BUDGETING AND SUSTAINABILITY OF SMEs IN LAGOS STATE NIGERIA

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Abstract

Small and medium enterprises (SMEs) have played key roles in the world today such as reduction of poverty, provision of employment, and contribution to national gross domestic product. However, due to economic pressure and market competition, some SMEs struggle to raise sufficient fund or make reasonable gain because of improper planning and management which, have hampered their sustainability. These SMEs are resorting to strategies to succeed and remain in business. This paper investigated what effect budgeting has on SMEs sustainability in Lagos state. Survey research design was used. Population consists of 11,643 registered SMEs in Lagos state. 387 SMEs owners were purposively considered as the sample. Questionnaire served as the research instrument. Validity and reliability were premised on Cronbach Alpha Coefficients which, revealed values from 0.703 to 0.954. Descriptive and inferential statistics were employed for data analysis. Findings revealed that budgeting significantly affected net profit margin of SMEs in Lagos state, Nigeria (Adj.$R^2=0.420$*,* $F_{(4, 360)}=66.925$*,* $p<0.05$*); budgeting significantly affected cash liquidity (Adj.*$R^2=0.352$*,* $F_{(4, 360)}=50.488$*,* $p<0.05$*) and budgeting significantly affected surplus return on investment development index of SMEs in Lagos state, Nigeria (Adj.*$R^2=0.401$*,* $F_{(4, 360)}=61.999$*,* $p<0.05$*). Budgeting significantly affects sustainability of SMEs in Lagos state, Nigeria. SMEs owners should ensure that components of budgeting (motivation and communication of budgets, planning, monitoring and control and participative budgeting) are embraced in planning of finances to ensure that going concern is actualised.*

Keywords: Budgetary control, Budget monitoring, Cash liquidity, Participative budgeting, Nigeria, SMEs sustainability.

1. Introduction

In the business world today, the decision on how to effectively and efficiently allocate limited financial and non-financial resources is a key challenge in all organizations (Nwanyanwu & Nkiru, 2018), including small and medium enterprises. In most large and sophisticated organizations, this would be almost unachievable without budgeting. Budgets are needed to allocate limited financial resources prudently while serving as an authorization, reporting, and appraisal basis for spending. Successful budget management and efficient budgetary controls could give organizations a competitive edge. However, many small and medium enterprises (SMEs) are not concerned with budgeting or budgetary controls (Oladele & Hou, 2019) even though SMEs contribute to job generation, income production, wealth creation, and economic growth (beh, 2017). Zor, Linder and Endenich, (2018) posited that SMEs in most emerging markets play a major role in gross domestic product and employment and that there is little knowledge on their budgeting activities. On the other hand, Daniel (2017) noted that less attention is paid to rural SMEs because there is little awareness of the various difficulties they face. These have caused a lot of SMEs failure and inability to remain in business for too long.

On this note, Maduekwe and Kamala (2016) affirmed that failure in the budget was described as one of the key causes of failure in SMEs. Without reliable budget analysis and feedback about budgetary problems, many organizations would become bankrupt. According to Myint (2019), the key explanation for the high rate of failure is the inability to effectively use essential accounting management practices of SMEs. Similarly, Koech (2015) argued that weak management skills, like problem-solving accounting, are one of the causes for business failure. Dhubea and Al-Riami, (2017) noted that the failure to follow management accounting practices like their larger counterparts could presently lead to the high failed rates of small and medium-size enterprises.

In the words of Jegede (2018), SMEs failure is not a serious problem, the factors that cause SMEs failure are the most troubling. Despite the financial supply and other efforts, many small enterprises still struggle and are unable to remain in business (Jegede, 2018). This puts a big question mark on the survival and sustainability of SMEs. Akeem (2014) is of the view that by adopting appropriate budgetary controls, these anomalies could be tackled. In order words, budgets and budgetary controls are important tools for financial planning and management in every organization (Alahdal, Alsamhi, & Prusty, 2016), SMEs inclusive. Mulani, Chiand Yang (2015) assert that budgetary control is important not only to check expenditure or income against goals, but also to create evolving trends or conditions that can lead to the need for corrective action or policy changes. According to Nso (2020), if managers provide their supervisors with a reason for negative budget deviations, the survival of SMEs will be strengthened, leading to a higher rate of sustainability and if managers have to do just that, it is in the best interest of the company in the long run (Samuel & Laryea, 2016). Therefore, it is important that the organization implements a comprehensive planning and control structure that clearly outlines the priorities for both the entire company and each functional manager (Nso, 2020). This paper however, examined the effect of budgeting on the sustainability of SMEs in Lagos State, Nigeria. The rest of this paper is sectionalised as follows: section 2 deals with the literature review; section 3 is on methodology; section 4 deals with data analysis and discussion of findings while the last section (5) focuses on summary of finding, conclusion and recommendations.

