

# The Impact of Budgeting on Business Growth in Nigeria Breweries NIG. PLC

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***Abstract- The purpose of this study is to investigate the low growth of individual operators in the Breweries Industry in Nigeria. Using an ex-post research design and multiple regression test statistics, data from Nigerian Breweries PLC was collected. The study analyzes with the aid of SPSS the impact of budgeting on business growth of Nigeria breweries PLC, and it shows that budgeting has a strong positive relationship with the company Retained Earnings (RE) and at same time, significantly correlated human resource recruitment in form of Employee Size (ES) for their success. The study answers the question to the correlation between budgeting and business growth in areas of RE and ES. From finding the following was also recommended; that further study should be conducted to determine the contributing factors to business Profit-After-Tax (PAT), effective and efficient budgeting, flexible enough should be planned and implemented to the later to have a better retained earnings at close of business year as this will lead to better re-investment by shareholders. Finally, paying good attention to talent recruitment especially during budgeting should be given priority to ensure only merited talents are brought into the business.***

## I. INTRODUCTION

Business growth is a pivotal objective in the pursuit of development, and business owners deploy various strategies, with budgeting at the forefront, to ensure tangible progress in areas such as finances, organizational structure, and strategic positioning. Consequently, the importance of actions taken to attain business growth targets cannot be overstated. The integration of growth into business planning, particularly through budgeting, significantly enhances the likelihood of its realization. Budgeting stands as an indispensable tool for achieving business expansion and overall success. A budget serves as a guiding document, providing an organization with a

comprehensive framework to manage its financial resources, prioritize expenditures, and strategically allocate resources, all aimed at achieving organizational goals and objectives. One of the primary advantages of budgeting lies in its ability to facilitate effective planning. By establishing financial goals and aligning resource allocation accordingly, budgeting empowers businesses to chart their growth trajectory with confidence. Furthermore, a well-structured budget not only in stills certainty but also establishes a decision-making framework that ensures the efficient and effective utilization of resources. This, in turn, enables businesses to seize opportunities for expanding operations and embarking on new initiatives with conviction. Despites the critical role of budgeting in the business world, judging from the fact that it is used as tools for managing finance and resources in today's business environment, organizations are still confronted with several challenges in the implementation and use of budget effectively, and this seems to be the deviating line between successful and unsuccessful business owners or managers which cut across countries, continent and the world at large. Various authors [11] have identified some factors such as uncertainty and volatility of business environment, typically characteristic of 21<sup>st</sup> century competitive world, where entrepreneurs experience constant rapid change, making it difficult to predict revenue and expenses accurately. The lack of flexibility in budgeting since it is most-times rigid/static document that are developed at the start of fiscal year or planning period has become an issue of note. Succeeding in today's dynamic business world will entail quick adaption to these changes in business landscape. Another challenge budgeting is posing in businesses is the factor of resistance to change, that is the lack of buy-in and full cooperation from all stakeholders in an organization. This sometimes includes employees who are used to operating in a more informal manner, especially the ad-hoc workers. While adding to the above listed of supposed issues

surrounding budgeting, it should be pointed out that budgeting in same manner have posed some challenges to manager or other users of budgets such as; development and management of a time-consuming and resource-intensive phenomenon, budgeting most time is characterized by inaccurate or incomplete data, since it strongly relies on the available data, and to say the least, the factor of silo decision-making as experienced by most organizations, especially those that see budgeting as a separate function from other areas of decision-making [13]. Despite the fact that businesses prepare cash budget to ensure flow of cash for transactions through the period of business cycle, the oversight of not implementing this budget has always resulted into liquidity challenge and insolvency. The negative effect is the non-availability of cash to afford materials for continuous production, leading to reduced production, leading to underutilization of resources. By implication, output will be poor, hardly breaking even, and a reduction in profit as fixed costs cannot be varied over time. Needless, saying that since profit cannot be sustained, to achieve the objective of maximizing shareholders wealth through dividend paid, this usually ends in crisis between the managers of the company and shareholders. Hence, disregard for budgeting in operating business could be said to have a consequence and possibly be the major cause in business insolvency and liquidation. Given the aforementioned background, this study has become imperative - in evaluating the role of budgeting in the long and successful performance of Nigerian Breweries Plc, for the past years that the company has maintained growth in one form or the other, as the pioneer and largest brewing company in Nigeria. Incorporated in 1946, it has served the Nigerian market and exports to other parts of West Africa. Its first bottle of beer, 'Star Lager' rolled off the bottling lines of its Lagos brewery in June 1949. The brewery commissioned other breweries including Aba Brewery in 1957, Kaduna Brewery in 1963, and Ibadan Brewery in 1982. In September 1993, the company acquired its fifth brewery in Enugu, and in October 2003, its sixth brewery, sited at Ameke in Enugu. Ama Brewery began brewing on 22 March 2003 and at a capacity of 3 million hectoliters, it is the largest brewery in Nigeria. Operations at Enugu brewery where discontinued in 2004, while the company acquired a malting Plant in Aba in 2008[14].

