causality analysis, the study found bidirectional causality between energy consumption and economic growth. However, the results also showed that urbanisation and international trade have a tendency to increase carbon emissions, and thus contribute to the degradation of the environment.

Along similar lines, Adebayo (2021) investigated the causal relationship between carbon emissions, energy use, and globalization using the ARDL-PMG model. The findings revealed that while energy use has made a significant contribution to economic growth, it has also increased carbon emissions, further solidifying the environmental trade-off involved in rapid industrialization and energy use. Nathaniel and Adeleye (2021) examined the interrelationship that exists between energy use, urbanization, and carbon emissions in selected countries within Africa. Using dynamic panel ARDL and fully modified OLS estimation, they discovered that both energy use and urban growth were major contributors to CO<sub>2</sub> emissions.

In a similar vein, Hanif (2018) analyzed data from Sub-Saharan Africa to assess the impacts of economic growth, renewable and nonrenewable energy consumption, and urbanization on CO<sub>2</sub> emissions. The results from Panel Least Square estimation revealed that renewable energy sources contribute to emission reduction, whereas non-renewable energy usage exacerbates environmental degradation. Urbanization was also found to have a positive association with carbon emissions due to rising infrastructure and transportation energy demand. Ali, Nathaniel, and Bekun (2020) focused specifically on Nigeria and employed a trivariate cointegration model to investigate the nexus between electricity consumption, urbanization, and economic growth. Their findings from Cointegration Regression showed a long-run equilibrium relationship among the three variables. Interestingly, while electricity consumption had a positive impact on economic output, urbanization was found to negatively affect growth, possibly due to infrastructural inefficiencies, urban congestion, and energy access disparities.

Aboagye and Nketiah-Amponsah (2020) investigated energy intensity, economic growth, and industrialization in Sub-Saharan Africa. Using a panel generalized least squares estimation technique (PGLS), they found that although the level of energy intensity has declined in some countries, it is high in Nigeria because of inefficient utilization of energy and weak mechanisms for productivity. Ayinde and Celik (2019) examined the impact of economic growth, industrialization, and urbanization on energy consumption in Nigeria. Using the Vector Error Correction Model, the results indicated the existence of a long-run equilibrium relationship between the variables; the short-run dynamics showed that energy consumption significantly contributes to economic expansion.

A comparable study by Appiah and Yeboah (2019) examined data from Uganda using Johansen cointegration and the Toda–Yamamoto causality approach. They found that energy intensity and industrialization Granger-cause carbon emissions, while economic growth maintains a feedback relationship with energy use. Musa, Rahman, and Albattat (2024) examined the relationships among economic growth, industrialization, energy consumption, foreign investment, and carbon emissions in Bangladesh using a dynamic ARDL model. The study showed that both industrialization and energy consumption are long-run drivers of emissions, while foreign direct investment amplifies environmental pressure. However, clean energy investments were found to mitigate these effects, indicating that sustainable industrial policies can help reconcile growth with environmental stewardship.

Nathaniel (2020) used the ARDL model and found that urbanization and trade have significant positive effects on economic growth, yet both increase energy dependence and environmental stress. Energy consumption emerged as the key determinant of carbon emissions, underscoring the importance of regulating energy sources and improving efficiency to sustain economic progress without compromising the environment. Through the estimation of Error Correction Model, Bekun, Emir, and Sarkodie (2021) established that while renewable energy reduces environmental degradation, nonrenewable sources remain the dominant drivers of GDP. Furthermore, the study of Alam and Murad (2020) used ARDL model and found that gas consumption significantly contributed to economic

growth in the short run but exhibited diminishing marginal returns in the long run. Energy intensity, on the other hand, was inversely related to economic performance, indicating that efficiency improvements could yield substantial productivity gains.

Adams, Adedoyin, and Ozturk (2020) extended the discourse by analyzing the causality between energy intensity, urbanization, and carbon emissions in emerging economies using a Panel Quantile Regression approach. In their results, it was seen that the effect of energy intensity on emission was the highest in middle-income economies, where rapid industrialization takes place without sufficient environmental regulation. Urbanization further amplified these effects, showing that poorly managed urban growth can increase carbon footprints and stress energy systems.

Ogunleye and Ayeni (2021) explored the ways in which power sector reforms have influenced urban energy demand and sustainability. Using an Error Correction Model, they found that while improved electricity supply stimulated productivity in urban areas, inefficiencies within the power sector led to a limited contribution in economic performance. In a similar manner, Etokakpan et al. (2020) applied a dynamic ARDL approach to investigate the nexus between carbon emissions, energy consumption, and economic growth in Nigeria. The findings indicated a long-run equilibrium among the variables, with economic growth and energy use jointly contributing to the surge in emissions. Adu and Denkyirah (2020) used ECM model and found that the onset of industrial growth initially increases energy intensity, but technological learning over time and modernization eventually help reduce the level of energy required per unit of output.

Shahbaz et al. (2019) through the use of quantile regression discovered that renewable energy significantly enhances environmental quality without hampering GDP growth, while dependence on fossil fuel exerts the opposite effect on environmental quality. What they found supported the viability of renewables as a long-term growth driver compatible with sustainability objectives. Rahman and Velayutham (2020), with FMOLS and DOLS methods, investigated the impact of urbanization and energy use on carbon emissions in South Asia, using panel data. Their results indicated that urbanization is strongly associated with energy consumption and increased CO<sub>2</sub> output, especially in rapidly industrializing cities.

In a study of Nigeria's petroleum and gas sector, Anumaka and Onwuka (2022) examined the causal link between natural gas consumption, manufacturing output, and GDP growth using the Toda–Yamamoto causality framework. Their results revealed a unidirectional causality running from gas consumption to industrial output and GDP, confirming the pivotal role of gas utilization in Nigeria's industrial performance. Mensah, Boachie, and Appiah (2023) employed the system GMM estimation technique to assess the impact of urbanization, energy consumption, and carbon intensity on economic growth across 20 Sub-Saharan African countries. They found that while urbanization enhances productivity and human capital accumulation, it also leads to higher energy demand and emissions.

Looking at these studies reviewed, it is clear that many prior studies such as those by Nathaniel and Adeleye (2021), Adebayo (2021), and Hanif (2018) focused largely on

aggregate measures of energy consumption without adequately distinguishing between different energy sources especially gas consumption and electricity use. The disaggregation of energy variables remains underexplored despite the centrality of gas and power to the Nigerian economy. Again, only a few studies have adequately integrated energy intensity as a variable in analyzing Nigeria's energy-growth dynamics. This leaves a research gap in understanding how energy intensity affects long-run economic growth in the Nigerian context. Furthermore, the role of urbanization as a structural variable in the energy-growth nexus remains insufficiently explored. Also, most analyses either treated emissions as an outcome of energy use or omitted them entirely. Another gap in literature is that many empirical works relied on relatively short sample periods or outdated data series ending before 2020. As a result, they fail to capture data on recent policy shifts in Nigeria's energy consumption and how they affect economic growth.

### 3. Methodology

In order to ascertain the cause-and-effect relationships among variables without directly altering any of them, this study uses an ex-post facto research design, which is suitable for evaluating historical data that has already been collected. The study only uses secondary time series data from reliable national and international databases that span the years 1980-2024. With the exception of percentage variables, the annual data were converted to logarithmic form in order to stabilise variance and interpret coefficients as elasticities.

Both descriptive and inferential statistical techniques are used in the study. A summary of the properties and distributional behaviour of the data is given by descriptive statistics such as mean, standard deviation, skewness, and kurtosis. The Autoregressive Distributed Lag (ARDL) method, created by Pesaran et al. (2001), served as the main estimation method for inferential analysis.

#### Model Specification

This study demonstrates a useful correlation between Nigeria's economic growth, urbanisation, and energy consumption. The model in question is an adaptation of the one proposed by Ogunleye and Ayeni (2021). We separate energy consumption into petrol and power consumption and include the rate of urbanisation. The model is expressed as follows in a functional relationship:

$$GDP_t = f(PWC_t, GSC_t, ENI_t, CO2_t, URB_t) \quad (1)$$

Where:

GDP = Gross domestic product (dependent variable)

PWC = Power Consumption

GSC = Gas Consumption

ENI = Energy Intensity

CO2 = Carbon Dioxide Emissions

URB = Urbanization Rate

$\mu_t$  = Error term

The long-run ARDL model for the relationship between economic growth and the selected energy-related variables is specified as:

$$GDP_t = \beta_0 + \beta_1 POW_t + \beta_2 GAS_t + \beta_3 EI_t + \beta_4 CO_{2t} + \beta_5 URB_t + \mu_t \quad (2)$$

Where  $\beta_0$  is the intercept term,  $\beta_1$ – $\beta_5$  are the long-run parameters to be estimated, and  $\mu_t$  is the stochastic error term.

The presence of cointegration among the variables is tested using the ARDL bounds test procedure. Once cointegration is confirmed, the error correction term ( $ECM_{t-1}$ ) is incorporated to capture the speed of adjustment toward long-run equilibrium

#### 4. Results and Discussion

**Table 1: Descriptive Statistics**

	<b>GDP</b>	<b>PWC</b>	<b>GSC</b>	<b>ENI</b>	<b>CO2</b>	<b>URB</b>
Mean	53758.14	900.9313	28.30622	15.08689	1.757778	40.95267
Median	11501.45	931.3800	28.68000	15.10000	1.750000	40.67000
Maximum	442607.4	1625.660	55.22000	20.77000	2.920000	55.07000
Minimum	130.9100	164.0100	2.290000	10.09000	0.570000	27.54000
Std. Dev.	85456.15	421.7554	16.07796	2.931039	0.705243	8.305122
Skewness	2.548917	-0.022720	-0.068690	0.060233	-0.047698	-0.017099
Kurtosis	10.91300	1.846247	1.733319	1.861810	1.723914	1.798908
Jarque-Bera	166.1314	2.499771	3.043789	2.456227	3.070306	2.707110
Probability	0.000000	0.286538	0.218298	0.292844	0.215423	0.258320
Observations	45	45	45	45	45	45

**Source:** Computed by the researcher (2026)

The main variables of the study are gross domestic product, power consumption, gas consumption (gsc), energy intensity, carbon dioxide emissions, and urbanisation rate that are summarised by the descriptive statistics of the 45 annual observations (1980-2024).

The economy of Nigeria has experienced tremendous growth over the period of investigation shown by the mean GDP value of 53,758.14 (in naira terms) despite the great standard deviation (85,456.15) and high skewness (2.55), which implies the wide fluctuation and volatility of the growth in the oil price shocks, political disturbances, and recessionary periods. The peak of N442,607.4 and low income of N130.91 are indicators of maximum and minimum GDPs in Nigeria respectively, which is growing strongly since 2010.

The mean per capita power consumption (PWC) is about 900.93 kWh with the variance of 164.01 to 1,625.66 which shows that there is a gradual yet unsteady growth in the quantity of electricity consumed. The low kurtosis -0.02 and negative skewness (-0.02) indicate a near-normal distribution, which is associated with consistent rises in power consumption with time.

The growth in natural gas consumption as a source of industry production and generating electricity is seen in its gas consumption (GSC) which has a mean of 28.31 bcm increasing

to 2.29 and 55.22. Its standard deviation is relatively low (16.08) and this means consistent though slow growth.

Energy Intensity (ENI) declined due to a reduction in the number of 15.09 MJ /GDP to 10.09 indicating greater efficiency in energy consumption over time. The close normal distribution and small standard deviation (2.93) testify to the sustained improvement of the energy efficiency.

The growing industrialisation and consumption of fossil fuels in Nigeria is reflected in its CO<sub>2</sub> emissions, which have gradually risen to an average of 0.57 to 2.92 metric tonnes per capita. The urbanisation rate (URB) is also another indicator of the country changing towards urbanisation, since it began at 27.54 and rose to 55.07 with an average of 40.95.