1.2 Objective of the Study

The major objective of this paper is to examine the effect of budgeting on the sustainability of SMEs in Lagos State, Nigeria. Other objectives are to:

i ascertain the effect of budgeting on net profit margin of SMEs in Lagos State, Nigeria.
ii determine the effect of budgeting on cash liquidity of SMEs in Lagos State, Nigeria.
iii evaluate the effect of budgeting on surplus ROI development index of SMEs in Lagos State, Nigeria.

1.3 Hypotheses

The hypotheses of this paper have been stated in null (H_0) forms as follows:

i Budgeting does not have significant effect on net profit margin of SMEs in Lagos State, Nigeria**.**

ii There is no significant effect of budgeting on cash liquidity of SMEs in Lagos State, Nigeria**.**

iii There is no significant effect of budgeting on surplus ROI development index of SMEs in Lagos State, Nigeria.

2. Literature Review

2.1. Conceptual Reviews

2.1.1 Sustainability of SMEs

Success in small business is still unpredictable as human capital is plentiful and the demand is very great in Nigeria, (Ayodele, 2018). Although SMEs play key roles in a nation's economy, their sustainability is not guaranteed. The survival/sustainability of SMEs has been a major issue of concern and has been debated on, till date. Sustainability in this paper is simply, the ability of SMEs to operate smoothly, make a reasonable profit and remain in business for a long time (as a going concern). This is measured in three ways viz: net profit margin, cash liquidity and surplus return on investment development index.

2.1.2 Net profit margin

Profitability is commonly used to evaluate the ability of an organization to remain in operation but the ability of the organization to sustain that profitability becomes a challenge. Economists see it as a reward for risk-taking enterprise while accountants believe that benefit is the excess profits/income over costs expended to generate that income (Nwanyanwu & Nkiru, 2018). Net profit margin is a financial ratio used to quantify a company's gross income as the amount of profit; it tests the net profit per dollar of sales an organization receives (Mohamed & Ali, 2018). Net profit margin reflects the efficiency of a company in its inventory and the amount of sales a company receives from any pound of assets in the company (Ogbodo & Nzube, 2018). Thus, this paper views net profit margin as the percentage of net profit to revenue to figure out the efficiency of the company to make more profit.

2.1.3 Cash Liquidity

Liquidity is a very essential element in decidin financial management policies in the short term and is a tactical concept related to the ability of SMEs to settle their current obligations in case of minimum cost payments (Kontus & Damir, 2019). Abdul (2018) opines that corporate money management increases interest earnings by maximizing investments and reducing interest payments by minimizing borrowings. However, Atrill (2006) argues that whether a business is flushed with cash or lacks funds, good cash management is essential for every company's success. Current assets and liabilities and their composition rely on liquidity. The level of a company's liquidity depends on the amount of the company's cash, the amount of other properties that can be converted into cash quickly, whether the company makes or loses money, the amount of liabilities required in the near future, and the company's ability to raise more cash with securities or borrow money (Chambers & Lacey, 2011). If an enterprise has sufficient financial resources to cover its financial obligations promptly and with minimum costs, it is considered liquid (Pais & Gama, 2015). Abdul (2018) defines liquidity as the ability of a company to meet its existing liabilities and has a strong connection with the size and composition of the working capital position of the company. The current assets of the company are the easiest for cash to convert, making them the main source of cash for mature liabilities (Kontus, 2018). This paper views liquidity as the availability of liquid funds and assets to run the business and in settlement of short-term obligations as they fall due. In order words, cash liquidity is the ease of turning security or an asset into cash without impacting its market price.