In October 2011, Nigerian Breweries Plc acquired majority equity interests in Sona Systems Associates Business Management Limited, (Sona Systems) and Life Breweries Limited from Heineken N.V. This followed Heineken's acquisition of controlling interests in five breweries in Nigeria from Sona Group in January 2011[14]. In November 2015, Nigerian Breweries (NB) Plc launched the international brand Strongbow cider which makes it the first in Nigeria to produce and bottle the cider category beverage. Nigeria Breweries Plc now has ten operational breweries from which its products are distributed to all parts of Nigerian, in addition to the malting plants in Aba and Kaduna[14]. NB Plc also supports operations in Champion Breweries, Uyo. They also own brands like Heineken, Star Lager, Climax Energy Drink, Gulder, Goldberg, 33 Export, Legend Extra Stout, Amstel Malta, Maltina, Malta Gold, Maltex, Hi Malt, Strongbow Apple Ciders, and Fayrouz [25]

#### 1.1 STATEMENT OF THE PROBLEM

Budgeting, just like any other concept, comes with its pros and cons and this most times goes beyond the managers of the business, especially when it comes to financial performance. This reason among others, compels the management of firms to ensure effective and efficient forecasting since vague generalizations or assumptions about what the future may hold for the organization are not scientific enough for assembling estimated figures in the name of a budget. Therefore, management of organizations must put predictions into definite and concrete forecasts, to achieve this. Since budgeting has been considered as a motivator to managers and employees alike, it provides useful yardsticks for evaluating key performance indicators, provide useful information for superiors to evaluate firm performance and inform financial allocation strategies across the various components of a firm. [5]

Over the years, Nigerian Breweries Plc has undertaken various approaches aimed at improving its budgeting process with the objectives of imposing greater fiscal discipline on management agencies. Today, the company boasts of having a strong detailed and well laid budgeting legal process which the top executives use as a tool to allocate revenue resources [2]. Arguably, many have assumed that budgeting is the success factor behind their long-standing survival, annual declaration of profit and ultimately the structural and financial growth experienced by Nigeria Breweries Plc within and outside of the country. There are dearth of studies linking budgeting and business growth. However, the depth of the impact of

budgeting on business growth in Nigerian Breweries Plc is yet to be fully ascertained or investigated. It is based on this supposedly scanty literature on the relationship between budgeting and business growth that the problem of this study is premised.

H0<sub>2</sub>:

The main objective of this study is therefore to ascertain if NBP regular positive result of Profit-After-Tax (PAT), robust Retained Earnings (RE) and continuous good Employee size (ES) has anything to do with their annual budgeting, be it a long-term/short-run organization growth, especially, to ensure that other manufacturing companies can take a cue either to survive or grow, and for Nigerians to possibly witness the birth of new breweries beside NB Plc. This is because, few of such companies such as Jos International Breweries, (JIB) that sprang up in the past could not stand the test of time, thus preventing Nigerians and Nigeria from reaping the benefits of industrialization. Hence the study, to investigate the impact of budgeting on growth of Nigerian Breweries Plc.

## 1.2 RESEARCH QUESTIONS

The following research questions will guide the study:

1. What is the impact of budgeting on Profit After Tax (PAT) of Nigerian Breweries Plc?
2. To what extent does budgeting impact on Employee Size (ES) of Nigerian Breweries Plc?
3. To what extent does budgeting impact on Retained Earnings (RE) Nigerian Breweries Plc?

## 1.3 OBJECTIVES OF THE STUDY

The aim of this study is to investigate the impact of budgeting on growth of Nigerian Breweries Plc. The specific objectives of the study include the following:

1. To determine the impact of budgeting on Profit After Tax of Nigerian Breweries Plc
2. To determine the impact of budgeting on Employee Size of Nigerian Breweries Plc
3. To ascertain the impact of budgeting on Retained Earnings in Nigerian Breweries Plc

## 1.4 HYPOTHESES

The following hypotheses will be tested at 95 percent level of confidence (5 percent level of significance).

There is no significant relationship between Budgeting and Profit-After-Tax (PAT) of Nigerian Breweries Plc.

There is no significant relationship between Budgeting and Employee-Size(ES) in Nigerian Breweries Plc.

There is no significant relationship between Budgeting and Retained Earnings (RE) in Nigerian Breweries Plc.

## 1.5 SIGNIFICANCE OF THE STUDY

### 1.5.1 Practical significance

This study will be significant to operators of breweries or similar manufacturing companies as well as potential entrepreneurs who are considering or making efforts toward entering or joining the business space. Also, businesses, organizations that use budgeting as an important tool for planning and implementation can greatly benefit from this research. Since this study is concerned with determining the correlation between budgeting, Profit after tax, Retained Earnings, and Employee size, (to determine their true positions), it will help businesses in selecting indices that could boost performance and growth.

### 1.5.2 Theoretical significance

The findings from this study will contribute to the existing theories, including those employed herein; Goal Setting theoretical framework and Agency theory, which provides a basis for the development of measures of integrated construct that can be used to predict better budgeting and growth of business. Researchers in the field of budgeting and growth will also benefit from this study as it will help build the knowledge base in the discipline by adding on existing literature. The study will be used as a source of reference, besides suggesting areas where future research may be conducted. The study will add knowledge to existing literature in the area of manufacturing, growth of organizations and determinants of the budgeting system.

### 1.5.3 Policy significance

The study will be imperative to policymakers who are charged with the task of making laws that govern businesses and those intended to improve business growth, and access to findings. It will act as a building block to improve the knowledge of policymaking and as well, and to possibly provide newly discovered

methods for the creation of policies that take into consideration access to budgeting. Subsequent, this will lead to expansion of business in the target population and grow the nation's economy at large. This way, government will achieve its goal of increasing employment opportunities and improving income distribution through fostering entrepreneurship among Nigerians.

#### 1.6 SCOPE AND DELIMITATION OF THE STUDY

The scope of this study will be limited to Nigerian Breweries Plc. The study will focus on the impact of budgeting on growth of Nigerian Breweries Plc. The budget, profit and financial performance records of Nigerian Breweries Plc between 2015 to 2020 will be collected and correlated to determine the relationship between budget, turnover, profit and growth in general.