The results indicate that the economic and energy indicators in Nigeria have a long-term increasing trend although they have had moderate variations in between. Nonetheless, the most unpredictable factor is the GDP, which is largely because of its dependence on oil revenues and external shocks. The Jarque-Bra test shows that GDP does not follow a normal distribution significantly ( $p = 0.0000$ ), whereas the rest of the variables follow a more normal distribution, and they can be used in the ARDL modeling

**Table 2: Results of ADF Unit Root Test**

Variables	Level	First difference	Remark	Order of integration
	ADF Statistics	ADF Statistics		
<b>Gross Domestic Product (RGDP)</b>	-0.2435 [0.9249]	-2.9767 [0.0452]	Stationary difference	at 1 <sup>st</sup> 1(1)
<b>Power Consumption. (PWC)</b>	-4.3605 [0.9983]	-6.2278 [0.0000]	Stationary difference	at 1 <sup>st</sup> 1(1)
<b>Gas Consumption (GSC)</b>	-4.4534 [0.0010]	-13.9921 [0.0000]	Stationary	at Level 1(0)
<b>Energy Intensity (ENI)</b>	-0.3155 [0.9140]	-11.6906 [0.0000]	Stationary difference	at 1 <sup>st</sup> 1(1)
<b>CO<sub>2</sub> Emissions (CO2)</b>	-3.5982 [0.0100]	-6.7888 [0.0000]	Stationary	at Level 1(0)
<b>Urbanization Rate (URB)</b>	-3.8513 [0.0052]	-8.1162 [0.0000]	Stationary	at Level 1(0)

**Source:** Computed by the researcher (2026)

The stationarity - unit root test result revealed that GDP, power consumption (PWC) and energy intensity (ENI) were all stationary after first differencing, i.e. 1(1). This is evident in the probability value of their respective ADF test statistics at first difference which are less than 0.05 critical value. In other words, the variables became stationary after first differencing.

On the other hand, gas consumption (GSC), carbon emission and urbanization rate (URB) were stationary at level meaning that their order of integration is  $I(0)$ . This gives us a mixed order of integration which necessitates the test for long run relationship amongst the variables using the ARDL Bounds test.

**Table 3: Bounds Test For Long Run Relationship**

Test Statistic	Value	k
F-statistic	5.540079	5
Critical Value Bounds		
Significance	I0 Bound	I1 Bound
10%	2.26	3.35
<b>5%</b>	<b>2.62</b>	<b>3.79</b>
2.5%	2.96	4.18
1%	3.41	4.68

**Source:** Computed by the researcher (2026)

The ARDL Bounds Test evaluates whether a long-run equilibrium relationship exists among the variables. The computed F-statistic (5.5401) falls above the lower and upper bound critical value ( $I0 = 2.62; 3.79$ ) at the 5% significance level. This suggests that there is cointegrating (long-run) relationship existing among GDP, power consumption, gas consumption, energy intensity, carbon emissions, and urbanization within the period under review.

**Table 4: Summary of the ARDL Short and Long Run Result**

Short Run Form				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(GDP(-1))	0.287893	0.201509	1.428686	0.1650
D(GDP(-2))	0.278608	0.210076	1.326226	0.1963
D(GDP(-3))	0.358870	0.215227	1.667404	0.1074
D(PWC)	0.681625	0.325266	2.095594	0.0460
D(GSC)	-0.049875	0.105602	-0.472295	0.6407
D(GSC(-1))	0.365368	0.126118	2.897037	0.0075
D(ENI)	1.250600	0.547597	2.283796	0.0308
D(CO2)	-0.421876	0.325161	-1.297438	0.2059
D(URB)	-0.372832	1.272274	-0.293044	0.7718
D(URB(-1))	-1.875072	1.332767	-1.406901	0.1713
D(URB(-2))	-3.020780	1.150148	-2.626427	0.0143
CointEq(-1)	-0.193006	0.085239	-2.264291	0.0321
Long Run Coefficients				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
PWC	3.531627	2.727600	1.294774	0.2068
GSC	-2.184613	0.573125	-3.811757	0.0167
ENI	6.479587	3.545257	1.827678	0.0791
CO2	-2.185817	0.259479	-8.423869	0.0023
URB	22.126862	7.549145	2.931042	0.0070
C	-105.240688	41.729800	-2.521955	0.0181

**Source:** Computed by the researcher (2026)

### **Interpreting the Short-Run Dynamics:**

The short-run estimates presented in Table 4 reveal that power consumption (D(PWC)) has a positive and statistically significant impact on GDP, with a coefficient of  $\beta = 0.6816$  and a p-value of 0.046. This suggests that in the short term, an increase in electricity consumption fuels economic activity, aligning with the growth-led energy hypothesis.

Additionally, gas consumption from the previous year (GSC (-1)) also shows a positive and significant effect ( $\beta = 0.3654$ , p-value = 0.0075), indicating that gas usage contributes to growth, albeit with a delay, which is in line with Nigeria's initiatives to expand gas-to-power programs.

Energy intensity (ENI) is another significant factor, with a coefficient of  $\beta = 1.2506$  and a p-value of 0.0308, suggesting that higher energy consumption per unit of GDP temporarily boosts output growth, likely due to the dominance of energy-intensive industries.

CO<sub>2</sub> emissions (D(CO2)) and urbanization (D(URB), D(URB(-1)), D(URB(-2))) show negative but mostly insignificant coefficients, hinting that environmental degradation and unplanned urban growth might be limiting productivity. Lastly, the error correction term (CointEq(-1) = -0.193, p = 0.032) is negative and significant, indicating that around 19% of the short-run imbalance is corrected each year, meaning the model is gradually moving towards long-term stability.

### **Interpreting the Long-Run Relationship:**

Power consumption (PWC) has a positive trend in the long-run (Table 4), although it is not significant ( $b = 3.5316$ , *p-value* = 0.2068). This explains why merely being electric is not the answer to further development, probably because of the problems with the stability of power supply.

There is a negative and significant long-term effect ( $b = -2.1846$ , *p-value* = 0.0167) of gas consumption (GSC). This means that any possible benefit of using gas is being negated by inefficiencies, gas flaring and losses in infrastructure.

The coefficient of energy intensity (ENI) is positive ( $b = 6.4796$ , *p-value* = 0.0791) i.e. although energy use continues to support production, its efficiency is dwindling as time goes by. In the economic and health-related costs of pollution, poor environmental practices, and health problems, the negative impact of carbon emissions ( $b = -2.1858$ , *p-value* = 0.0023) is tremendous.

Conversely, the impact of urbanization (URB) is positive and significant ( $b = 22.1268$ , *p-value* = 0.0070), which states that urban development is a key factor in the long-term economic growth by clustering of industries and service sector growth. Finally, the constant term ( $C = -105.24$ , *p-value* = 0.0181) implies that in their absence, the economic growth would probably be low or even negative, and their interrelation is important.

**Table 5: Model Diagnostics**

Test	Statistic	Test	Statistic
R-squared	0.998831	Mean dependent var	9.346753
Adjusted R-squared	0.998202	Serial Correlation LM Test	1.3634 ( $p=0.2749$ )
S.E. of regression	0.100322	Akaike info criteri	-1.484624
F-statistic	1586.797	Durbin-Watson stat	1.776413
Prob(F-statistic)	0.000000		

**Source:** Computed by the researcher (2026)

The diagnostic results of the estimated ARDL model, as presented in Table 5, give an assessment of the overall efficacy of the estimated ARDL model itself. The R-squared value (0.9988) suggests that about 99.88% of the GDP's variations in this study have been accounted for by this model's regressors (power consumption, gas consumption, energy intensity, carbon emissions, as well as urbanization level). The value of R-squared is exceptionally close to one, suggesting that this model's fit is extremely accurate in explaining almost all of Nigeria's GDP dynamics during this study period. The standard error of regression is also low (0.1003), which reflects that this model's residuals (errors) are quite small, resulting in a very accurate predicted GDP value for this study's actual results.

The F-Statistic (1586.797) is very significant, as it has a probability value of 0.0000, indicating that the joint significance of the variables affecting the economic growth of Nigeria has been established to be significant in the regression analysis.

The value of Durbin-Watson statistic (1.776) is in the acceptable limits (1.5 to 2.5). This shows that Durbin-Watson statistic does not reject the idea of having no significant autocorrelation in residuals in this study. This implies that error terms of this study's model, in general, do not demonstrate any significant autocorrelation in residuals, which makes one of the most important classical regression analysis conditions satisfied as far as this study is concerned. Furthermore, the value of Serial Correlation LM test (1.3634,  $p$ -value = 0.2749) also confirms this result, as  $p$ -value is higher than 0.05, which provides further support to the finding.

### Test of Hypotheses

The decision rule is as follows:

- If  $p$ -value < 0.05, we reject the null hypothesis ( $H_0$ ) meaning the variable has a significant effect on GDP.
- If  $p$ -value  $\geq$  0.05, we fail to reject the null hypothesis — meaning the variable does not have a statistically significant effect on GDP.

**Table 6: Summary of Hypotheses Test**

Hypotheses Statement	t-stat. ( $p$ -value)	
$H_{01}$ : Power consumption has no significant effect on economic growth in Nigeria.	1.2948 ( $p$ -value = 0.2068)	Accept $H_{01}$ since $p$ -value > 0.05.

H <sub>02</sub> : Gas consumption has no significant effect on economic growth in Nigeria.	-3.8118 ( <i>p-value</i> = 0.0167)	Reject H <sub>02</sub> since <i>p-value</i> < 0.05.
H <sub>03</sub> : There is no significant effect of energy intensity on economic growth in Nigeria.	1.8277 ( <i>p-value</i> = 0.0791)	Accept H <sub>03</sub> since <i>p-value</i> > 0.05.
H <sub>04</sub> : There is no significant effect of CO <sub>2</sub> emissions on economic growth in Nigeria.	-8.4239 ( <i>p-value</i> = 0.0023)	Reject H <sub>04</sub> since <i>p-value</i> < 0.05.
H <sub>05</sub> : Urbanization rate has no significant effect on economic growth in Nigeria.	2.93104 ( <i>p-value</i> = 0.0070)	Reject H <sub>05</sub> since <i>p-value</i> < 0.05.

**Source:** Computed by the researcher (2026)

The hypotheses test in Table 6 concludes that power consumption and energy intensity have no significant effect on economic growth in Nigeria. This is evident in the acceptance of the first and third null hypotheses. However, the second, fourth and fifth null hypotheses are rejected leading to the conclusion that gas consumption, carbon emission and urbanization rate have significant effects on economic growth in Nigeria.

### Discussion of Findings

This paper shall discuss the results of both the short-run and long-run tests of the ARDL model in relation to the aforementioned hypotheses, theories, and empirical findings from previous studies related to this topic, as it tries to elaborate how variables related to energy affect economic growth in Nigeria between 1980-2024. It shall discuss this result in relation to the specific objectives of this study as follows:

#### Power Consumption and Economic Growth

The outcome of results from the ARDL model in the long run indicated that power consumption contributes positively to economic growth in Nigeria. The result shows that high consumption of electricity leads to increased productive capacity, thus further affirming that energy is a critical component in economic production processes. The result indicated, however, that in the short run, the relationship between power consumption and economic growth in Nigeria is insignificant, implying that any instabilities in supply chains affect economic productivity in Nigeria to a lesser extent due to lack of adequate infrastructure in Nigeria's energy sector.

These results support Apergis and Payne (2019) as well as Ali, Nathaniel, and Bekun (2020) in finding that GDP is positively affected by electricity consumption in the long run, although this influence is more visible in the long run as countries' economies tend to adapt to investments in different forms of energy, whereas Ayinde and Celik (2019) argued that an equal causality exists between economic development and energy consumption in Nigeria, as indicated by Feedback Hypothesis that both variables support each other, which is also supported by Yusuf (2023).

However, slightly differently from Aboagye & Nketiah-Amponsah (2020) is the finding that in some African countries, inefficient use of energy offsets effects of growth. The implication for Nigeria is that increased investments in infrastructure for power, especially

in the areas of generation, transmission, and distribution, would enhance long-term effects of economic growth. Therefore, the null hypothesis ( $H_{01}$ ) that "power consumption does not have a significant influence on economic growth" is rejected.

### **Gas Consumption and Economy Growth**

The ARDL long-run model showed that consumption of the gas and economic growth were positively significantly related which may imply that the higher the use of natural gas, the more production of manufacturing, electricity and economic performance is realized. This observation gives credibility to the fact that natural gas reserves in Nigeria could form a significant part of manufacturing, power and economy development should these resources be well harnessed to be utilized. But in the short run, it is good but statistically insignificant, which implies that there are time lapses between development of infrastructure to support the use of gas.

This finding aligns with the findings of Anumaka and Onwuka (2022) and Adewuyi and Olowu (2021) who reported that the consumption of natural gas in Nigeria is positively correlated with the productivity of industries and GDP, which is a unilateral causal flow. Similarly, in Malaysia, Alam and Murad (2020) draw the conclusion that the consumption of natural gas contributes to increasing the output in the short term, but in the long term, the elasticity is diminished in case of no technological advances.

Ogunleye and Ayeni (2021) however also added that the utilization of gas in Nigeria is not at optimal levels yet due to bottlenecks in infrastructures and prices, which hinder the further development of gas utilization in Nigeria to realize all the potentials. Based on the evaluation of the empirical findings, the  $H_{02}$  hypothesis, according to which gas utilization does not play an essential role in the process of economic development, is also disproved.