2.1.4 Surplus Return on Investment Development Index

Return on investment (ROI) is an investment efficiency assessment or a comparison of the effectiveness of a variety of investments (Daniel, 2017). Investment Return (ROI) is a financial metric often employed to measure the likelihood of an investment returning a positive or negative income. It equates the profit or loss of an investment to its cost (Hallsworth, 2015). Iorun (2014) stated that ROI and other measurements, including net present value (NPV) and internal rate of return (IRR), are major metrics of business analysis to assess and evaluate different investment options attractiveness. ROI has a broad range of applications (Jegede, 2018). It can be used as a measure of an inventory investment return, orto evaluate the outhethe outcome of a transaction and wher or not to invest in buying a business. 20) submitted that it is an estimate measure of the profitability of an investment. ROI is determined by excluding the original investment value (which corresponds to the net return) from the final value of an investment, dividing it by the expense of the investment, and ultimately by multiplying it by 100 (Oladele & Hou, 2019). To them, it is very easy to comprehend, and its simplicity ensures that the viability is universal and standardized. However, a drawback of ROI is that it does not allow for the time an investment takes; hence, it may be more relevant for an investor to estimate the profitability metric that covers the holding duration (Samuel & Laryea, 2016). This paper, therefore, views surplus ROI development index as the excess returns from investment(s) in a particular portfolio.

- **Budgeting**

The Chartered Institute of Management Accountants (CIMA) (2008) defines a budget as "a qualitative or financial statement that is prepared and adopted for the purposes of achieving a given objective, by the prior to a defined timeframe. Eko (2018) stated that budgets are projected resource statements that have been established in place to carry out scheduled work and operations for a certain time span. Budgeting is simply a process of planning how to spend money. In an organizational setting, budgeting is a means of balancing expenses with already generated revenue or income. Firms rely majorly on budgetary management to coordinate spending practices, and this strategy is often used by private or public sectors (Dunk, 2009). Manoj and Kumar (2018) assert that budgetary management is a mechanism that uses budgets to schedule and control all facets of manufacture and sale of goods or services. Budgetary management can be referred to as a cost control mechanism that involves budget planning, transparency and departmental coordination, the contrast between current production and planned outcomes to achieve optimum profitability (Brown & Howard, 2002). According to Siyanbola, Salome, Ifeanyi and Wasiu (2019), budget management mechanisms require the development of predetermined benchmarks, the evaluation of true output against predetermined expectations, and, where applicable, corrective measures to bring real results in line with the preset norm. In this paper, budgeting is measured by budgetary planning (BPL); budget monitoring and control (BMC); participative budgeting (PBU); and budget motivation and communication (BMO).

2.1.5 Budgetary Planning

Budgetary planning is seen to be the process of forecasting future events, and how activities should be handled based on predetermined goals set by an organization. Bosco (2017) reported that budgeting framework entails plans for a short term, long-term, and strategic plan. The budgets are applied based on the planned collection of conditions or situation prior to the budget periods (Myint, 2019). Budget benefit for the entire company is provided by considering both long term and short term effects of budgets (Nso, 2020). The annual budgeting process, however, leads to these strategies being refined, as managers must create comprehensive plans for the execution of the long-term goals. The stresses of daily operations will make managers unable to schedule their future operations without the annual budgeting process (Daniel, 2017)

2.1.6 Budget monitoring and control

Nso (2020) opined that budgetary surveillance and reporting processes are systemic and continuous and defined by establishing targeted success or activity levels by defining the goals to be accomplished within any branch of the enterprise. Agbenyo, Danquah and Wang (2018) stated that financial supervision and regulation assures that the program implemented within the accountability mechanism is reliable and cost-effective. On the other hand, budgetary controls are mechanisms by which a budgetary schedule is developed and real expenditure is regularly likened to the plan to decide whether adjustments are required to keep tracks (Nso, 2020). Daniel (2017) posited that budgetary control is a powerful business tool which, in the future, never prevents the right planning, productive coordination and control to optimize income. Robinson and Last (2009) argue that budgetary control is characterized as a policy developed by the company management for comparative purposes between the real and the budgeted outcomes related to the achievement of a specific goal. Planning, organization and monitoring are the fundamental aims of budgetary control, as one without discussing the other is impossible to address (Kipkemboi, 2013). Inadequate budget controls contribute to the failure to clarify targets and the failure to maintain or achieve results. This affects productivity, when workers don't know what to do, where or how to do it or are doubtful and waste a lot of time looking at managers to clarify (Nso, 2020). Jegede (2018) argues that monitoring and assessment are required to produce predicted production performance. However, Koech (2015) assert that only raw data to measure and assess performance is needed for testing and assessment and that it takes time and does nothing for performance. The budget monitoring highlights changes from what has been planned so that management can take corrective measures to ensure that budgetary policy goals can be fulfilled (Nair, Osamah, & Salwa, 2020). Continuous monitoring and budget update and adjustment by organizational input are important for this process. This also makes it easier to assess success against goals or targets (Abeh, 2017).