This research work seeks to examine the influence of budgeting on growth of organizations, particularly, that of Nigeria Breweries Plc (NBPlc). Hence, this research is designed to treat determinants of budgeting as a function of annual operational cost to be the independent variable which predicts growth of business. Consequently, the Goal Setting theory and Agency theory [6] provides the theoretical framework that attempts to explain the relationship between budgeting and growth of business in terms of increase in profit margin (PAT), increase in employment size (ES), and increase in Retained Earnings (RE) as the dependent variables respectively.

This study is concerned with manufacturing companies - particularly the brewing industry of which Nigeria Breweries Plc is most appropriate, considering that it has all the required published data as at the time of this study, chosen between the periods of 2015 to 2021. This period was randomly selected by the researcher, but also influenced by several factors including the global COVID pandemic of 2019/2020.

The study used online published audited statement of accounts of Nigeria Breweries Plc with different brand of products and multiple branches spread across the country. This is because today in Nigeria, the operations and efficiency of businesses tend to preoccupy policy and intellectual debate in the country

[21,22] Moreso, a cross-sectional survey design was adopted where data for the study was collected in the period between January 2015 and January, 2021.

#### 1.7 OPERATIONAL DEFINITION OF TERMS

The following terms are defined in the context in which they are used in the study.

1. Budgeting: This refers to a short-term financial plan that guides business in achieving the objectives of the firm. It contains the proposed amount in reserve operations of the organization and details of how it will be expanded.
2. Growth: This refers to the extent to which a business is achieving its aim and objectives. This may be in the form of profit and expansion of operations.
3. Profit: This is a financial gain, especially in the difference between the amount earned and the amount spent on buying, operating, or producing something.
4. Retained Earnings: The amount of profit a company has, as left over, after paying all its direct costs, indirect costs, income taxes and its dividends to shareholders. It also represents the portion of the company's equity that can be used, for instance, to invest in new equipment, R&D, and marketing.
5. Employee size/Numbers of Employees: The number of employees engaged at the place of business each regular working day during the accounting year.

## II. LITERATURE REVIEW

This section reviews related literature on the impact of budgeting on business growth. The chapter will be discussed under the following sub-headings: conceptual review, conceptual framework, theoretical framework, empirical review and literature gap.

### 2.1 CONCEPT OF BUSINESS GROWTH

Business growth is very important in evaluating a firm and its overall productivity to enhance future value that will be of higher value than the present position [5]

They also explained that this phenomenon has been mainly driven by the legislation as resulting of the need to conserve natural resources and minimize negative impacts, to achieve a balance among

economic efficiency and labour productivity, the use of renewable natural resources and non-renewable to foster social development arising from the organizations' performance.

#### 2.1.1 Stages in Business Growth

Fowawo, (2017) was concerned with the firm's financial growth, so, he concluded that financial growth is achieved when it makes a profit rather than a loss, and when revenue is produced through the sale of enterprise wears or stock or when a service is supplied [9].

### 2.2 CONCEPT OF BUDGET

A precise definition of budget might equally be misleading or one sided. The accountants see budgets from a preparation perspective. Management understands it from implementation aspects, while the behavioral scientists view it from the human implication aspects. As none of these views is entirely irrelevant or encompassing, an attempt is made to combine the salient facts of the views to obtain the best functional definition of budget. The concept of budget, according to [5] is conceived as a formal quantitative expression of management plans. He went further to state that the master budget summarizes the goals of all subunits of an organization's turnover, production, distribution and finance. It quantifies targets for turnover, production, net income and cash position and any other objective that management specifies.

### 2.3 EFFECTS OF BUDGETS ON BUSINESS GROWTH

Budgets support performance management by integrating known financial outcomes with frequent re-forecasting of the budget and linked to analysis of performance trends. A manufacturing firm's financial performance management reporting systems will draw on a number of information sources and reflect the range of stakeholder and departmental perspectives [17]. Budgeting in a business has benefits and consequences that go beyond the organization's management and tilted more toward financial dimension in general, however, key in which growth is maintained [24]. Budgeting forces a firm's management to do better forecasting. Vague generalizations about what the future may hold for the organization are not good enough for assembling a budget.

### 2.4 GOAL THEORY

This theory was propounded by Edwin Locke and Gary Latham, in 1968. The theory stated that the goal of any organization or person can be achieved only when the necessary resources for achieving that goal are available. According to Locke, there are five basic principles that allow goal setting to perform better. These include: clarity, challenge, commitment, feedback, and task complexity [15]

**Clarity:** This refers to a clear and measurable goal that can be achieved within a specific timeline and within the goal setting.

**Challenge:** This refers to the goals being able to achieve decent level of difficulty, motivating the individual and organisation to strive for positive goal achievements.

**Commitment:** This makes individuals or organisations put on deliberate efforts in meeting goals. Furthermore, it helps goals to become more achievable.

**Feedback:** This provides information on the progress towards achieving goals. Individuals and organisations can adjust goal setting according to the feedback.

**Task Complexity:** This makes achieving goals easier by laying down process and steps. Goal setting can be achieved by applying all the principles stringently and ensuring that all goals account for the principles.