### **Energy Intensity and Economic Growth**

The result for the long-run coefficient of energy intensity showed it to be negative and significant, meaning that as energy intensity decreases (or as efficiency increases), economic growth increases in value. This is as expected, as higher energy intensity per unit of output is always an indication of inefficiency and lack of technological advancement, which is known to be a hindrance to productivity. The result for energy intensity in the short run showed it to be insignificant, indicating that time is needed for increased efficiency to result in increased economic productivity.

This is consistent with Aboagye & Nketiah-Amponsah (2020) & Adams, Adedoyin, & Ozturk (2020) who showed that the inefficiency in energy utilization hampers the development of emerging economies. Correspondingly, Appiah & Yeboah (2019) established that together, energy intensity and industrialization influence  $CO_2$  emissions, but increased efficiencies result in

Contrary to this, Hanif (2018) discussed that in early stages of an industrializing economy, a possible increasing trend in energy intensity together with early stages of economic growth could also occur until stages of efficiency improvement materialized as is in line with the Environmental Kuznets Curve hypothesis. As such, this study serves as another

manifestation of the significance of implementing energy efficiency measures in achieving sustainable long-term economic expansion.

### **CO<sub>2</sub> Emissions and Economic Growth**

The findings showed that carbon emissions positively and statistically significantly affect economic growth in Nigeria in the long run, but the short-run interaction was not very strong and was inconsequential at times. This finding indicates that oil production, manufacturing, and transportation in urban centers have played a significant role in the growth of Nigeria economy due to their energy-consuming and carbon releasing nature. The positive coefficient, however, is not to be desired but it is indicative of the growth-pollution trade-off of the developing economies at the stage of industrialization.

The results are similar to those of Nathaniel and Adeleye (2021), Etokakpan et al. (2020), and Hanif (2018), who established that economic development in Sub-Saharan Africa correlates with increased carbon emissions, which confirms the original upward slope of the Environmental Kuznets Curve (EKC). The same was also exhibited by Sarkodie and Strezov (2019), who showed that the growth raises pollution up to the point where it impacts the income to an extent where cleaner technologies are implemented.

Nonetheless, the study is in opposition with Adedoyin et al. (2020), who discovered that growth–emission relationship is on a decreasing trend in West Africa because of an increase in investment in renewables. In the case of Nigeria, this paper confirms that, although economic developments have in the past been dependent on carbon based energy, there will be a need to shift to less polluted sources of energy to secure sustainable developments over the long run.

### **Economic Growth and Urbanization**

The long-run estimation of ARDL indicated that urbanization and economic growth had a positive and significant relation, which implies that as urban concentration increases, industrial productivity, human capital accumulation and development of the service sector also increase. However, in the short run, the relationship was not as strong and this implies that in the first place, infrastructural and governance issues can counter the economic gains of rapid urbanization.

This observation can be explained by other authors: Nathaniel (2020), Mensah, Boachie, and Appiah (2023), and Rahman and Velayutham (2020), that showed that in the long term, urbanization increases productivity and income rates, but in the short term, it increases the energy consumption and environmental pressure. Ali, Nathaniel, and Bekun (2020) also reported that urbanization plays a positive role in the growth of Nigeria although it presents a challenge in infrastructure.

However, Adu and Denkyirah (2020) warned that unsustainable urbanization development may lead to energy intensities and traffic congestions that undermine efficiency. The present paper reaffirms that the process of urbanization experienced in Nigeria, despite being positive on the economic performance, needs better planning of energy, sustainable transport, and increased infrastructure.

## 5. Conclusion

The paper finds that power use and energy intensity have positive impact on growth, where their short-term effects are significant, and gas use and CO<sub>2</sub> emissions have strong negative impacts in the long-run, which shows the inefficiencies and the environmental externalities. Although urbanization seems detrimental in the short term slightly, sustainable urban development is however beneficial in the long term in economic growth.

Although higher electricity consumption and energy efficiency will stimulate the short-run economic activity, ineffective consumption of gas and excessive CO<sub>2</sub> emissions will reduce the growth in the long run. This justifies the need of a sustainable energy policy, less-polluting energy technologies, and proper environmental management in order to make sure that energy consumption can positively impact the economic growth of Nigeria in the long-term.

Based on the findings and the conclusion drawn, the study recommends thus:

1. Reliable and efficient electricity infrastructure should be invested upon by policy makers to maintain the short-run growth benefits of consuming power and slowly transform them into economic benefits in the long run.
2. To enhance the efficiency of the gas sector and minimize its adverse long-run effect on growth, the government should consider strategies such as infrastructure improvement, enhancement of more efficient technologies, and its wastage.
3. The policies must promote the enhancement of the energy intensity in the various sectors by use of energy saving technologies and practices, which maximize the benefits of growth in short-run with the potential to further the long-run development.
4. Tough laws and subsidies on cleaner production, use of renewable energy sources and cutting carbon emission are necessary to prevent the adverse economic growth due to long term negative effects of environmental pollution.
5. Long-term planning and development of infrastructure should drive urbanization so as to utilize its positive effects on economic growth and limit the possible short-term issues associated with it, including congestion, strain on resources, and informal settlement increase that imposes pressure on energy consumption.

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## Nexus between Fringe Benefits and Civility in the Banking Sector

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### **Abstract**

*This study examines the empirical relationship between fringe benefits and civility among employees of deposit money banks in South-South Nigeria. Despite the critical role of fringe benefits in shaping employee behaviors and the growing importance of civility as a component of employee sportsmanship behavior in the banking sector, limited scholarly attention has been devoted to understanding the specific nexus between these variables. Anchored on Social Exchange Theory (Homans, 1958), the study adopted a survey design with a sample of 169 employees drawn from 18 licensed deposit money banks across six states in the South-South geopolitical zone of Nigeria. Primary data were collected through structured questionnaire and analyzed using percentage and Spearman's Rank Order Correlation Coefficient. The findings revealed a strong positive and statistically significant correlation between fringe benefits and civility ( $\rho = 0.776$ ,  $p = 0.000$ ). The study concludes that fringe benefits serve as strategic tools for fostering civility, which manifests through voluntary participation in organizational activities, endorsement of corporate policies, and constructive engagement in organizational governance. The study recommends that the studied deposit money banks should enhance their fringe benefits packages like comprehensive medical insurance, pension schemes, and housing allowances to encourage reciprocity through increased civil behaviors. The findings contribute to the extant literature by establishing the predictive capacity of fringe benefits on civility as a distinct dimension of employee sportsmanship behavior in the Nigerian banking context.*

**Keywords:** Fringe benefits, Civility, Employee sportsmanship behavior, Social Exchange Theory.

**JEL Codes :** J32, J53, M52, M54, G21



## Introduction

In contemporary organizational settings, the banking sector operates in a highly competitive and dynamic environment where employee behavior significantly influences organizational effectiveness. Organizations seek employees who can devote their energy and time to executing tasks efficiently while maintaining positive workplace relationships. Employee sportsmanship behavior, particularly civility, has emerged as a critical construct that enhances organizational functioning. Civility refers to employees' willingness to voluntarily participate in organizational activities, endorse corporate policies, and engage constructively in the governance process of the organization (Organ, 1997; Sharma & Jain, 2014). Fringe benefits represent a crucial component of incentivization management that organizations utilize to motivate employees and shape desirable workplace behaviors. These benefits include medical insurance, pension schemes, housing allowances, profit sharing, and other non-wage compensations provided to employees beyond their regular salaries (Bratton, 2020; Nnenna, 2018). The provision of fringe benefits has been linked to various positive employee outcomes, including enhanced job satisfaction, organizational commitment, and citizenship behaviors (Nisar & Siddiqui, 2019; Zirra *et al.*, 2019).

Despite the acknowledged importance of fringe benefits in promoting positive employee behaviors, empirical investigations specifically examining the relationship between fringe benefits and civility in the Nigerian banking sector remain sparse. While scholars have explored various dimensions of organizational citizenship behavior, the specific nexus between fringe benefits and civility as a measure of employee sportsmanship behavior requires further scholarly interrogation. This gap necessitates a focused examination of how fringe benefits influence employees' willingness to engage in civil behaviors within banking organizations. The Nigerian banking sector has witnessed significant reforms aimed at repositioning the sector for enhanced financial intermediation. However, these reforms have not fully addressed challenges related to employee behavior and organizational effectiveness. Banks continue to experience reduced employee morale, decreased commitment, and lack of voluntary participation in organizational activities. These challenges have created openings for increased job dissatisfaction and decreased employee performance. While fringe benefits are theoretically expected to encourage positive employee behaviors, there exists a disconnect between the provision of these benefits and the manifestation of civil behaviors among bank employees. Some scholars have attributed this situation to the inadequate understanding of how fringe benefits specifically influence civility as a component of employee sportsmanship behavior (Abiante, 2018; Ifeyinwa & Onodugo, 2020). The problem is compounded by the fact that many banking organizations design their incentivization programs without adequate consideration of how these programs translate into specific behavioral outcomes such as civility.

Furthermore, existing literature has predominantly examined fringe benefits in relation to general job satisfaction or overall organizational citizenship behavior, without isolating the specific relationship with civility. This lack of focused investigation creates a

knowledge gap regarding the precise mechanisms through which fringe benefits influence employees' willingness to participate in organizational activities, endorse policies, and engage in constructive organizational governance.

### **Research Question**

What is the empirical link connecting fringe benefit to civility among employees of deposit money banks in South-South Nigeria?

### **Research Hypothesis**

**H<sub>0</sub>:** Fringe benefit does not positively correlate with civility among employees of deposit money banks in South-South Nigeria.

### **Literature Review**

#### **Conceptual Review**

#### **Fringe Benefit**

Fringe benefits represent all indirect financial payments offered to workers as they maintain their employment with an organization (Nwata, Umoh & Amah, 2016). These benefits are intended to advance the value of work-life for personnel and boost their teamwork and output. Fringe benefits encompass a comprehensive array of items such as pension schemes, life insurance, private health care coverage, profit sharing arrangements, share options, counseling services, subsidized meals, car loans and allowances, sabbaticals, prizes, entertainment allowances, payment of phone bills, children education schemes, and various other non-wage compensations that supplement the basic salary structure (Bratton, 2020; Zirra et al., 2019). Zirra et al. (2019) described fringe benefits as all expenditure incurred to benefit personnel over and above regular wages and direct monetary incentives related to output, emphasizing that these benefits are strategically provided to stimulate and retain personnel for enhanced organizational effectiveness and efficiency. Erbasi and Arat (2012) conceptualized fringe benefits as reimbursement in addition to direct wage or remuneration, encompassing specific provisions such as housing allowance, company car facilities, holiday pay, comprehensive medical insurance, subsidized meals, and robust pension schemes that secure employees' future financial stability. Nisar and Siddiqui (2019) emphasized that fringe benefits are universally provided to all workers based on their attachment to the firm, fundamentally distinguishing them from performance-based incentives that are exclusively awarded to extraordinary performers or high-achieving employees. The primary purpose of fringe benefits extends beyond mere compensation enhancement; they serve critical organizational functions including attracting and stimulating qualified personnel from competitive labor markets, retaining experienced workers who possess valuable institutional knowledge, providing essential financial security and protection for personnel and their families against unforeseen circumstances, and distinguishing organizations favorably in the eyes of both current employees and

prospective candidates (Steyn, 2010; Nnenna, 2018). Furthermore, fringe benefits function as powerful psychological contracts that strengthen the employer-employee relationship, fostering greater organizational commitment and reducing turnover intentions. These benefits demonstrate organizational investment in employee welfare, thereby cultivating reciprocity and encouraging employees to engage in positive workplace behaviors that transcend formal job requirements. In the banking sector specifically, fringe benefits assume heightened significance due to the industry's competitive nature, high stress levels, and the necessity of retaining skilled financial professionals who can navigate complex regulatory environments while delivering superior customer service.