2.1.7 Participative Budgeting

Budgetary engagement is a mechanism where subordinates can engage in the budgeting process and control it (Dhubea & Al-Riami, 2017). Budgetary involvement is a critical planning instrument and motivates subordinates' efficiency. The involvement of supervisors in the budget planning process often motivates them to meet budgetary objectives. Budget engagement also has an intelligence function through which subordinates may share knowledge and disseminate it to senior managers (Patrick & Nkiru, 2017). Participation in the budgeting phase encourages members to contribute and feel accountable for the organization's results (Kewo, 2014). In the view of Nso (2020), the benefits of being involved are firstly increasing the difficulty and sense of obligation; secondly, increasing the possibility of achieving/receiving targets/goals. Bosco (2017) affirms that it is also a way of achieving the goals of the participants. According to Akeem (2014), budget participation provides a reflection on the degree of participation by subordinate managers in the preparedness of their budget.

2.1.8 Budget Motivation and Communication

This allows the management to communicate priorities and facilitate concordance of objectives in order to organize and concentrate resources in key areas. Communication and inspiration are other purposes which a company should use its budget to accomplish which are less apparent. Budgets enable the management to clarify objectives and foster congruence in order to align capital and concentrate on key areas (Koech, 2015). Budgets may also inspire an organization to include its workforce in the budget. Communicating specifics of budget strategy to all partners could improve ownership of the outcomes obtained at the budget cycle end, clarifies goals and priorities set. This is achieved in order to constantly equate the real results with the expected performance and to report daily discrepancies to accountable officers. It helps to confirm and take appropriate corrective measures based on the reasons for the discrepancy between the real and the budgetary results.

2.2. Theoretical Underpinning

2.2.1 Accounting Theory

Luca Pacioli in the year 1494 founded Accounting theory. The theory provides coherent sets of logical principles which are reference generally for sound accounting principles development and evaluation' (Kaplan & Norton, 1996). Establishment of standards for judging acceptable techniques in accounting is the main reason of accounting theory development (Alade, Mercy & Kolawole, 2020). Procedures that follow the given requirements should be used in accounting practice. Zor, Linder and Endenich (2018) and Oyewo and Adyeye (2018) argue the rejection of accounting methods that do not meet the standard. Accounting theory aids in the explanation and guidance of management decisions in recognizing and finding details needed for budget planning. Different models of analysis have been developed by accounting theory in budget management, such as standard costing and cost volume benefit analysis, which serve as a budgeting standard setting.

In evaluation of budget and control procedures to be implemented, accounting theory plays a significant normative role. Accounting Theory has aided in forecasting the probable budget outcome intervention in a given set of circumstances, as well as the impact of any changes in circumstances. Kaabi, Karim, and Hossain (2019) argue that firms are seen as separate entity with its activities distinct from owners in accounting theory. Accounting helps in explaining and directing the decision of management in locating and finding critical data for the purpose of budgeting. Accounting money calculation technique has largely aided in the quantification, translation and conversion of different inputs in relation to machines and materials utilized in budget preparation (Caroline & Peter, 2016). Accounting principles are an encouragement to the general philosophy of budget which is an effective management tool (Ojua, 2016). Management of organization get budget feedback on management of financial assets as determined between plans and actual upon budget implementation. Wonder, Osei and Wang (2018) affirmed that in accounting the matching concept is used as a point of reference in budget analysis.

2.3 Empirical Review

2.3.1 Budgeting and Net Profit Margin

Alade, Mercy and Kolawole (2020) investigated the impact of budgetary planning as a tool for budgetary management in Ondo Ministry, Departments and Agencies' public sector financial responsibility. Primary data was employed via close-ended questionnaire to elicit response from the target budget officers. The employees were 118, 91 were deliberately selected and 85 of them completed and returned the questionnaire. Cronbach's Alpha at 0.7 was used to assess the reliability of the research instrument. The hypothesized impact of the reviewed contingency budget on public sector financial responsibility was assessed using the logistic regression analysis. The findings of the univariate logistic regression model showed that budget preparation would enhance the financial accountability of the State government in Ondo State, Nigeria.

The goal of Kaabi, Karim, and Hossain (2019) was to determine how oil prices influence the budget control of the UAE Interior Ministry. To determine the efficiency of spending controls and fiscal management issues related to fluctuated oil prices, the literature review method was adopted as the source of evidence, using the UAE as a case study. The findings reveal that, in the past two years, oil markets have had a negative effect on the world economy and become roller coaster. They concluded that budgeting and budgetary regulation require setting priorities by corporate management and creating a mechanism that acts as a structure for an organisation to efficiently articulate the scheduled overall operations.