Source : <https://www.projectguru.in/publications/goal-setting-theory-performance-management-system/>

Fig. 1: Five Principles of Goal Theory

The goal setting theory underpins this study because it explains the relationship between budgets and business growth. This is evident in the fact that a budget is a way of setting an organization at goals for a specific period. The prime axiom of goals leads to higher performance than when people strive to simply “do their best” [15]. The performance benefits of challenging specific goals have been demonstrated in hundreds of laboratory and field studies [15]. Such goals positively affect the performance of individuals, groups, organization units as well as entire organizations and over periods long as twenty-five years by providing direction and standard organs which progress can be monitored. Challenging goals can enable people to guide and refine their performance, as this has been proven empirically that specifies goal can boost motivation and performance by leading people to focus their attention on specific objectives, increase their effort exclusively to the objective in question. To persist in the face of setbacks and develop new strategies to goal attainment. Through such motivational processes, challenging goals often lead to valuable rewards such as recognition, promotions and /or increase in income from one’s work. Therefore, budgets should be set in a way that staff members see their achievements as

challenging, as simple to achieve budgets have not really motivate staff to achieve.

Even though setting high goals set the bar higher to obtain self-satisfaction, attaining goals creates a heightened sense of efficiency (personal effectiveness) self-satisfaction positive effect and sense of well-being especially when the goals conquered were considered challenging by providing self-satisfaction, positive effect, and sense of well-being especially when the goals conquered were considered challenging. By providing self-satisfaction, achieving goals often also increases organizational commitment, which in turn, positively affects the organizational citizenship behavior, negatively affects turnover and increases the strength of the relationship between difficult goals and performance.

## 2.5 EMPIRICALREVIEW

Several studies have attempted to relate budgets to organizational performance. Below is a review of some of such studies:

Muleri, (2016) conducted a study on the impact of budgeting practices on organizational performances in public corporations in Kenya. The aim of the study was to establish effectiveness of budgeting practices in improving financial performance of public corporations in Kenya [18]. Two research questions and two hypotheses were formulated to guide the study. Descriptive survey research design was adopted in the study, and questionnaire was used to collect data from the respondents. The data collected in the study was analyzed using mean score and Pearson Product Moment Correlation [18]. The findings of the study revealed a significant impact of budgeting on financial performance of public corporations in Kenya, especially in the aspect of production cost analysis, turnover transparency and profit margin. It was therefore recommended in the study that proper budget implementation should be enforced in public organizations. Meleke (2017) did a study on the impact of budget participation on managerial performance via organizational commitment. He conducted a study on the top 50 firms in Turkey. Survey research design was adopted in the study [17]. Three hypotheses were formulated to guide the study. A sample of 150 respondents were drawn from a population of 1520 staff of business firms in Turkey.

A 15-item questionnaire was used to solicit responses from the respondents. Pearson Product Moment Correlation was used to analyze the data collected in the study. The findings of the study revealed a significant impact of budget on managerial performance and organizational commitment [17]. The gap in reviewed study was a contextual gap. The reviewed study was carried in Turkey which is a foreign context. This reviewed study however, will be carried out in Nigerian Breweries Plc Nigeria.

Brownell (2018) conducted a study on the impact of budget implementation on organizational performance in the construction industry in Turkey. Two research questions and two hypotheses were formulated to guide the study. Survey research design and questionnaire were used as instrument for data collection. A sample of 60 respondents were drawn through the simple random sampling technique from a population of 300 business managers. The data collected in the study was analyzed using percentage and chi-square statistics. The results of the study revealed a positive significant impact of budget implementation on organization. The findings of the study further revealed that budget implementation helps to enhance productivity, output and turnover. The gap in the reviewed study was that it was carried out in a foreign context which is the Turkish construction industry while the present study will be carried out in Nigerian Breweries Plc [4].

2.6 CONCEPTUAL FRAMEWORK

This study investigates the impact of budgeting on business growth. The conceptual model for this study, illustrated in figure below, consists of four concepts: (i) Budgeting (B) (ii) Profit After Tax (PAT), (iii) Retained Earnings (RE) and (iv) Employee Size (ES). The model illustrates their relationship.

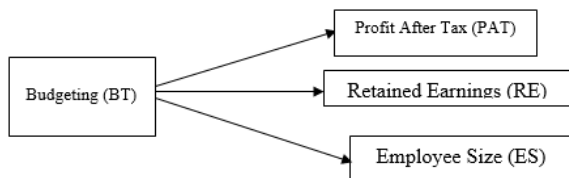


Fig 2: Researcher’s construct, 2023

III. METHODOLOGY

This section presents the method and procedures to be used in conducting the research study. The research design, nature and sources of data, population under investigation, sample and sampling technique, description of variables, model and technique for data for analysis.

3.1 RESEARCH DESIGN

A research design is the sum of the plan that guides the researcher in conducting a study in order to collect evidence that either supports or refute a claim about a phenomenon [20]. The design to be adopted for this research will be the ex-post facto research design and will examine the relationship between budgets and growth in Nigerian Breweries Plc. The design was chosen as a result of the data used, i.e. investigation after the fact has occurred. It aids in finding out cause behind its occurrence by going backwards in history and it gives no room for manipulation of data. The study will be cross-sectional in nature, which means data will be collected all at once from the annual published statements of account of Nigeria Breweries Plc. Within the ambit of the time frame, the researcher adopted a cross sectional analysis of the financial report of Nigerian Breweries Plc quoted on the 1st tier security market; Nigerian Stock Exchange for the period between 2015 – 2021[20].