## **Civility**

Civility represents a situation where subordinates are accountable for engaging in corporate policies and possess a convincing level of knowledge of critical business concerns. Organ (1997) defined civility as endorsing and supporting corporate policies as well as participating in organizational activities. This measure of sportsmanship indicates that personnel are responsibly involved in strategy formulation and provide for such organizational strategies; they willingly become committee members and attend functions organized by the firm (Sharma & Jain, 2014). Employees demonstrating civility are concerned about the image and reputation of their organization. They exhibit high levels of interest and loyalty, offer positive criticism and solutions to problems, attend non-mandatory meetings, and keep track of current events in the organization (Romaiha et al., 2019). Rusu and Baboş (2015) described civility as all constructive and active involvement in most organizational processes, reflecting the feeling of being part of a whole, similar to how citizens are part of a nation that takes on responsibilities deriving from its activities. Civility involves practical participation in the political process of the firm and input to this process by openly and freely communicating views, attending gatherings which are not required, discussing with co-workers on issues relating to the firm, and reading corporate mails for the well-being of the firm (Podsakoff et al., 1990; Yusof et al., 2018). Walz and Niehoff (1996) noted that civility reduces customer complaints and encourages ideas on work group efficacy and co-worker effectiveness through information gathering and sharing. In contemporary banking environments, civility has become increasingly crucial as financial institutions navigate complex regulatory landscapes, technological disruptions, and intensifying competition. Civil employees serve as organizational ambassadors who voluntarily promote institutional interests, participate in change initiatives, and contribute to positive workplace cultures that attract and retain talent. Unlike mandatory compliance behaviors, civility represents discretionary effort that employees choose to exert based on their psychological connection to organizational goals and values. This voluntary engagement manifests through proactive information sharing, constructive feedback provision, and collaborative problem-solving that enhances operational efficiency and service quality. Furthermore, civility fosters social capital formation by strengthening interpersonal networks, facilitating knowledge transfer, and building trust-based relationships among colleagues across hierarchical levels. Research indicates that civil behaviors correlate positively with customer satisfaction, innovation capacity, and

organizational adaptability—critical success factors in the dynamic banking sector. Managers seeking to cultivate civility must recognize its foundation in perceived organizational support, procedural justice, and meaningful employee participation in decision-making processes that affect their work lives.

### **Fringe Benefit and Civility**

Fringe benefits represent all indirect financial payments offered to workers as they maintain their employment with an organization (Nwata, Umoh & Amah, 2016). These benefits encompass pension schemes, life insurance, private health care coverage, profit sharing arrangements, share options, counseling services, subsidized meals, car loans and allowances, sabbaticals, prizes, entertainment allowances, payment of phone bills, children education schemes, and various other non-wage compensations that supplement basic salary structures (Bratton, 2020; Zirra et al., 2019). Zirra et al. (2019) described fringe benefits as all expenditure incurred to benefit personnel over and above regular wages and direct monetary incentives related to output. These benefits are strategically provided to stimulate and retain personnel for enhanced organizational effectiveness and efficiency. Erbasi and Arat (2012) conceptualized fringe benefits as reimbursement in addition to direct wage or remuneration, including housing allowance, company car facilities, holiday pay, comprehensive medical insurance, subsidized meals, and robust pension schemes. Nisar and Siddiqui (2019) emphasized that fringe benefits are universally provided to all workers based on their attachment to the firm, fundamentally distinguishing them from performance-based incentives exclusively awarded to extraordinary performers. The primary purpose of fringe benefits includes attracting qualified personnel, retaining experienced workers, providing financial security for personnel and their families, and distinguishing organizations favorably in competitive labor markets (Steyn, 2010; Nnenna, 2018). Civility represents employees' willingness to engage constructively with organizational processes. Organ (1997) defined civility as endorsing and supporting corporate policies as well as participating in organizational activities. This measure of sportsmanship indicates that personnel are responsibly involved in strategy formulation, willingly becoming committee members and attending functions organized by the firm (Sharma & Jain, 2014). Employees demonstrating civility exhibit high levels of interest and loyalty, offer positive criticism and solutions to problems, attend non-mandatory meetings, and keep track of current events in the organization (Romainha et al., 2019). Rusu and Baboş (2015) described civility as constructive and active involvement in organizational processes, reflecting the feeling of being part of a whole. Civility involves practical participation in the firm's political process through openly communicating views, attending non-required gatherings, discussing work issues with colleagues, and reading corporate communications for organizational well-being (Podsakoff et al., 1990; Yusof et al., 2018).

The nexus between fringe benefits and civility is grounded in Social Exchange Theory (Homans, 1958), which posits that workplace relationships operate on reciprocity principles. When organizations provide valued fringe benefits, employees feel obligated to

reciprocate through positive behavioral contributions, including civility. This reciprocal exchange fosters psychological contracts wherein employees translate perceived organizational support into voluntary engagement behaviors. Fringe benefits function as tangible demonstrations of employer investment in employee welfare, thereby cultivating trust, organizational commitment, and willingness to exceed formal job requirements. In banking contexts, this relationship proves particularly significant as civil employees enhance customer service quality, participate in change initiatives, and contribute to positive workplace cultures essential for competitive advantage.

### **Theoretical Framework**

This study is anchored on the Social Exchange Theory propounded by George Homans in 1958. The theory first surfaced in his essay "Social Behaviour as Exchange" (Lawler & Thye, 2006). Homans observed that individuals in groups received rewards and punishments from the group and other members, suggesting that social behavior represents an exchange of material and non-material goods such as prestige, effort, money, power, time, approval, and so on (Chuang, 2010).

Social Exchange Theory holds that social behavior is the product of an exchange process where individuals weigh the prospective benefits and risks of social relationships. When the risks outweigh the rewards, people will terminate or abandon that relationship (Mitchell, Cropanzano & Quisenberry, 2012). The theory suggests that individuals rationally anticipate being rewarded equally for incurring the same costs, and when they perceive inequality, they become disgruntled with the entire system (Redmond, 2015; Ward & Berno, 2011). Social Exchange Theory provides a valuable workplace rationale for analyzing the relationship between fringe benefits and civility. The theory's assumption that workplace relationships are based on reciprocity where "something has to be given and something returned" explains how employees respond to fringe benefits provided by organizations (Mitchell *et al.*, 2012). When banks provide fringe benefits, employees feel obligated to reciprocate through positive behaviors such as civility endorsing organizational policies, participating in activities, and engaging constructively in organizational processes. The theory indicates the psychological attachment of employees to their organization, their loyalty, affection, warmth, belongingness, and willingness to participate actively in organizational life, which directly relates to civility as a measure of employee sportsmanship behavior.

### **Empirical Review**

Pasztor and Valent (2016) examined the relationship between fringe benefits and employee outcomes in organizational settings. Their study found that fringe benefits inspire employees to improve their outcomes and give individual satisfaction to workers, making them feel healthier in the organization. Fringe benefits help employees build helpful emotional responses towards their jobs, leading to improved performance. The study further noted that fringe benefits make personnel feel excited at the firm and provide personal satisfaction that guarantees better working atmospheres significant to workers.

When employees feel excited about themselves, they become more creative and attached to the organization, which relates to civility behaviors.

Zirra, Mambula and Anyatonwu (2019) empirically explored the effect of fringe benefits on employee performance in the Nasco Group of Companies in Nigeria. Using stratified sampling technique to select 180 participants, the descriptive study employed multiple regression for data analysis. The results showed that three components of fringe benefits health protection benefits, retirement benefits, and recognition benefits all had significant impact on employee performance. The study concluded that fringe benefits significantly impact employee performance, suggesting that employees who receive adequate fringe benefits are more likely to engage in positive organizational behaviors including civility.

Don-Baridam and Obulor (2022) empirically examined the correlation between workplace civility and employee commitment in the oil and gas industry of Nigeria. Utilizing cross-sectional survey design, data were collected from 343 employees using structured questionnaires. The data were analyzed with Spearman Ranked Order Correlation Coefficient, and results proved that workplace civility gave credence to employee commitment in the form of affective, normative, and continuance commitment. The study concluded that employee commitment is a function of workplace civility, establishing the importance of civility as a behavioral outcome in Nigerian industrial settings.

Nisar and Siddiqui (2019) explored the correlation linking fringe benefits and personnel satisfaction in Pakistan. Using convenience sampling technique, data were collected from 200 employees through self-administered questionnaires. Multiple regression statistical analysis revealed that two components of fringe benefits health protection benefits and recreation leaves had positive significant relationships with employee job satisfaction, while flexible working hours appeared insignificant. The study concluded that to increase job satisfaction and improve commitment among employees, organizations should provide adequate health protection plans and increased employee leaves. This finding suggests that specific fringe benefits can enhance employee attitudes and behaviors toward the organization.

Kristal, Cohen and Mundlak (2011) investigated how fringe benefits influence workplace relationships and employee attitudes. Their study noted that fringe benefits tend to remove feelings of intolerance among employees in terms of income distribution, which increases workers' effort and productivity. The research established that fringe benefits create perceptions of fairness and equity among employees, which are foundational to civil behaviors and constructive participation in organizational activities.

Rand, Tarp, Cuong and Tam (2008) argued that fringe benefits represent one avenue through which organizations make employees feel that their input is commensurate with the output they receive in return. This perception reduces labor turnover and associated costs, ensuring a stable employee work-group better equipped to pursue longer-term business strategies. Their findings suggest that fringe benefits create a psychological

contract that encourages employees to engage positively with organizational processes and activities, directly relating to civility behaviors.

### **Gap in Knowledge**

Several attempts have been made in extant literature to examine employee sportsmanship behaviour in order to improve organizational productivity, performance and talent retention. Unfortunately, these attempts adopted the construct (sportsmanship behaviour) as a component of organizational citizenship behaviour instead of being a criterion variable (Amadi, et al., 2017; Ifeyinwa & Onodugo, 2020; Nuesca & Balacy, 2019; Zainul & Zamrudi, 2019; Zhang, 2014). Even the few studies that adopted it as a criterion variable only used it as a mono-construct without measures (Al-Zayed, Jauhar & Murshid, 2020; Brown, Kraimer & Bratton, 2019; Demerouti & Cropanzano, 2017; Sahu & Pathardikar, 2013) with the exception of Huseyin, et al., (2020) that uses supportive behaviour as measure. These empirical gaps necessitated the adoption of loyalty, civility and tolerance as measures of employee sportsmanship behaviour in order to open doors for robust scholarly interrogation of the construct since they proved to show the capacity to accept other colleagues, inspire them to continue relationship with the firm and actively participate in the organizational life. Aside the above gaps, prior studies on incentivization management proved to have adopted wage allocation, promotion, cash and non-cash incentives, opportunity for career development, leave without strict routines, leave for rest, and contracting incentives as components of incentivization management (Al-Khasawneh, 2015; Al-Qathmi & Zedan, 2021; Kassimi, et al., 2017, Lakhan, 2016; On-Cheung, et al., 2018) with sparse evidence on the utilization of fringe benefits, advancement and recognition as its components. Even when these variables proved to increase employee engagement, performance, commitment, job satisfaction, loyalty and even promotion of behavioural involvement (Bui, Mai Lee & Nguyen, 2021; Ekwochi, Nwudugbo & Okoene, 2018; Guyo & Mutumbu, 2019; Hussain, et al., 2019; Idenedo & Goodie-Okio, 2022; Lartey, 2021; Liu, et al., 2020; Marina, et al., 2020; Masri & Suliman, 2019; Montani, et al., 2017; Nisar & Siddiqui, 2019; Zirra, et al., 2019), their adoption as components of incentivization management suffers empirical scarcity. Furthermore, studies adopting organizational culture as a moderator in the relationship between incentivization management and employee sportsmanship behaviour in the banking sector of the Nigerian economy is scarce in the literature. Based on the identified gaps, the study seeks to empirically examine incentivization management and employee sportsmanship behaviour with the moderating influence of organizational culture in the Nigerian banking environment. The study adopted fringe benefits, recognition and advancement as components of incentivization management with the corresponding measures of loyalty, civility and tolerance as measures of employee sportsmanship behaviour. This identified gaps in literature necessitated this study.

### **Methodology**

This study adopted a survey design. This design was chosen because all the data needed for the study were gathered within a specified time frame and at a snapshot. The descriptive

survey design allowed the investigator to explain the prevailing working conditions experienced by bank workers in South-South, Nigeria, and to measure what bank employees know concerning fringe benefits and how they influence civility. The study was conducted in six states of the South-South geopolitical zone of Nigeria: Edo, Bayelsa, Delta, Akwa Ibom, Rivers, and Cross River States. The focus was on deposit money banks (DMBs) licensed with international and national authorization operating within these states. The population comprised employees of 18 licensed Deposit Money Banks (DMBs) operating in the South-South region of Nigeria. The participants were drawn from the regional and zonal offices of these banks. The study population obtained from preliminary investigation was 342 employees. The study utilized Taro Yamane's formula to determine the appropriate sample size: Where:  $n = \text{Sample size}$ ,  $N = \text{Population size (342)}$ ,  $e = \text{Level of significance (0.05)}$ . However, the study used 169 copies of correctly filled and returned questionnaires for final analysis. Simple random sampling technique was used to select employees from the list of licensed deposit money banks. Bowley's 1964 formula was applied to obtain the sample size of each bank. Primary data were collected through a structured questionnaire as the major instrument. The questionnaire contained: Section A: Demographic information of respondents, Section B: Items on fringe benefits (10 indicators adapted from Bratton, 2020; Nnenna, 2018; Steyn, 2010), Section C: Items on civility (12 indicators adapted from Organ, 1997; Parumasur & Govender, 2016; Rusu & Babos, 2015; Sharma & Jain, 2014; Yusof *et al.*, 2018). A five-point Likert scale was used, ranging from 1 = Strongly Disagree to 5 = Strongly Agree. Secondary data were gathered from existing published works including current journals, textbooks, and magazines for the literature review. Descriptive statistics (mean and standard deviation) were used to summarize the characteristics of participants. Inferential statistics: Spearman's Rank Order Correlation Coefficient ( $\rho$ ) was used for the bivariate examination of the relationship between fringe benefits and civility. This non-parametric test was chosen because data were collected at the ordinal level. Data were analyzed using Statistical Package for Social Sciences (SPSS) version 22.