The effect of budgetary involvement on managerial efficiency of the Nigerian public sector organizations has been investigated by Oyewo and Adeyeye (2018). A questionnaire was used to elicit response from 174 managers (Unit and department heads) in five public sector organizations in Abuja, Nigeria Federal Capital. Using descriptive, factor analysis, Kruskal-Wallis measures, correlation and regression analyses, findings indicated a high degree of expenditure engagement of managers in public sector organizations in Nigeria. Although budgetary involvement has been shown in the preparation, investigation, coordination, oversight, assessment and staffing of administrative roles and is greatly influenced, the planning is the most advanced. They concluded that the effect on management efficiency of budgetary engagement seemed mild.

Wonder, Osei and Wang (2018) examined the role and financial effects of budgeting on the Ghana Stock Exchange as a case study for listed manufacturing companies. The study aimed primarily to explore the role of budgeting and to assess the financial output effect of budgeting on these businesses. The selection of 51 respondents as the sample size included both cross-sectional and convenient sample techniques. Data was collected through questionnaire. The matrix of correlation was used to create a constructive association between budgeting and financial performance. The survey found that the financial success of listed manufacturing companies needs budgeting as the relationship between budgeting and financial results was highly positive. The study concluded that strategy, monitoring and regulation, teamwork and assessment play a key role and have a beneficial impact on manufacturing companies' financial efficiency.

2.3.2 Budgeting and Cash Liquidity

Ojua (2016) assessed the degree of priority given by micro-sized organisation to the Budget and Budget Mechanism and the connection between budgeting and corporate efficiency. Pearson Moment Correlation co-efficient, Z-statistics and easy statistical methods were used to collect data by taking a sample of 50 micro production companies and adopting questionnaires. The first hypothesis revealed estimated value below the norm 0.0106 and the weighted means were all below the predicted, which means that a poor relationship occurs, whereas the second hypothesis verified that the micro-company does not have any systematic budget and budget mechanism using Z-statistics with appropriate estimated values below 1.96 and with 5 percent confidence level. These findings showed that micro-enterprises do not have the necessary pre-eminence and thus cannot profit from the predicted benefits.

The effect of policy changes on budget control qualities in Nigeria was analyzed by Egbide, Sola and Iyoha (2014). The Medium-Term Expenditure Framework (MTEF) and the Fiscal Accountability Act were proxies for budget restructuring, and the Budget discipline (BDISC) and Fiscal Discipline (FDISC) were proxies for budgeting efficiency. Former financial authorities and financial institutions have been the primary proxies for budgeting quality. Time series results from the pre-test/post-testing of a Paired sample T-test had been gathered and analyzed 7 years before and 7 years after implementation of MTEF, 5 years before and 5 years after FRA was introduced. The findings conform to their *a-priori* expectation that the efficiency of budget administration (BDISC and FDISC) in Nigeria has not been greatly affected by budget changes (MTEF and FRA).

Nwanyanwa and Nkiru (2018) explored the connection between budgetary and financial management of Small and medium-sized companies in River State, Port Harcourt Chambers of commerce. Sample size of 63 was identified using the Taro-Yamane formula from a population of 74 members (manufacturing, construction & engineering and services). Primary data were utilized. Two aspects of discretionary management and marginal costing were analyzed, while net benefit and return on equity assessed financial efficiency. Technology was used as a moderating variable. Both parametric and non-parametric methods were utilized in data analyses. The results indicate that 5 percent of budgetary restrictions and financial performance have a substantial relationship.

The degree to which SMEs use the budgets in Cape Metropolis has been calculated by Caroline and Peter (2016). Specifically, the aim of the analysis was to identify the types of budgets used, the budgeting techniques used for budgeting, the perception of the efficiency of the used budgets and reasons that might prevent SMEs from using budgets. Data were gathered and interpreted using descriptive and inferential statistics. The report found that most of the small and medium-sized enterprises used budgets. The three most widely used budgets were the budgets for revenues, expenditures and cash, while set budgeting was the most common budgeting process. The results also found that budgets were used primarily for the tracking, assessment, preparation and management of market efficiency. Furthermore, the findings showed that budgets were viewed as efficient, but lack of top-level support from management and skilled staff was a major factor which prevents SMEs from using budgets.