3.2 SOURCES OF DATA COLLECTION

Quantitative data was applied in this investigation. Osuala (2001), and Fayeye & Ojo (1997) support the use of quantitative data when they posited that when items vary in respect to some measurable characteristics, a quantitative classification is appropriate. Meanwhile, data used for the analysis was secondary data, specifically sourced from the annual financial report of Nigeria Breweries Plc covering the aforementioned periods as published in their website and also available in the NSE reports[7,22].

3.3 POPULATION AND UNIT OF ANALYSIS

The population under investigation is all listed breweries companies (Nigeria Breweries Plc, Guinness Nigeria Plc& International Breweries Plc) or all publicly traded breweries companies. However, as at the time of this study Nigerian Breweries Plc which is a Nigeria-based brewing company, is the one

company among the few that listed, with successful growing history within stipulated time and has a track-record of comprehensively published records needed for this study. Therefore, NBPLC variants brands of products through their well-documented and published records becomes the population as well as the sample size for this study. The Company is engaged in brewing, marketing and selling lager, stout, non-alcoholic malt drinks and soft drinks. The Company's brands include Star lager beer; Gulder lager beer; Maltina, which is a nourishing malt drink; Legend Extra Stout; Amstel Malta; Heineken lager beer; Maltina Sip-it; Fayrouz, which is a non-alcoholic soft drink; Climax, a herbal energy drink; Goldberg lager; Malta Gold; Life Continental lager; Ace Passion; Star Lite and Star Radler, among others. Its products include 33 Export lager beer, Williams dark ale, Turbo Kings dark ale, More lager beer, malt drinks, Maltex and Hi Malt. It also offers apple cider, Strongbow (Gold Apple); Star Triple X; Ace Roots, and Ace Rhythm. It operates over 10 breweries and approximately two malting plants in Aba and Kaduna. It also focuses on ancillary business, which includes manufacturing cans, labels, cartons and bottles. It also has an export business. Nigerian Breweries Plc has a population of 3,195 employees as at December, 2020 [27]

### 3.4 SAMPLING AND SAMPLING TECHNIQUE

The sample for this study will cover the financial reports of Nigerian Breweries Plc for four years that is between 2015 -2021. The sampling technique adopted for the purpose of this research is the judgment sampling technique [21]. The choice for the scope of study (2015-2021) financial years was strictly based on the researcher's judgment and availability of data on the internet. However, in an indirect manner, it was an effort to put into consideration pre and post COVID, knowing its devastating effects on business of which Nigeria Breweries Plc is no exception.

### 3.5 DESCRIPTION OF RESEARCH VARIABLES:

The variables adopted in this study are separated into dependent and independent variables.

#### 3.5.1 Dependent Variable:

The dependent variable in this study is business growth and will be represented by their measurable

determinants in the financial report which are Profit After Tax (PAT), Employee Size (ES) and Retained Earnings (RE). This is because profitability and structural growth are the primary goal of all manufacturing business ventures [26] Without profitability and other things, the business will not survive in the long run. It is the return on 'capital employed' or 'investment' or 'equity' [12]. In the context of this work, the study will be taking Retained Earnings (RE), Profit After Tax (PAT) and Employee size (ES) as the dependent variable.

#### 3.5.2. Independent Variable:

The independent variable of this study is the budgeting system of NBP, and this will be represented by the yearly amount allocated for operational expenses and long-term expenses in the financial reports for the specified years (2015 – 2021) under study.

### 3.6 METHOD OF DATA ANALYSIS

The researcher will use multiple regression analysis to test hypotheses. The justification for adopting this analytical technique rests on the fact that the ordinary least square is assumed to be the best linear unbiased estimator[10] and it has minimum variance as well as the type of data involved [21]; related works in other jurisdiction adopted a similar technique in their study. Most of the assumptions for multiple regression as listed below will form part of the analysis as explained in next chapter.

#### 3.7.1 Assumptions of Multiple Regressions

- a. Data must be Normally Distributed
- b. Sample Size
- c. An absence of outliers in data
- d. A linear relationship between IV and DV
- e. An absence of multicollinearity between IV

Note that above assumptions except for the first (normal distribution) will be check as part of process in multiple regression procedures in SPSS, hence confirming the relationship between variables and the strength of the relationship.

The Multiple Regression model is stated thus:

$$Y = \beta_1 + \beta_2 X_1 + \beta_3 X_3 \dots + \epsilon \quad (1)$$

$$BA = \beta_{PAT} + \beta_2 X_{ES} + \beta_3 X_{RE} + \epsilon \quad (2)$$

Where:

Y = Budgeting



$X_1$  = independent variable (PAT, ES & RE)  
 $\beta_1$  = intercept of Y  
 $\beta_2$  = slope coefficients  
 $\varepsilon$  = Stochastic Variable or Error term.[10]

The Pearson’s Product-Moment Correlation Coefficient will be used to test the level of closeness in hypothesis, ranging from -1 to +1. This is because Pearson’s Product Moment correlation coefficient is designed to detect linear relationship between variable where they exist [12]

IV. RESULTS

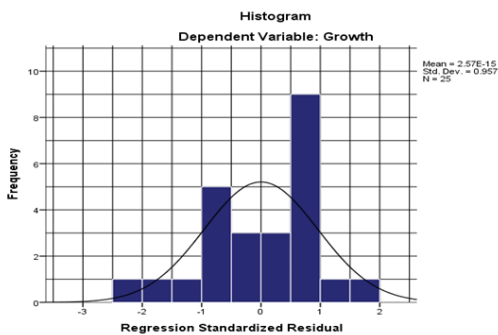
The criteria for doing a multiple regression analysis in SPSS, also known as the assumptions of multiple regression, might include, but are not limited to, the types of variables utilized, linearity, normalcy, multicollinearity, homoscedasticity, etc. Departing

Table1: Statistics showing the normality of data

		Profit After Tax	Employee Size	Retained Earnings
N	Valid	7	7	7
	Missing	0	0	0
Skewness		-.437	.243	.274
Std. Error of Skewness		.398	.398	.398
Kurtosis		-.934	-1.208	-.946
Std. Error of Kurtosis		.778	.778	.778

source (researcher SPSS output 2023)

A histogram with a bell-curve appears to display a pictorial representation for better understanding, as seen below, to support the normality of the data used for this investigation.