## Data Analysis and Findings

### Demographic Characteristics

The study obtained 169 valid responses from 184 distributed questionnaires, representing a 91.84% response rate.

**Table 1: Demographic Distribution of Respondents**

Variable	Category	Frequency	Percentage
<b>Gender</b>	Male	72	42.6%
	Female	97	57.4%
<b>Age</b>	18-25 Years	16	9.5%

	26-35 Years	66	39.1%
	36-45 Years	47	27.8%
	46-55 Years	22	13.0%
	56+ Years	18	10.7%
<b>Marital Status</b>	Single	88	52.1%
	Married	59	34.9%
<b>Education</b>	Diploma/HND	55	32.5%
	Bachelor Degree	74	43.8%
	Master Degree	26	15.4%
	PhD Degree	11	6.5%
<b>Work Experience</b>	1-10 Years	89	52.7%
	11-20 Years	46	27.2%
	21-30 Years	21	12.4%
	31+ Years	13	7.7%

**Source: Field Survey, 2026**

### **Descriptive Statistics**

**Table 2: Descriptive Statistics of Study Variables**

<b>Variable</b>	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Std. Deviation</b>
Fringe Benefit	169	1	3	2.13	0.620
Civility	169	2	4	3.20	0.636

**Source: Field Survey, 2026**

The mean score for fringe benefits ( $\bar{X} = 2.13$ ,  $SD = 0.620$ ) indicates a low to moderate level of fringe benefits provision as perceived by employees. The mean score for civility ( $\bar{X} = 3.20$ ,  $SD = 0.636$ ) indicates a moderate level of civil behavior among bank employees.

### Test of Hypothesis

**Hypothesis:** Fringe benefit does not positively correlate with civility.

**Table 3: Spearman's Rank Order Correlation between Fringe Benefit and Civility**

		<b>Fringe Benefit</b>	<b>Civility</b>	
<b>Spearman's rho</b>	Fringe Benefit	Correlation Coefficient	1.000	0.776**
		Sig. (2-tailed)	.	0.000
		N	169	169
	Civility	Correlation Coefficient	0.776**	1.000
		Sig. (2-tailed)	0.000	.
		N	169	169

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**Source: Field Survey, 2026**

### Summary of Findings

<b>Finding</b>	<b>Description</b>
<b>Correlation Strength</b>	Strong positive correlation ( $\rho = 0.776$ )
<b>Significance</b>	Statistically significant at $p < 0.01$ ( $p = 0.000$ )
<b>Variance Explained</b>	78% of civility can be predicted by fringe benefits
<b>Decision</b>	Null hypothesis rejected; Alternative hypothesis accepted

**Source: Field Survey, 2026**

The results demonstrate a strong positive and statistically significant correlation between fringe benefits and civility ( $\rho = 0.776$ ,  $p = 0.000$ ). This indicates that as the provision of fringe benefits increases, employees' civil behaviors such as endorsing organizational policies, participating in activities, and engaging constructively in organizational processes also increase.

### Conclusion

Based on the empirical findings, the study concludes that:

1. Fringe benefits significantly and positively correlate with civility among employees in deposit money banks in South-South Nigeria. The strong correlation coefficient ( $\rho = 0.776$ ) with p-value of 0.000 indicates that this relationship is statistically significant and practically meaningful.
2. Fringe benefits serve as a key predictor of civility, explaining approximately 78% of the variance in civil behaviors among bank employees. This suggests that when

banks provide adequate fringe benefits, employees are more likely to engage in constructive organizational behaviors.

3. The current level of fringe benefits provision is relatively low (mean = 2.13), indicating that many deposit money banks in the region have not fully optimized their fringe benefits packages to encourage desired employee behaviors.
4. Social Exchange Theory provides a robust explanation for this relationship, as employees reciprocate the benefits received through positive behavioral contributions to the organization in the form of civility.

The study establishes that fringe benefits are not merely additional compensations but strategic tools that can shape employee behaviors toward greater organizational participation, policy endorsement, and constructive engagement in organizational governance.

### **Recommendations**

Based on the findings and conclusions, the following recommendations are proposed:

1. Deposit money banks in South-South Nigeria should enhance their fringe benefits packages to include comprehensive medical insurance, pension schemes, housing allowances, and other non-wage benefits. This will encourage employees to reciprocate through increased civil behaviors such as voluntary participation in organizational activities and constructive policy engagement.
2. Management of the studied banks should design fringe benefits programs that are clearly communicated and perceived as fair by employees. The perception of fairness in benefit distribution is crucial for triggering the reciprocity mechanism that leads to civility behaviors.
3. Human resource departments of the studied banks should conduct periodic assessments of employees' needs and preferences regarding fringe benefits. This will ensure that the benefits provided are valued by employees and capable of generating the desired behavioral outcomes.
- 4.

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**Bench Marking and Organizational Performance: An Analysis of the Benue State  
Board of Internal Revenue Service (BIRS), Makurdi**

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**Abstract**

*This study examined the effect of bench marking on the organizational performance: an analysis of the Benue State Board of Internal Revenue Service (BIRS), Makurdi. The study was anchored on bench marking Theory by Cook and Macauley (1996). The population of the study comprised 517 employees from which a sample size of 226 was selected using Taro Yamane formula. This sample included 130 junior staff and 96 senior staff ensuring that both employee categories were adequately represented. The study adopted survey research design which enables the use of structured questionnaire for data collection. Data was presented and analyzed using mean, standard deviation and regression analysis. Findings from the study revealed that external and process benchmarking significantly affects organizational performance in Benue State Internal Revenue Service. The study therefore recommends that management of the studied organization adopt a structured process benchmarking approach as a practical strategy for improving organizational performance. This can be achieved through the application of established industry best practices, supported by a clear and implementable policy framework that enhances operational efficiency and overall effectiveness.*

**Keywords:** Benchmarking, Organizational Performance, Process Benchmarking, External Benchmarking, quality of work, timeliness of work

**1.0 Introduction**

Globally, organizations always seek to ensure a performance level that is better than that of similar organizations. One strategic approach that has gained prominence for fostering competitive advantage and performance improvement is benchmarking. Benchmarking strategy involves comparing an organization's processes, products, and performance metrics with industry best practices to identify areas for improvement and drive continuous innovation (Adewale & Akanbi, 2020). Bench marking is a crucial tool for enhancing organizational performance in Nigeria, enabling businesses to assess their processes

against established best practices and identify areas for improvement. According to Novatia Consulting (2024), bench marking offers a structured approach to evaluating performance metrics and conducting competitive analysis, allowing Nigerian companies to set achievable goals and drive growth.

Benchmarking as a process is one of the approaches employed by managers in the 21st century to improve performance and also remain competitive in the ever changing business world. Benchmarking is now an organizational improvement tool that has come to be regarded as an essential component of internationally respected business excellence programs and good management practice (David, 2022). Benchmarking is the process of identifying and learning from the best practices in the world. By identifying the best Practice, organizations know where they stand in relation to other companies. It is an ideal way to learn from more companies that are successful. Benchmarking has evolved into a tool for organizaonal improvement and is now considered a crucial part of globally recognized business excellence initiatives and sound management practices (Uche & Adebayo, 2021).

The Benue State Board of Internal Revenue Service (BIRS), Makurdi plays a central role in the generation and management of internally generated revenue within the state. Its primary responsibility is to assess, collect and account for taxes and other revenues due to the government, ensuring that funds are available for public services and development projects. The Board could use benchmarking as a strategic tool to enhance its operations and service delivery by comparing its processes and standards with those of leading and high-performing institutions. Most of the economic drawbacks of BSIRS may be attributed to the apparent inability of the organization to perform optimally, possibly due to inability of the organization to imbibe the culture of bench marking (such as adopting process and external competencies) best practices which have been proven successful by others and this affects their performance and job satisfaction). "The Board of Internal Revenue in Benue State, Nigeria, faces challenges in optimizing revenue collection, improving taxpayer services, and enhancing overall performance.

Despite efforts to increase revenue, the BIRS struggles with inefficiencies, inadequate resources, and limited transparency, hindering its ability to effectively mobilize revenue for state development. The main role of benchmarking is to improve performance by comparing existing practices with recognized best standards. It helps organizations identify gaps, adopt more effective methods and enhance efficiency ultimately leading to better outcomes and productivity. However, there is a gap in understanding the current bench marking practices and their effect on the BIRS's performance in Benue State. This study aims to investigate the effectiveness of bench marking and the performance of the BIRS in Benue State, so as to bridge the gap in literature.

The broad objective of this paper is to determine the effect of benchmarking on the performance of the Benue State Board of Internal Revenue Service (BIRS), Makurdi. However, the specific objectives are to:

- i. ascertain the effect of process bench marking on organizational performance.
- ii. determine the effect of external bench marking on organizational performance.

## **2.0 Review of Related Literature**

### **2.1 Conceptual Review**

#### **2.1.1 Concept of Bench Marking**

In the context of Mohammed and Sani (2023), viewed bench marking as a strategic management tool used to evaluate and improve organizational innovation by comparing performance metrics with industry leaders or best practices. Ameh and Gambo (2024) define bench marking as a systematic process for identifying and measuring performance gaps between an organization's outputs and processes and those of others, usually industry leaders. This involves comparing business processes and performance metrics with best practices to identify areas for improvement. Benchmarking enables organizations to: Identify Performance Gaps, Measure differences in performance to pinpoint areas for improvement, Adopt best practices learn from industry leaders and adapt strategies to enhance operations and drive continuous improvement, foster a culture of on-going learning and innovation.

The study adopted two dimensions of bench marking namely process and external bench marking. Process bench marking refers to the process of analyzing the competitor's methods, tasks, techniques of production and means of distribution while external bench marking is the process of comparing an organization's practices, processes and performance metrics with those of other organizations outside its own operations often with the aim of identifying best practices and achieving superior performance.

#### **2.1. 2 Concept of Organisational Performance**

According to James and Festus (2023) organisational performance refers to the measurable outcomes of an organisation's activities relative to its set goals and objectives. Performance reflects the efficiency and effectiveness with which resources are transformed into products and services that satisfy customers and other stakeholders. In the view of Adewale and Akanbi (2020) organisational performance is the degree to which an organisation successfully attains its strategic targets through the coordinated efforts of its human, financial, and technological resources. Performance is not only about achieving profitability but also about sustaining competitive advantage, fostering innovation, and maintaining high levels of adaptability in a dynamic environment. Chukwu and Bello (2022) define organisational performance as the actual level of output compared with expected results taking into account both financial and non-financial measures. Performance should be evaluated across multiple dimensions, including revenue growth, operational efficiency, stakeholder satisfaction, and contribution to socio-economic development, underscoring the complexity of performance in contemporary organisations. According to Emmanuel and Okoye (2024), organisational performance is an outcome-oriented construct that captures how effectively an organisation utilises its resources to achieve intended goals, deliver value to customers, and uphold standards of quality and accountability. Measuring performance requires clear performance indicators and continuous evaluation to ensure alignment between organisational activities and strategic goals. For the purpose of this study the timeless of work produced and quality work produced.

## **2.2 Theoretical Framework**

The study adopted bench marking Theory. Benchmarking theory as developed by Cook and Macaulay (1996) is premised on the view that organizations can achieve improved performance through systematic comparison with others that demonstrate superior practices. The theory emphasizes that learning from external sources is essential for organizational growth, as it exposes inefficiencies in existing processes and provides insights into more effective ways of operating. It presents benchmarking as a deliberate and structured approach to identifying, understanding, and adapting best practices from leading organizations.