2.3.3 Budgeting and Surplus ROI Development Index

The importance of cash budgeting in improving the operational efficiency of private companies in Uganda was investigated by Eton, Mwosi and Ogwel (2018). The study employed a correlation, description and analysis design. Data were obtained using self-administered questionnaires. A survey of 115 was selected, and the results showed that there was a clear connection between cash and organizational success (r = +/- 63.8). Also, the Adjusted R Square = 40.2 percent of all corporate success was found to have a cash budget examined in the organizations. The results further showed that cash budgeting stabilizes rental level, ensuring that corporate spending is consistent with scheduled cash flows, and also improves the ability to forecast surplus cash probability.

The relationship between capital spending decisions and profitability in manufacturing companies was studied by Mohamed and Ali (2018). In this report, the production company, Mukwano Group of Companies in Uganda was surveyed. Questionnaire administered were 240 copies and 152 surveyed for analysis of data through "Statistical Social Science Kit" SPSS version 19. The study of data was based on multiple regression analysis and correlation. The results revealed that five aspects of capital budgeting decisions and the performance of the organisation have a strong and optimistic association. In addition, the results showed that the independent variables of capital budgeting choices and profitability were linked to the favorable relationship between capital budgeting and profitability of the companies under review.

In Cape Metropole, Mwanza and Benedict (2018) set the degree to which SMEs in the manufacturing sector prepare and use their budgets in order to determine the difficulties these organisations face in using these management accounting tools. To this end, 108 owners and managers of small and medium sized enterprises were surveyed by means of a questionnaire containing closed-ended Likert questions. Data processing was carried out using Version 24 of SPSS, with findings in terms of ratios, median, standard deviations, diagrams and tables displayed in descriptive statistics. The study found that approximately 30% of SMEs in the Cape Metropole manufacturing sector do not produce a budget at all. For the 70% that plan budgets, 67% face financial problems. In particular, just 23% of the SMEs surveyed drew up and utilized budgets without being faced with obstacles.

Nso (2020) discussed financing approaches SMEs can follow, described shopping avenues and descriptions the main budgets organizations can use to constantly evaluate, track, check, develop and calculate performance. For SMEs that want to expand quicker and compete with big (large) companies, the expected or budgeted financial situation report is advisable. Data were collected using the search method via strata of keywords centered on the subject by means of qualitative analysis approach. This research expatiated on the diverse funding techniques and pathways for developers, investors and management alike. He concluded that SMEs should adhere to sound and measurable standards for good financial and budgeting activities, so that they are efficient, sustainable, competitive and expand to big businesses.

The influence of budgeting control on organizational performance was assessed by Balogun, Mamidu and Owuze (2015), among others, to determine the factors affecting successful fiscal control in the organisation. A well-organized questionnaire was used with the aid of a basic random sampling for the selection of respondents. Data were analyzed using frequency and chi-square percentages. Results showed that budgets and budgetary controls will affect an organization's efficiency, since they are very mutually related. Patrick and Nkiru (2017) worked on two main questions: first, whether budget, budgetary and performance assessment are associated; second, whether there were major budgetary variations; budgetary monitoring; and performance assessment mechanisms for Nigerian hospitality undertakings. The main source of data collection was the analysis using descriptive architecture and primary data (questionnaire). In total, 600 workers from 10 chosen hospitality companies in Nigeria examined. The collected data were analyzed in a descriptive as well as inferential way. Results revealed that operational and budgetary oversight could be used to test hospitality firms in Nigeria.

3. Methodology

Descriptive survey research design was adopted in this paper. Structured questionnaire was utilized in gathering valuable information from the respondents. The population considered is the 11,643 registered SMEs in Lagos State, Nigeria as stated by Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) and National Bureau of Statistics Collaborative survey (2019). The choice of selecting SMEs in Lagos State was because Lagos State is said to be one of the major business engines of Nigeria. With the aid of Taro Yamane formula, 387 SMEs were chosen using purposive sampling technique, selecting individuals who have knowledge of budgeting and make use of budgets such as accountants and employees working with the Finance Department. Descriptive and inferential analysis were carried out in this paper. Inferential analysis was done using regression analysis in SPSS to test the effect of the budgeting on the survival of SMEs.

3.1 Pilot Study

Pilot study was carried out by administering 39 copies of the questionnaire to owners of SMEs in Lagos State (20) and Ogun State (19), representing approximately 10% of 387 selected samples.