Source: Researcher SPSS output Graph 1

from this premise makes it challenging to generalize or apply findings to the entire population, which violates the objective of a study. Data may not fit into models or theoretical postulations satisfactorily. For the findings of this study to be generalizable in an acceptable manner, a substantial fraction of the aforementioned assumptions must be true. Therefore, the assumptions are listed below in no order in order to verify the accuracy of this study.

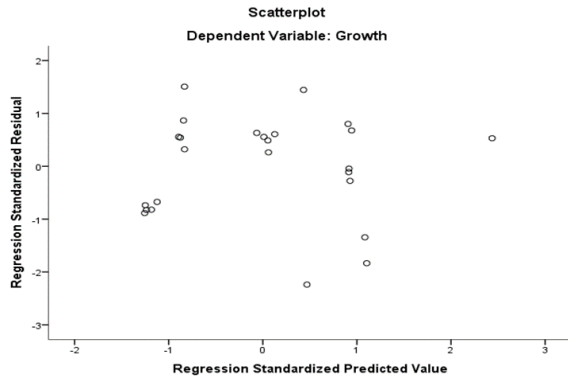
4.1.1 Normality

A normally distributed data collected for an investigation is said to avoid being negatively or positively skewed and a better kurtosis, usually at a threshold of equal to (+/-), that means any figure below the threshold is considered acceptable for a normally distributed data.

Although the data used for this study may not be completely normal, given the sample size, it is generally accepted that they are normally distributed. Kurtosis and skewness are both below the proposed limit of +/-1. The normality of the data is also shown by the histogram presentation, which supports the statistical table of normality.

4.1.2 Homoscedasticity

The assumption of homoscedasticity, or homogeneity of variances, is made when contrasting different groups. This is an important assumption since parametric statistical tests are sensitive to any differences. Uneven variances in the samples are the cause of biased and skewed test results. A sequence is homoscedastic if each random variable in it has the same finite variance.

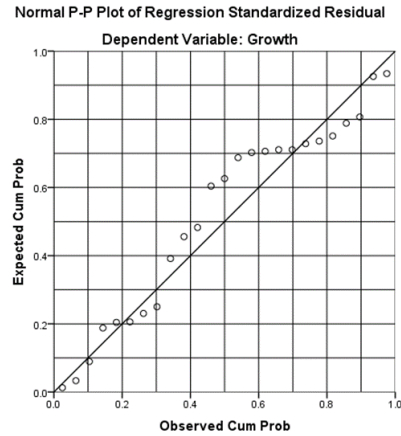


Source: reserachers SPSS output, 2023. Chart 1

The dots that represent the data utilized in the study are dispersed throughout the graph or randomly clustered rather than forming a specific pattern, demonstrating the heterogeneous variances in the data distributed.

#### 4.1.3 Linearity

In multiple regression, it is assumed that the independent variable(s) and the dependent or outcome variable(s) are linearly related to one another in no particular order. Statistical bivariate analysis, scatterplots, predictor/residual relationships, and possibly a straight line that represents the randomly distributed data (dots) along the vertical and horizontal (x/y) axes without revealing any particular pattern can all be used to verify this premise.



Source: reserachers SPSS output, 2023. Chart 2

The P-P plot provides insufficient support for a linear relationship between the predictor variable and other variables. Therefore, the dots deviating from the straight is not significant enough to affect the outcome of the analysis.

#### 4.1.4 Multicollinearity

The predictor variable residual variance is guaranteed to be independent of one another and to exhibit no meaningful correlation under this supposition. This demonstrates that values were either acquired simultaneously from several objects or at various periods. The table below illustrates the basic rule of thumb, which states that the correlations between variables shouldn't be greater than a particular amount in order to avoid the assumption of multicollinearity; that is, the correlation should be low regardless of the direction, whether it is positive or negative. This assumption is determined using either the Tolerance value or the Variance Influencing Factor (VIF), as indicated below.

Table 2 Multicollinearity Statistics  
PAT = Profit After Tax, ES – Employee Size and RE – Retained Earnings

Model	Unstandardized Coefficients		Collinearity Statistics		
	B	Std. Error	Tolerance	VIF	
1 (Constant)	-4372302486.812	2068662328.904			
	PAT	-99316573.736	41557937.813	.130	2.693
	ES	-1029120964.588	122865620.287	.368	2.714
	RE	1129943366.984	287444945.378	.167	3.480

(Source: researcher’s SPSS output, 2023)

4.2 Test of Hypotheses

However, the specific objectives have been hypothesized as presented in hypothetical statements formulated to test the theoretical assumptions held in this study. The main objective of this investigation is to ascertain the effects of Budget on the Growth of Nigeria Brewery

Null Hypothesis1: There is no significant relationship between Budgeting and Profit After Tax (PAT) in Nigerian Breweries Plc.

Null Hypothesis2: There is no significant relationship between budgeting and Employee Size in Nigerian Breweries Plc.