The major assumptions of the theory are that no organization operates at optimal efficiency at all times, and that better methods of performing tasks exist elsewhere. It assumes that performance gaps can be identified through comparison and that these gaps can be reduced through the adoption of proven practices. The theory also assumes that best practices are not confined to a single organization or industry but can be transferred and adapted across different contexts to achieve improved outcomes. Furthermore, the theory assumes that continuous measurement and evaluation are necessary for sustained improvement. Organizations are expected to establish clear performance standards and indicators, monitor progress consistently and make adjustments where necessary. It also presumes that management commitment and openness to change are critical as successful benchmarking depends on the willingness to learn, adapt and implement new approaches for enhanced efficiency and effectiveness.

Benchmarking theory serves as a guiding framework for this study illustrating how organizations can enhance performance through learning from the best practices of high-performing institutions. It underscores the importance of identifying gaps in current processes and adopting more effective strategies to improve efficiency, particularly in revenue mobilization. Through continuous evaluation and application of proven standards, the theory provides a solid basis for understanding how adaptive practices lead to sustained organizational improvement.

## **2.3 Empirical Review**

Enamuotor Russell and Onuoha (2025) conducted a study to examine the influence of benchmarking strategies on the organizational effectiveness of fast-moving consumer goods (FMCG) firms in Rivers State, Nigeria. The study aimed to assess how competitive and strategic benchmarking practices affect goal attainment and organizational adaptability. A total population of managerial personnel across selected FMCG companies was considered, with 289 questionnaires distributed and 264 valid responses retrieved. The study employed a quantitative research design, and data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) via SmartPLS version 4.0. The findings revealed that both competitive and strategic benchmarking positively and significantly influence organizational effectiveness, leading to improved goal achievement and adaptability. The study concluded that institutionalizing benchmarking practices is crucial

for FMCG firms to remain competitive and agile. It recommended that firms establish competitor intelligence units or assign cross-functional teams to monitor rival product launches, pricing strategies, and market campaigns.

Adudu, Ojo, and Chinwoeke (2025) investigated the effect of benchmarking on the performance of quoted food and beverage manufacturing firms listed on the Nigerian Exchange Group. The study specifically examined performance benchmarking, process benchmarking, strategic benchmarking, and operational benchmarking as determinants of organizational performance. The population consisted of twelve (12) selected listed companies, and a sample size of 383 respondents was drawn. Data were collected using structured questionnaires and analyzed with SPSS Version 25 using multiple regression analysis. The results indicated that all benchmarking dimensions positively and significantly impacted organizational performance, with p-values and t-values all below the 0.05 significance threshold. The study concluded that benchmarking is an essential tool for enhancing performance, fostering continuous improvement, and aligning practices with international standards. It recommended that management institutionalize benchmarking as a strategic process to maintain competitiveness, identify performance gaps, set realistic targets, and implement best practices across operations.

Uche and Adebayo (2021) examined the role of bench marking in improving customer satisfaction in the Nigerian telecommunications industry, focusing on MTN Nigeria. The objectives included identifying the effect of bench marking on customer response time and service quality. A total of 180 employees were targeted, with a sample size of 124 respondents selected using stratified random sampling. The study adopted a descriptive survey method and used SPSS Version 22 for data analysis. The study found that external bench marking significantly improved customer service quality, with a correlation coefficient of  $r = 0.613$  and  $p < 0.01$ . The researchers concluded that bench marking customer service metrics against global telecom leaders played a vital role in enhancing customer experience and brand loyalty.

Arowolo and Ezeaku (2022) carried out a study on the effects of bench marking on strategic decision-making in selected food and beverage companies in Lagos State. The specific objective was to evaluate whether bench marking influenced long-term strategic planning. The study population consisted of 250 staff members, with a sample size of 152 respondents derived using Taro Yamane's formula. The study employed a cross-sectional survey design, and analysis was carried out using Pearson correlation and regression analysis. The results indicated that bench marking significantly influenced strategic planning processes ( $r = 0.588$ ,  $p < 0.01$ ). The study concluded that firms that adopted regular bench marking reviews made more proactive and informed strategic decisions, thereby improving organizational adaptability.

Mohammed and Sani (2023) investigated the impact of bench marking on organizational innovation in Kaduna-based textile firms. The study aimed to determine if bench marking innovation practices from industry leaders contributed to product development and

technological adoption. Out of a population of 170 technical staff, 118 respondents were selected using a purposive sampling method. The study used a descriptive survey design and analyzed the data using SPSS regression modeling. The findings indicated a strong and positive relationship between bench marking and innovation ( $\beta = 0.673$ ,  $p < 0.01$ ). The study concluded that bench marking enhanced the firms' ability to innovate by integrating external knowledge and setting higher innovation benchmarks internally.

Ameh and Gambo (2024) studied the influence of bench marking on performance metrics in government-owned hospitals in North Central Nigeria. The study was specifically concerned with whether bench marking against private sector hospitals improved service delivery and patient satisfaction. A total of 300 healthcare professionals formed the population, with a sample size of 172 selected using systematic random sampling. Descriptive statistics and inferential regression were conducted using SPSS. The study found that bench marking public healthcare performance against private sector standards led to improvements in waiting time, staff responsiveness, and patient outcomes ( $r = 0.601$ ,  $p < 0.05$ ). The authors concluded that bench marking served as a performance-enhancement mechanism even in public institutions with bureaucratic constraints.

### **3.0 Methodology**

The study adopted survey research design which enables the use of structured questionnaire for data collection. The study was carried out in Benue State Internal Revenue Service (BSIRS) with headquarters in Makurdi, capital of Benue State, Nigeria. The population of the study consists of all 517 employees of Benue State Internal Revenue Service. The sample size for the study was 226, consisting of 130 junior employees and 96 senior employees in Benue State Internal Revenue Service (BSIRS). This was determined using Taro Yamane (1964) formula.

The instrument used for data collection was a structure questionnaire titled: bench marking and performance (BAPQ) developed by the researchers from the literature reviewed. The response of each item in the questionnaire were based on a 5-point rating scale of strongly strong, Agreed, Neutral, disagreed, strongly disagreed with a corresponding nominal value of 5, 4,3,2 and 1 respectively. The research instrument was reviewed to ensure both its face and content validity, confirming that it effectively captured the concepts under study. Its internal consistency was assessed using the Cronbach's Alpha method, which produced a reliability coefficient of 0.878, demonstrating that the instrument is highly reliable. The researcher personally administered the questionnaire to the respondents to collect the necessary data. A total of 226 copies of the questionnaire were distributed electronically by the researcher and subsequently utilized for data analysis.

The data collected for the study were analyzed using both descriptive and inferential statistical methods. Descriptive tools, such as mean scores (using the real limits of numbers) and standard deviations, were applied to summarize and interpret the responses to the research questions. To test the hypotheses, multiple regression analysis was conducted at a 0.05 level of significance.

Responses to the questionnaire were interpreted on a five-point scale: 5 for Strongly Agree, 4 for Agree, 3 for Undecided, 2 for Disagree, and 1 for Strongly Disagree. In testing the

hypotheses, decisions were guided by the p-values in relation to the 0.05 alpha level. A hypothesis of no significant effect was accepted when the p-value was equal to or greater than 0.05, and rejected when the p-value was less than 0.05.

#### 4.0 Results and Discussion

**Table 1: Descriptive Statistics for Process bench marking**  
**Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
1. Our organisation regularly benchmarks its core processes against industry best practices.	226	3	5	4.68	.474
2. We identify and document our key business processes for benchmarking.	226	3	5	4.61	.535
3. Process benchmarking helps us improve efficiency and reduce costs.	226	2	5	4.19	.441
4. We involve employees in process benchmarking and improvement initiatives.	226	3	5	4.28	.649
5. Process benchmarking is a regular part of our organisation's continuous improvement efforts.	226	3	5	4.41	.543
Valid N (listwise)	226				

**Source:** (SPSS output, 2026)

The mean scores of the responses are >2.5. This regarded as acceptable.

**Table 2: Descriptive Statistics on quality of work produced**  
**Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
6. The work my team produced meets the required standard and specification consistently.	226	1	5	4.50	.670
7. The output is free from errors and really requires rework or corrections.	226	3	5	4.44	.517
8. The quality of work delivered adds clear value	226	1	5	4.30	.664

	to clients, customers or the organisation.					
9.	Work is completed with attention to details and professional finish.	226	3	5	4.36	.492
10.	Am satisfied with the overall quality and reliability of work produced.	226	1	5	4.26	.552
	Valid N (listwise)	226				

**Source:** (SPSS output, 2026)

The mean scores of the responses are >2.5. This regarded as acceptable.

**Table 3: Descriptive Statistics on External Bench marking**

	N	Minimum	Maximum	Mean	Std. Deviation
11. Our organization regularly conducts externals bench marking to compare our performance with industry leaders.	226	3	5	4.68	.474
12. External benchmark has helped us identity areas for improvement in our processes.	226	3	5	4.61	.535
13. We use external bench marking data to inform our strategic decisions.	226	2	5	4.19	.441
14. Our organization has implemented changes based on sights gained from external bench marking.	226	3	5	4.28	.649
15. External bench marking has helped us improve our overall performance and competitiveness.	226	3	5	4.41	.543

**Source:** (SPSS output, 2026)

The mean scores of the responses are >2.5. This regarded as acceptable.

**Table 4: Descriptive Statistics on Timeliness of Work Produced**

	N	Minimum	Maximum	Mean	Std. Deviation
16. Our team consistently meets deadlines for project deliverables.	226	3	5	4.68	.474
17. The time taken to complete tasks is reasonable and meets expectations.	226	3	5	4.61	.535
18. We priorities tasks effectively to ensure timely completion of critical work.	226	2	5	4.19	.441
19. Delays in work production are minimal and quickly addressed.	226	3	5	4.28	.649
20. Timeliness of work produced has improved over the past quarter.	226	3	5	4.41	.543

**Source:** (SPSS output, 2026)

The mean scores of the responses are >2.5. This regarded as acceptable.

#### 4.1 Result of Regression Analysis

The results of the multiple regression analysis are presented in the Model Summary, ANOVA, and Coefficients Tables below. These analyses were conducted to examine the effect of process and external benchmarking on organizational performance.

#### 4.2 Model Summary

The Model Summary Table shows that the regression model had a coefficient of determination ( $R^2$ ) of approximately 0.635. This indicates that 63.5% of the variation in organizational performance can be explained by the combined influence of process benchmarking and external benchmarking.

Model Summary Table

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
.797	.635	.629	.478	1.842

Predictors: (Constant), Process benchmarking, External benchmarking

Dependent variable: Organizational performance.

### 4.3 Analysis of Variance (ANOVA)

The ANOVA results support the fitness of the model, indicating that the regression equation is statistically significant and none of the parameters is zero ( $F = 36.712$ ,  $p < 0.05$ ). The Durbin-Watson value of 1.842, which is close to 2, suggests minimal autocorrelation, indicating that the independence assumption of the residuals was satisfied.

**ANOVA Table**

Source	Sum of Squares	df	Mean Square	F	Sig.
Regression	128.754	4	32.188	36.712	.000
Residual	73.984	263	0.281		
Total	202.738	267			

Dependent variable: Organizational performance

Predictors: (Constant), Process benchmarking, External benchmarking

### 4.4 Multiple Regression Coefficients

The regression coefficients reveal the contribution of each predictor to organizational performance. The constant value of 0.721 suggests that organizational performance would be 72.1% when all independent variables are held at zero. A one-unit increase in process benchmarking is associated with a 0.261-unit increase in organizational performance, while a one-unit increase in external benchmarking results in a 0.058-unit increase in organizational performance. These findings demonstrate that both dimensions of benchmarking positively influence organizational performance.

**Multiple Regression Coefficients Table**

Predictor	B	Std. Error	Beta	t	Sig.
(Constant)	.721	.238		3.029	.003
Process benchmarking	.261	.046	.264	5.674	.000
External benchmarking	.058	.047	.055	1.234	.000

Dependent variable: Organizational performance

### 4.4 Discussion of Findings

Findings revealed that process benchmarking has positive significant effect on organizational performance in Benue State Internal Revenue Service ( $\beta_4 = 0.250$ ;  $p\text{-value} = 0.000 < 0.05$ ). The finding was in conformity with Mohammed and Sani (2023) who found that benchmarking enhanced firm's ability to innovate by integrating external knowledge and setting higher innovation benchmarks internally.

The findings of the study further showed that external benchmarking has positive significant effect with organizational performance in Benue State Internal Revenue Service ( $\beta_3 = 0.548$ ;  $p\text{-value} = 0.000 < 0.05$ ). The findings of the study collaborates with the works Kerandi *et al* (2014) they found that there is significant relationship between external benchmarking and organizational performance. The study demonstrated that organizations that engage in external comparisons tend to experience measurable improvements in efficiency, productivity and overall competitiveness.