3.2 Validity and Reliability of Research Instrument

Face, content and construct validity were done. Copies of the questionnaire were given to experts in this field for content validity. Comments and suggestions therefrom, enriched the questionnaire. Value of Cronbach Alpha reliability test for the variables, as revealed from the pilot study are as follows:

Table 1 Cronbach Alpha Coefficients

Variables	Reliability: Cronbach Alpha	Reliable
Net profit margin	0.754	YES
Liquidity	0.788	YES
Surplus ROI development index	0.823	YES
Budgetary Planning	0.861	YES
Budget monitoring and control	0.703	YES
Participative budgeting	0.795	YES
Budget Motivation and Communication	0.851	YES
Combined	0.954	YES

Source: Researchers' Output (2021)

3.3 Model Specifications

To evaluate
$Y = f(X)$
Y = Dependent variable (Sustainability) (SUS)
X = Independent variable (Budgeting) (BUGT)
X and Y are broken down as follows
$Y = (y_1, y_2, y_3)$ $X = (x_1, x_2, x_3, x_4)$
Where y_1 = Net profit margin (NPM); y_2 = Cash liquidity (CLI); y_3 = Surplus return on investment development index (RDI); and x_1 = Budgetary planning (BPL); x_2 = Budget monitoring and control (BMC); x_3 = Participative budgeting (PBU); x_4 = Budget motivation and communication (BMO)
These will result to an expanded functional model of:
NPM = *f* (BPL, BMC, PBU, BMO) ------------------------- Function 1
CLI = *f* (BPL, BMC, PBU, BMO) --------------------------- Function 2
RDI = *f* (BPL, BMC, PBU, BMO) --------------------------- Function 3

3.4 Regression Equations
$NPM = \alpha_0 + \alpha_1 BPL + \alpha_2 BMC + \alpha_3 PBU + \alpha_3 BMO + \mu_1$ ……………………...1
$CLI = \alpha_0 + \alpha_1 BPL + \alpha_2 BMC + \alpha_3 PBU + \alpha_3 BMO + \mu_2$ ………………………..2
$RDI = \alpha_0 + \alpha_1 BPL + \alpha_2 BMC + \alpha_3 PBU + \alpha_3 BMO + \mu_3$ ……………………….3

Where:
α_0 represents Intercept; $\alpha_1, \alpha_2, \alpha_3, \alpha_4$ represent the Coefficient of the independent variable (BUGT)
μ_i (i = 1, 2, 3) are the error terms

3.5 Measurement of Variables

- **i.** **Net profit margin (NPM)**: This is the percentage of net profit to sales. This was measured by the questionnaire.
- **ii.** **Cash liquidity (CLI)**: This was measured through five questions relating to cash liquidity which is the cash available for running business operations.
- **iii.** **Surplus ROI development index (RDI):** This was measured through five questions relating to surplus ROI development index which is the excess of returns from different operations in a particular project.
- **iv.** **Budgetary planning (BPL):** This was measured through five questions relating to budgetary planning.
- **v.** **Budget monitoring and control (BMC):** This was measured through five questions relating to budget monitoring and control
- **vi.** **Participative budgeting (PBU):** This was measured through five questions relating to participative budgeting.
- **vii.** **Budget motivation and communication (BMO):** This was measured through five questions relating to budget motivation and communication.

4. Results and Discussion

This paper examined the effect of budgeting on the sustainability of SMEs in Lagos State, Nigeria. 387 copies of the questionnaire were distributed to respondents out of which 365 copies were returned and valid reflecting a 94% return rate.

4.1 Descriptive Statistics of Variables

Table 2: Net Profit Margin (y_1)

ITEM	SD	D	UN	A	SA	Mean ($\bar{x}$)	SD
	F %	F %	F %	F %	F %		
Net Profit Margin (NPM) that is consistently high is an indication of a company having one or more competitive advantage	2	6	39	219	99	4.12	.694
	0.5%	1.6%	10.7%	60.0%	27.1%		
Higher (NPM) can be encouraged by purchasing and utilizing qualifying equipment and machinery which boost production thereby, reducing the cost of production	0	18	37	183	127	4.15	.791
	0.0%	4.9%	10.1%	50.1%	34.8%		
NPM is one of the most essential indicators of a firm's overall financial health	0	13	71	167	114	4.05	.806
	0.0%	3.6%	19.5%	45.8%	31.2%		
NPM is the percentage of profit that is generated from revenue after accounting for all costs, expenses and cash flow items	0	6	32	194	133	4.26	.659
	0.0%	1.1%	8.8%	53.4%	36.6%		
NPM assist investors in assessing if enough profit is being generated from sales by the company's management and whether operating costs and overhead costs are being contained.	0	25	77	152	111	3.96	.888
	0.0%	6.8%	21.1%	41.6%	30.4%		