Null Hypothesis3: There is no significant relationship between budgeting and Retained Earnings (RE) of Nigerian Breweries Plc.

Table3: Coefficients of Hypotheses 1,2 & 3

Model	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
	B	Std. Error	Beta	t	Sig.	Toleranc e	VIF
1 (Constant)	-4372302486.812	2068662328.904		-2.114	.043		
PAT	-99316573.736	41557937.813	-.475	-2.390	.023	.130	7.693
ES	-1029120964.588	122865620.287	-.990	-8.376	.000	.368	2.714
RE	1129943366.984	287444945.378	.689	3.931	.000	.167	5.980

a. Dependent Variable: Budgets

(Source: researcher’s SPSS output, 2023)

Significant impact of growth operationalized as Profit After Tax (PAT), Employee Size (ES) and Retained Earnings (RE) is shown in table above. Note: the data for these variables were extracted by the researcher from the annual report of Nigeria Breweries Plc for the years under review (2015 – 2021)

Conditions for Acceptance or Rejection of Hypotheses

- i. (For  $\alpha = 5\%$ ) If  $p \leq 0.05$ , accept the alternative hypotheses, the test is significant, (relationship exist between variables), therefore, reject the null.
- ii. If  $p > 0.05$ , reject the null, the test is not significant, (no relationship between variables), hence, retain the null hypothesis.

Table4: Summary for Hypotheses 1, 2 and 3

S/N	Construct	B	T	Sig	Decision
1	BT →PAT	-.475	2.390	.023	Accepted

2	BT →ES	.990	-8.376	.0001	Rejected
3	BT →RE	.699	3.931	.0001	Rejected

(Source: researcher’s SPSS output, 2023)

Following the decision rules earlier stated null hypotheses were accepted and rejected accordingly. The last two null hypotheses (2 & 3) were rejected, however, the was no sufficient evidence to reject the first hypothesis.

Hypothesis 1: there is no significant relationship between Budgeting and Profit After Tax of Nigeria Breweries Plc, with a t-value of -2.390and p-value of .023, the was no sufficient evident to reject the null hypothesis since p-value (0.23) higher than alpha of 5 percent. This means that budget has no significant relationship with PAT.

Hypothesis 2: there is significant relationship between Budget and Employee Size of Nigeria Breweries Plc,

with a t-value of -8.376 and p-value of .001, The null hypothesis is therefore rejected and alternative accepted.

Hypothesis 3: there is a significant relationship between Budget and Retained Earnings of Nigeria Breweries Plc, considering the t-value of 3.931 and p-value 0.001 of, the null hypothesis is again rejected and alternative accepted at 5 percentage of error.

Beside the hypothetical performances of this study, the general objective of determining the relationship between Budgeting and the growth of Nigeria Breweries Plc is shown in the ANOVA table below. The table shows a statistically significant relationship between Budgeting and Growth of Nigeria Breweries Plc, with a P-value of .001 less than the alpha of 5 percent (5%).

Table5: Relationship between budget and business growth

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	68986329 37758333 6.000	3	22995443125854.4 61108.000	69	.000
	Residual	13087502 34971421 0.000	31	422177495152 071.500		
	Total	82073831 72729755 2.000	34			

a. Dependent Variable: RE, ES, PAT (Business Growth)

b. Predictors: (Constant), Budgets

(Source: researcher’s SPSS output, 2023)

### 4.3 DISCUSSION OF THE FINDINGS

Hypothesis one (H<sub>1</sub>): There is no significant relationship between Budget and PAT in Nigeria Breweries Plc.

The null hypothesis was accepted because there wasn't enough evidence to disprove it. This implies that the profit after tax of Nigeria Breweries Plc, or any other manufacturing company for that matter, is independent of the organizations' annual budgets, though not entirely. Instead, other factors like internal and external forces to the organization can have an impact on whether the profit position of the

organization increases, decreases, or remains the same. Factors like the forces of supply and demand, the economy, politics, and even the current state of technology can be used to determine profit position more so than annual budget. However, data gathered for this study shows that an increase in annual budget has a negative 24 (-2.394) percent decrease in PAT, although without impact or significance, hence the p-value (.023). Therefore, using statistics produced by SPSS, it suggests that a single digit injection as an additional expenses ability into budget goes a long way. This finding is similar to that of Fortuna, (2021) who tested the relationship of budgeting practices: its impact on the profitability of small and medium adopting about three types of research by methods: descriptive research to gather the profile of respondents (size and type of business), budgeting practices (manager's participation, linking budget development to strategy, rational allocation of resources, flexibility continuous budget, and reduction of complexity and use of information technology) and level of profitability; causal-comparative research to determine differences between variables; and correlational research to determine the degree of relationship between variables and for hypothesis testing. 331 respondents of the study were from the four-commercial centers in Isabela, broken down as follows, Cauayan City (116), Ilagan City (58), Santiago City (121) and Municipality of Roxas (36) in the Philippines. Although his result shows a positive relationship between budget and profitability, which can be attributed to the moderating role of technology as introduced in the study. Profit was especially found in general areas as return on investment, but conclusively, it was established that there is a relationship between variables [8]. In same vein, Player, (2003) found that organizations will profit more if they go beyond budget. Instead of relying on budget for profitability, people and resources should be harnessed and optimized for positive and significant impartation of profit in the organization[23].

Hypothesis two (H<sub>2</sub>): There is no significant relationship between Budget and Employee’s Size (ES) in Nigeria Breweries Plc.