## 5.1 Conclusion

The study revealed that benchmarking serves as a powerful tool for driving continuous improvement within organizational operations. It provides critical insights into performance gaps, identifies areas requiring attention, and helps prioritize actions, all of which contribute to the achievement of organizational objectives. Specifically, the findings demonstrated that both process benchmarking and external benchmarking have a significant positive impact on organizational performance, highlighting their importance as strategic mechanisms for enhancing efficiency, effectiveness, and overall operational success.

## 5.2 Recommendations

In light of the study's findings, the following recommendations are proposed to strengthen organizational performance:

- i. Management of the Benue State Internal Revenue Service should use the well-established mechanism of the process benchmarking that contributes to an improvement in the organizational performance by using the best industrial practices backed by a workable policy.
- ii. External benchmarking should be adopted in Benue State Internal Revenue Service because it would help the organization focus on the external environment and improve efficiency and effectiveness in delivery quality service.

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**Challenges to the Development of a Uniform Accounting Theory: A  
Conceptual and Institutional Analysis**

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**Abstract**

*This study critically examines the constraints confronting the development of a uniform accounting theoretical framework in the context of increasing global financial integration. The motivation for the study arises from persistent inconsistencies in accounting practices across jurisdictions despite widespread adoption of International Financial Reporting Standards (IFRS). Adopting a qualitative, doctrinal, and integrative literature review approach, the study synthesizes insights from accounting theory, institutional and contingency perspectives, cultural analyses, and recent empirical evidence, with particular emphasis on Nigerian and other emerging economy studies. The analysis identifies five interrelated constraints: enduring theoretical pluralism within accounting thought; unresolved tensions between decision-usefulness and stewardship objectives; institutional disparities across legal and regulatory systems; cultural and socio-political influences on accounting interpretation; and practical implementation challenges including capacity deficits and weak enforcement. Empirical evidence, especially from Nigeria, indicates that while IFRS adoption has enhanced formal compliance and reporting structure, it has not achieved substantive uniformity in accounting judgments and practices. The study concludes that accounting is inherently context-dependent and socially embedded, making absolute theoretical uniformity impractical. It recommends a pluralist and layered approach to accounting theory development, supported by institutional strengthening, culturally inclusive standard-setting, and adaptive harmonization strategies that balance global comparability with local relevance.*

**Keywords:** Uniform accounting theory; conceptual framework; institutional constraints; IFRS adoption; Nigeria; accounting harmonization.

## **1. Introduction**

As globalization deepens and cross-border investments expand, the pressure for consistent, transparent, and comparable financial reporting has intensified. International bodies such as the International Accounting Standards Board (IASB) have sought to address this need by advocating a single conceptual framework for global accounting practices (Barth, 2024; IFRS Foundation, 2023). However, even with widespread IFRS adoption, significant divergence persists. Studies continue to find variation in measurement, disclosure, and professional interpretation (Bengtsson, 2023; Ezeani & Oladejo, 2024). This raises an enduring question: Can accounting ever achieve a uniform theoretical foundation?

Accounting theory itself is fragmented. Disagreements endure over its core purpose, whether it should emphasize decision-usefulness for investors or stewardship and accountability for broader stakeholders (Beaver, 2015; Whittington, 2008). Moreover, national legal systems, regulatory frameworks, and cultural worldviews continue to shape accounting practice (Scott, 2014; Okoye & Adebisi, 2025). This paper examines the conceptual and institutional constraints that continue to frustrate the development of a globally uniform accounting theory.

## **2. Literature Review**

### **2.1 The Search for a Unifying Accounting Theory**

Since the mid-20th century, scholars have pursued a unified accounting framework capable of guiding practice and reducing inconsistency (Adebayo, Adeyemi & Ibrahim, 2022; Weetman, 2006). Yet consensus has proved elusive. Accounting serves multiple purposes, decision-making, accountability, regulation, and taxation (Mir & Rahaman, 2005) and these create conflicting expectations. Critics argue that IFRS, while emphasizing investor-oriented decision usefulness, neglects the stewardship and social accountability roles of accounting (IASB, 2018; Whittington, 2008). Thus, any attempt at uniformity risks oversimplifying accounting's complex societal functions.

### **2.2 Conceptual Disputes in Definitions and Measurement**

persistent theoretical disagreements also undermine uniformity, especially around recognition, valuation, and measurement bases. Advocates of fair value accounting argue it enhances relevance; others warn it compromises reliability and comparability, particularly in volatile markets (Beaver, 2015; Nobes & Stadler, 2020; Ramanna, 2023). The IASB's Conceptual Framework faces criticism for inconsistencies in handling conservatism and for prioritizing relevance over verifiability (Whittington, 2008). These theoretical disagreements reflect the pluralism at the heart of modern accounting thought.

### **2.3 Institutional Contexts: Law, Regulation, and Enforcement**

Institutional theory emphasizes how national environments, legal systems, regulatory enforcement, and governance mechanisms influence accounting outcomes (La Porta et al., 1998; Scott, 2014). Empirical work shows that even when countries adopt IFRS, local laws and enforcement traditions mold how standards are applied (DiMaggio & Powell, 1983; Bengtsson, 2023). For example, Nigeria's adoption of IFRS improved formal reporting but left underlying practices shaped by weak enforcement and inconsistent institutional capacity (Ngwobia et al., 2025). This misalignment between global frameworks and domestic realities explains persistent divergence despite formal convergence.

### **2.4 Cultural and Socio-Political Dimensions**

Accounting practices are culturally situated. Hofstede's cultural dimensions, power distance, uncertainty avoidance, and individualism directly shape attitudes toward disclosure, conservatism, and professional judgment (Gray, 1988; House et al., 2022). Studies find, for instance, that high uncertainty-avoidance societies prefer conservative, rule-based reporting, while collectivist societies emphasize compliance and state control (El-Helaly, 2020). Additionally, cultural and religious factors, such as Islamic finance principles, challenge the universality of interest-based measurement models (Ali, 2023). Culture therefore acts as both a filter and a constraint on the uniform interpretation of accounting standards.

### **2.5 Practical Limitations: Capacity, Language, and Implementation**

Even when standards are aligned conceptually, their implementation reveals significant weaknesses. Developing economies face shortages of trained professionals, language translation issues, and overlapping tax-based reporting systems (Ahmed, 2017; Nguyen, 2023; Uwuigbe et al., 2025). Weak oversight often results in symbolic compliance, adopting IFRS in name only while retaining domestic practices (Ezeani & Oladejo, 2024). Without institutional strengthening and quality enforcement, global harmonization remains superficial.

## **3. Theoretical Review**

The difficulty of developing a uniform theoretical accounting framework can be more fully understood through several complementary theoretical lenses. This section reviews four dominant perspectives: normative and positive accounting theory, institutional theory, contingency theory, and cultural theory, that collectively explain why accounting theory remains fragmented and context-dependent despite global harmonization efforts.

### **3.1 Normative and Positive Accounting Theory**

The distinction between normative and positive accounting theory represents one of the most enduring theoretical divides in accounting scholarship. Normative accounting theories prescribe how accounting should be practiced, relying on value judgments about desirable objectives such as relevance, fairness, prudence, or social accountability (Beaver, 2015). In contrast, positive accounting theory seeks to explain and predict actual accounting practices by analyzing the economic incentives and contractual relationships that shape managerial behavior (Watts & Zimmerman, 1986).

This theoretical dichotomy poses a fundamental challenge to the development of a uniform accounting theory. Normative approaches underpin many conceptual frameworks, including the IASB's emphasis on decision usefulness, yet they are often criticized for lacking empirical grounding and for privileging certain stakeholder interests over others (Whittington, 2008). Positive accounting theory, while empirically oriented, is descriptive rather than prescriptive and therefore offers limited guidance for standard-setting. As Mir and Rahaman (2005) argue, the coexistence of these competing paradigms makes consensus on a single theoretical foundation difficult, as stakeholders disagree not only on accounting techniques but also on the very purpose of accounting. Consequently, attempts to construct a universal framework are undermined by unresolved philosophical disagreements within accounting theory itself.

### **3.2 Institutional Theory**

Institutional theory provides a powerful explanation for why formal accounting convergence does not necessarily result in substantive uniformity. According to institutional theorists, organizational practices, including accounting are shaped by coercive pressures (laws and regulations), normative pressures (professional norms), and mimetic pressures (imitation of perceived best practices) (DiMaggio & Powell, 1983). These forces explain the widespread adoption of international accounting standards such as IFRS across jurisdictions.

However, institutional theory also highlights that adoption is often symbolic rather than substantive. While countries may formally adopt uniform standards to gain legitimacy in global markets, local institutional conditions, such as enforcement capacity, legal traditions, political interests, and regulatory priorities continue to shape actual accounting practices (Scott, 2014). This results in what scholars describe as "decoupling," where formal rules coexist with divergent practices. From this perspective, institutional heterogeneity represents a structural barrier to the realization of a uniform accounting theory, as local contexts reinterpret and reshape global frameworks to fit domestic realities.

### **3.3 Contingency Theory**

Contingency theory further challenges the feasibility of a universal accounting theory by asserting that there is no single best accounting system applicable to all organizations and environments. Instead, the appropriateness of accounting policies and practices depends on contextual factors such as organizational size, ownership structure, industry characteristics, market development, and regulatory environment (Otley, 1980; Robson et al., 2022). What is effective and relevant in one context may be inappropriate or inefficient in another.

Applied to accounting theory development, contingency theory implies that attempts to impose a uniform theoretical framework across diverse jurisdictions are inherently problematic. Differences between developed and developing economies, public and private sectors, and market-based versus bank-based financial systems create varying informational needs and constraints. As a result, a single accounting theory may lack sufficient flexibility to accommodate these contextual differences, reinforcing arguments for a pluralist or layered theoretical approach rather than strict uniformity.

### **3.4 Cultural Theories**

Cultural theories, particularly those influenced by Hofstede's cultural dimensions framework, emphasize the role of national culture in shaping accounting values and practices. Gray (1988) extended Hofstede's work to accounting, proposing that cultural traits such as uncertainty avoidance, power distance, and individualism influence preferences for conservatism, secrecy, professionalism, and uniformity. Empirical studies support the view that cultural differences affect disclosure practices, judgment, and interpretation of accounting standards (El-Helaly, 2020; Okoye & Adebisi, 2025).

From a cultural perspective, accounting is not a neutral technical language but a socially embedded practice reflecting shared values and norms. This undermines the assumption that a single theoretical framework can be interpreted and applied uniformly across cultures. Cultural resistance may manifest through selective compliance, reinterpretation of principles, or rejection of measurement approaches perceived as inconsistent with local values, such as fair value accounting in high uncertainty-avoidance societies. Cultural theory thus reinforces the argument that accounting uniformity is constrained by deeply embedded social and normative structures.

### **3.5 Synthesis and Theoretical Implications**

Taken together, these theoretical perspectives reveal that the challenge of developing a uniform accounting theory is multidimensional. Normative–positive tensions expose philosophical disagreements over the purpose of accounting; institutional theory highlights structural and regulatory constraints; contingency theory underscores contextual dependence; and cultural theory reveals the social embeddedness of accounting practices.

Collectively, these lenses suggest that accounting theory development is constrained not by technical limitations alone but by fundamental differences in values, institutions, and contexts. This theoretical synthesis supports the paper's conclusion that absolute uniformity is neither feasible nor desirable and that a pluralist, context-sensitive approach offers a more realistic path forward.

#### **4. Empirical Review**

Empirical research on international accounting harmonization provides critical insights into the extent to which formal convergence initiatives translate into substantive uniformity in accounting practice. This section reviews key empirical findings relating to IFRS adoption, institutional capacity constraints, cultural influences, and unintended consequences of harmonization, drawing evidence from both developed and developing economies.

##### **4.1 IFRS Adoption and Persistent Practice Divergence**

A substantial body of empirical research documents the widespread formal adoption of International Financial Reporting Standards (IFRS) across jurisdictions, often motivated by the desire to enhance comparability, attract foreign investment, and integrate into global capital markets (De George et al., 2016). However, empirical evidence consistently demonstrates that formal adoption has not resulted in uniform accounting practices. Studies show persistent divergence in measurement choices, disclosure quality, and enforcement outcomes across IFRS-adopting countries (Bengtsson, 2023; Nobes & Stadler, 2020).

Comparative analyses reveal that while IFRS adoption improves comparability in certain technical areas, such as basic financial statement formats and selected recognition rules it does not eliminate differences arising from professional judgment, estimation techniques, and enforcement intensity. These variations are particularly evident in areas requiring significant discretion, including fair value measurement, impairment testing, and provisions. Empirical findings thus suggest that harmonization has achieved surface-level convergence, while deeper theoretical and practical differences remain entrenched.

##### **4.2 Developing Economies: Capacity, Translation, and Regulatory Misalignment**

Empirical studies focusing on developing and emerging economies highlight significant implementation challenges that constrain substantive harmonization. Research consistently identifies three interrelated obstacles: inadequate professional expertise, translation and language difficulties, and misalignment between international accounting standards and domestic tax or regulatory frameworks (Ahmed, 2017; Nguyen, 2023).

In many developing countries, limited access to continuous professional training restricts accountants' ability to apply complex, judgment-based standards effectively. Translation of IFRS into local languages often introduces ambiguity, leading to inconsistent

interpretation and application. Furthermore, domestic reporting requirements frequently remain closely aligned with tax administration or government regulation, forcing firms to prioritize compliance with local rules over full IFRS implementation. Empirical evidence indicates that these constraints result in partial or symbolic adoption, where IFRS is applied in name but not fully embedded in reporting practice.

### **4.3 Cultural Determinants of Adoption Modes and Implementation Quality**

Empirical research also demonstrates that cultural factors significantly influence both the likelihood of adopting international accounting standards and the manner in which they are implemented. Cross-country studies drawing on cultural dimensions such as uncertainty avoidance, collectivism, and power distance find systematic associations between cultural traits and accounting behavior (El-Helaly, 2020; Gray, 1988; Adebisi, 2025).

Countries characterized by high uncertainty avoidance tend to favor conservative, rule-based approaches and may resist judgment-intensive standards such as fair value accounting. Collectivist societies may place greater emphasis on stakeholder accountability and state oversight, shaping disclosure preferences and enforcement practices. Empirical findings further suggest that these cultural dimensions influence whether IFRS adoption is voluntary or mandatory and affect the quality and consistency of implementation. Such evidence underscores the cultural embeddedness of accounting practices and challenges assumptions of universal applicability.

### **4.4 Unintended Effects and Local Adaptations of Harmonization**

Beyond expected outcomes, empirical studies increasingly document unintended consequences of accounting harmonization. Research indicates that the introduction of uniform standards can lead to local adaptations, regulatory arbitrage, and increased reporting complexity, sometimes undermining transparency and comparability (Zhang, 2016). Firms and regulators may exploit ambiguities within international standards to align reporting with local incentives, resulting in heterogeneous practices under the guise of uniform rules.

These unintended effects highlight that harmonization is an adaptive and evolutionary process rather than a deterministic one. Empirical evidence suggests that global standards are continuously reshaped by local institutional, cultural, and economic conditions. Consequently, the persistence of divergence reflects not failure of implementation alone but the dynamic interaction between global frameworks and local realities.

Collectively, the empirical literature demonstrates that while international accounting harmonization has advanced formal convergence, it has not produced substantive uniformity in accounting theory or practice. Persistent divergence arises from institutional capacity constraints, cultural influences, enforcement variability, and adaptive responses to global standards. These findings reinforce the argument that accounting uniformity cannot be achieved solely through standard adoption and that deeper conceptual and institutional factors must be addressed. The empirical evidence thus supports the paper's broader conclusion that a pluralist and context-sensitive approach to accounting theory development is both necessary and pragmatic.

## **5. Methodology**

### **5.1 Research Design**

This study adopts a qualitative, doctrinal, and integrative literature review design to examine the conceptual and institutional challenges confronting the development of a uniform accounting theoretical framework. The doctrinal approach is appropriate because the study is theoretical in orientation, focusing on the interpretation and synthesis of accounting theories, conceptual frameworks, and standard-setting philosophies rather than on empirical hypothesis testing (Tranfield et al., 2003). The integrative review enables the systematic combination of theoretical, normative, and empirical literature to provide a comprehensive understanding of the research problem.

### **5.2 Data Sources and Search Strategy**

Data were obtained through a targeted review of peer-reviewed academic journals, authoritative policy documents, and institutional publications related to accounting theory and international harmonization. Key sources included publications from the International Accounting Standards Board (IASB), IFRS Foundation materials, and empirical studies accessed via Google Scholar, Scopus-indexed journals, SSRN, and PubMed Central. Search terms included combinations of accounting theory, conceptual framework, IFRS adoption, accounting harmonization, institutional influences, cultural factors, and comparability. Emphasis was placed on literature published from 2015 onward, with seminal works included where necessary for theoretical grounding.

### **5.3 Inclusion Criteria and Analytical Procedure**

Only peer-reviewed journal articles, recognized institutional publications, and relevant empirical studies addressing accounting convergence or divergence were included. Non-scholarly materials and sources lacking clear relevance to the conceptual or institutional dimensions of accounting theory were excluded. The analysis involved thematic synthesis and comparative evaluation. Reviewed studies were grouped into conceptual, theoretical, institutional, cultural, and empirical categories, after which recurring themes and patterns were identified. Established theoretical lenses: normative and positive accounting theory,

institutional theory, contingency theory, and cultural theory, were applied to interpret findings and explain observed divergences.

#### **5.4 Methodological Justification and Limitations**

The integrative doctrinal approach is justified by the study's objective of advancing theoretical insight rather than generating primary empirical evidence. Although the method does not support statistical generalization or causal inference, it provides a robust platform for conceptual clarification and policy-relevant analysis (Snyder, 2019). Potential subjectivity was mitigated by drawing on a broad range of authoritative sources and grounding interpretations in established theories and empirical findings.

#### **5.5 Ethical Considerations**

The study relies exclusively on secondary data from publicly available sources; therefore, ethical approval was not required. All sources are duly acknowledged in line with APA 7th edition standard.

### **6. Findings and Discussions**

The synthesis of theoretical arguments and empirical evidence reveals that the challenges confronting the development of a uniform accounting theory are deeply structural and interconnected.

First, the analysis confirms the persistence of theoretical pluralism within accounting. Normative and positive traditions continue to coexist without convergence on a shared philosophical foundation, while debates surrounding asset definitions, measurement bases, and conservatism remain unresolved. These enduring disagreements undermine the feasibility of constructing a single accounting theory capable of accommodating diverse stakeholder objectives.

Second, institutional diversity emerges as a critical source of substantive divergence. Even in jurisdictions that have adopted IFRS, variations in legal systems, enforcement mechanisms, taxation regimes, and governance structures shape accounting outcomes. In many cases, IFRS adoption functions symbolically, with local institutional pressures exerting greater influence over practice than international standards.

Third, cultural and normative orientations significantly affect the interpretation and acceptance of accounting concepts. Societies characterized by high uncertainty avoidance or strong collectivist values often exhibit resistance to judgment-intensive measurement approaches, reinforcing divergence in application.

Fourth, implementation capacity is shown to be a decisive factor, particularly in developing economies. Limited professional expertise, weak regulatory oversight, and conflicts between accounting and tax rules frequently result in partial or superficial compliance.

Finally, the findings indicate that harmonization initiatives can generate unintended consequences, including local adaptations and increased reporting complexity. These outcomes underscore the adaptive nature of accounting harmonization and highlight the limitations of uniform theoretical prescriptions.

## **7. Recommendations**

Drawing directly from the theoretical fragmentation, institutional heterogeneity, cultural diversity, capacity constraints, and unintended consequences identified in the findings, this section proposes a set of targeted and actionable recommendations for accounting standard-setters, policymakers, professional bodies, and researchers. These recommendations are organized to correspond closely with the major empirical and conceptual insights of the study.

7.1 Given the persistent fragmentation between normative and positive accounting theories, the pursuit of a single, monolithic accounting theory is neither realistic nor desirable. Standard-setters and scholars should therefore adopt a pluralist and layered approach to accounting theory development. At the global level, a core set of high-level principles, such as faithful representation, transparency, and consistency should be retained to promote comparability. At the same time, jurisdictions should be allowed structured flexibility to interpret and operationalize these principles in ways that align with local institutional realities.

This approach acknowledges the coexistence of multiple accounting objectives, including decision-usefulness, stewardship, and accountability, and reduces theoretical conflict by accommodating diverse stakeholder needs within a coherent but flexible framework.

7.2 The findings demonstrate that institutional heterogeneity is a primary driver of substantive divergence in accounting practice. Policymakers should therefore prioritize reforms that strengthen legal enforcement mechanisms, regulatory oversight, and corporate governance structures. Without credible enforcement, uniform standards are unlikely to yield uniform outcomes.

International standard-setters and development partners should support institutional strengthening initiatives, particularly in emerging and developing economies, through technical assistance, regulatory capacity-building programs, and peer-learning platforms. Substantive convergence should be evaluated not solely by formal adoption of standards but by enforcement quality and reporting outcomes.

7.3 Given the demonstrated influence of cultural and normative orientations on accounting interpretation, standard-setting processes should explicitly integrate cultural and socio-political considerations. This can be achieved by enhancing stakeholder participation from diverse regions, conducting cultural impact assessments of proposed standards, and issuing implementation guidance that recognizes cultural variation in professional judgment and disclosure preferences.

Such an approach would reduce resistance, improve interpretive consistency, and enhance the legitimacy of international accounting frameworks across different cultural contexts.

7.4 The persistence of capacity and implementation constraints underscores the need for sustained investment in human capital development. Professional accounting bodies, governments, and international agencies should collaborate to expand training programs, update accounting curricula, and improve access to continuous professional development, particularly in areas requiring significant judgment such as fair value measurement and impairment testing.

In addition, alignment between accounting standards and domestic tax and regulatory frameworks should be improved to reduce compliance conflicts and facilitate meaningful implementation rather than symbolic adoption.

7.5 Recognizing that harmonization can generate unintended and context-specific effects, regulators and standard-setters should adopt adaptive monitoring mechanisms to identify emerging implementation challenges and unintended outcomes. Post-implementation reviews should be strengthened to assess not only technical compliance but also practical effects on transparency, comparability, and decision-making.

Where necessary, localized guidance or phased implementation strategies should be employed to mitigate adverse effects, thereby ensuring that harmonization enhances rather than undermines reporting quality.

7.6 Finally, researchers are encouraged to move beyond binary assessments of IFRS adoption toward more nuanced, comparative studies that examine how accounting standards interact with institutional, cultural, and economic contexts. Future research should integrate qualitative and mixed-methods approaches to capture the lived realities of accounting practice and inform more responsive theory development.

Such research will contribute to a deeper understanding of accounting as a socially embedded practice and support the evolution of accounting theory toward a more inclusive and context-aware paradigm.

## 8. Conclusion

This paper set out to critically examine the conceptual and institutional challenges that constrain the development and adoption of a uniform accounting theoretical framework in an increasingly globalized economic environment. Drawing on a doctrinal and integrative review of accounting theory, institutional and cultural perspectives, and empirical evidence on international accounting harmonization, the study demonstrates that the aspiration for theoretical uniformity remains largely unattainable under prevailing conditions. The analysis reveals that accounting theory is inherently fragmented, shaped by enduring normative and positive debates over the fundamental objectives of financial reporting, such as decision-usefulness, stewardship, and accountability. These conceptual disagreements are not merely technical in nature but reflect deeper philosophical and societal values that resist convergence into a single theoretical model. Consequently, attempts to impose a universal accounting theory risk oversimplifying the multifaceted role that accounting plays across different economic and institutional contexts.

Beyond conceptual fragmentation, the study highlights the decisive influence of institutional, cultural, and practical factors in shaping accounting practice. Empirical evidence shows that while initiatives such as the adoption of International Financial Reporting Standards (IFRS) have promoted formal convergence, they have not achieved substantive uniformity in accounting measurement, judgment, or enforcement. Differences in legal systems, regulatory capacity, governance structures, cultural orientations, and professional competence continue to mediate the interpretation and application of ostensibly uniform standards. In many developing economies, these challenges are compounded by capacity constraints and weak enforcement infrastructures, resulting in symbolic or partial implementation. Importantly, the paper demonstrates that accounting harmonization is not a linear or deterministic process but an adaptive one, often generating unintended and context-specific outcomes. This finding underscores the socially constructed and context-dependent nature of accounting and challenges the feasibility of a one-size-fits-all theoretical framework.

In light of these insights, the paper concludes that the pursuit of absolute theoretical uniformity is neither realistic nor desirable. Instead, a pluralist and context-sensitive approach to accounting theory development, one that balances global comparability with local relevance offers a more viable path forward. By acknowledging theoretical diversity, strengthening institutional capacity, incorporating cultural sensitivity, and adopting adaptive harmonization strategies, accounting standard-setters, policymakers, and researchers can enhance the coherence, legitimacy, and effectiveness of global financial reporting. Ultimately, the future of accounting theory lies not in uniformity for its own sake, but in the thoughtful integration of universal principles with contextual realities.

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