Contrary to the first hypothesis, this null hypothesis has been rejected, suggesting that there is a substantial

correlation between Nigeria Breweries Plc's budget and ES. Employees play a significant role in the development of the company and are typically taken into account when planning the budget at the start of the accounting year, so it is clear from the study's findings that budget plays a significant role in determining the number of employees in an organization on an annual basis or as needed. The data gathered for this study demonstrates that an increase in budget can result in a structural rise of over 80 (8.732) percent in the number of employees at Nigeria Breweries Plc or any other firm. This is accurate information given the importance of people, or talent as is known in the 21st-century business world, in helping an organization expand financially, structurally, or in terms of its customer base. The results are in line with those of Bedford, Speklé, and Widener (2022), who used budgets as a managerial tool to gauge employees' emotional responses, particularly during times of crisis. They discovered a strong correlation between budget restraint and employee size, which contributes significantly to job ambiguity and emotional stress. In conclusion, as there won't be a capacity to produce either goods or services in large or commercial quantities, due to lower budget, the result is fewer people will work in an organization, and the smaller the profit will be [3].

Hypothesis three (H<sub>3</sub>): There is no significant relationship between Budget and Retained Earnings (RE) in Nigeria Breweries Plc.

Again, this null hypothesis was rejected and alternative accepted, meaning there is a significant relationship between budget and Retained Earnings (RE) in Nigeria Breweries Plc as the increased wealth of shareholders, it can be squandered or reinvested into the business for more growth, and no manager or business analyst will be oblivious of the fact that Retained Earnings/RE, the financial differences accumulated after all necessary expenses including cost of capital has been deducted from gross/net profit find it way to become parts of next operational cost, otherwise, budget. Without using any numbers, this has shown how closely the organizational budget and Retained Earnings are tied. With a p-value of .001 and a 40% (3.931%) rise in retained earnings, which is shareholders' wealth and a great indication of financial success in a business, this study demonstrates that a

single change in budget has a statistically beneficial and significant impact on organization retained earnings. The study is consistent to that of (Lintner, (1962) who categorically stated that the size of the retained earnings is a direct function of the size of the capital budget while attempting to determine Dividends, earnings, leverage, stock prices and the supply of capital to corporations [14,15].

## V. SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

### 5.1.1 SUMMARY OF FINDINGS

The results of hypotheses tested in this study are summarized below.

1. There was a negative non-significant relationship between budgeting and Profit After Tax (PAT) of Nigeria Breweries Plc
2. There was a negative and significant relationship between Budgeting and Employee Size in Nigeria Breweries Plc
3. There is a moderate, positive and significant relationship between Budgeting and Retained Earnings (RE) in Nigeria Breweries Plc

### 5.1.2 CONCLUSION

Budgeting has been proven to be a vital managerial tool, such that if well managed, can better position a business for growth, this went a long way to significantly validate the assertion of goal theory according to (Locke & Latham, 2006) who believe that a business can achieve almost anything with the right resources. With an understanding of the role that budgeting plays in the growth of an organization, annual budgeting should be planned and prepared with all levels of clarity, regardless of the challenges, and must be followed with all sense of commitment by all involved in the planning and implementation process, regardless of the complexity of the task, to ensure positive feedback in the form of retained earnings, employee size, and possibly the amount of profit after tax[15].

### 5.1.3 RECOMMENDATIONS

1. The fact that profit after tax (PAT) is a crucial measure of an organization's profit, data from this study demonstrates that PAT is not entirely determined by a shiny or robust budgeting; as a result, managers and shareholders must guarantee

that the elements that contribute most to PAT are exploited and encouraged to increase profitability.

2. Since budgeting has been established as a major determining factor to the engagement of people or talent in the organization, better attention and allocation should be given toward the recruitment of best talents for better productivity. The structural growth of an organization is as important as financial growth.
3. Obviously, it has shown that the higher the budgeting the higher the amount of money that can be earmarked for shareholders in the form of retained earnings (RE). The reinvestment of this fund or its sharing with shareholders has a great sense of satisfaction and must be encourage through good annual budgeting.

### 5.2 LIMITATION TO THE STUDY

This study was restricted to investigating the relationship between budgeting and business growth using only three indices (PAT, ES & RE), there are many more growth measurable variables that can be used in testing or establishing this relationship. Also, only secondary data was used for this analysis, using a primary data or a combination of both for same variable will be a significant contribution. And finally, the use of single manufacturing company makes it a little difficult to generalize the findings from this study, although, they are no many breweries companies that are publicly traded in Nigeria as at the time of study, giving the numbers of manufacturing firms quoted in the Nigeria stock exchange, a change of industry may be recommended.

### 5.3 SUGGESTION FOR FURTHER STUDY

1. It is advised that the population of this study be expanded to accommodate more manufacturing companies listed in any category of Nigeria stock exchange since this study use a single company.
2. Beside the variables used, more indices for measuring growth in relation to budget can be varied to test the impact of budget on growth.
3. The study uses manufacturing companies as context, other private and public sector budgets can be tested amidst other variables to test growth.

### 5.4 CONTRIBUTION TO KNOWLEDGE

This study has contributed its findings to the literature suitable for manufacturing companies, particularly breweries sector where research on budgeting and business growth seem to be poor or lacking in such context. Apart from adding the findings to the body of knowledge in trying to address budgeting, planning and implementation, it is imperative to mention that retained earnings of manufacturing companies is highly tied to budgeting, with a strong and positive significance to growth. Hence, abiding by this theory will ensure that goal theory is not only taken seriously but followed meticulously to avoid its pitfalls and limitations.

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