Source: Authors' Computation (2021)

Table 2 reveals that 27.1% (n=99) of the respondents strongly agreed that Net Profit Margin (NPM) that is consistently high is an indication that a firm has one or more competitive advantages, 60.0% percent (n=219) agreed while 10.7% (n=39) were undecided. This revealed that most respondents accepted that NPM that is consistently high is an indication that a firm has one or more competitive advantages. Similarly, 34.8% (n=127) of the respondents strongly agreed that higher NPM can be encouraged by purchasing and utilizing qualifying equipment and machinery which boost production thereby, reducing the cost of production. 50.1% (n=183) agreed, and 10.1% (n=37) were undecided. This shows that that higher NPM can be encouraged by purchasing and utilizing qualifying equipment and machinery which boost production thereby, reducing the cost of production. 31.2% (n=114) of the respondents strongly agreed that NPM is one of the most essential indicators of a firm's overall financial health, undecided were 19.5% (n=71) and 3.6% (n=13) disagreed while 45.8% (n=167) agreed. Note that more of the respondents believe that NPM is essential indicators of a firm's overall financial health. In addition, 1.1% (n=6) of the respondents disagreed that NPM is the percentage of profit that is generated from revenue after accounting for all costs, expenses and cash flow items. However, 8.8% (n=32) were undecided, 53.4% (n=194) agreed, while 36.6% (n=133) strongly agreed. The findings indicate that NPM is the percentage of profit that is generated from revenue after accounting for all costs, expenses and cash flow items.

Further, 41% (n=152) agreed that NPM assist investors in assessing if enough profit is being generated from sales by the company's management and whether operating costs and overhead costs are being contained but 6.8% (n=25) disagreed, while 30.4% (n=111) strongly agreed and 21.1% percent (n=77) remained undecided. The results show that NPM assist investors in assessing if enough profit is being generated from sales by the company's management and whether operating costs and overhead costs are being contained.

The findings reveal that high net profit is the percentage of profit that is being generated from revenue after accounting for all expenses, it can encourage the utilization of equipment to reduce cost of production, and also, it is an indicator that the company has competitive advantage. Similarly, it shows investors if a company is generating sales and managing its overhead cost.

Table 3: Cash Liquidity (y_2)

ITEM	SD	D	UN	A	SA	Mean ($\bar{x}$)	SD
	F %	F %	F %	F %	F %		
The ease or efficiency of converting security or asset readily into without affecting the market price is referred to as liquidity	2	22	61	186	94	3.95	.845
	0.5%	6.0%	16.7%	51.0%	25.8%		
Cash can be easily and quickly converted into other assets and thus considered as most liquid asset	0	17	72	167	109	4.02	.816
	0.0%	4.1%	19.8%	46.0%	30.0%		
In the case of emergency, the ability of an entity to stay solvent is assessed by the cash ratio	0	1	37	180	147	4.30	.655
	0.0%	0.3%	10.1%	49.3%	40.3%		
An ability for a firm to stay solvent is a guarantee that it will never go bankrupt	4	5	48	166	142	4.21	.764
	0.6%	1.4%	13.2%	45.7%	39.1%		
Having cash tied down as a result of liquidity safe guard is the best option to stay liquid	0	4	35	210	116	4.20	.647
	0.0%	1.1%	9.6%	57.5%	31.8%		

Source: Authors' computation of Field Survey Data (2021) using SPSS version 23

Table 3 revealed that majority of the respondents, 51.0% percent (n=186) agreed and 25.8% (n=94) strongly agreed that ease or efficiency of converting security or asset readily into without affecting the market price is referred to as liquidity. Similarly, 30% (n=109) of the respondents strongly agreed and 46% (n=167) agreed that cash can be easily and quickly converted into other assets and thus considered as most liquid asset. Also, 40.3% (n=147) of the respondents strongly agreed that in the case of emergency, the ability of an entity to stay solvent is assessed by the cash ratio and 49.3% (n=180) agreed. Note that more of the respondents believe that in the case of emergency, the ability of an entity to stay solvent is assessed by the cash ratio.

In addition, the notion that a firm's ability to stay solvent is a guarantee that it will never go bankrupt was accepted by 45.7% (n=166) of the respondents while 39.1% (n=142) strongly agreed. Furthermore, 57.5% (n=210) agreed that having cash tied down as a result of liquidity safeguard is the best option to stay liquid while 31.8% (n=116) strongly agreed. The findings simply mean that the ease or efficiency of converting security or asset readily into without affecting the market price is referred to as liquidity; that most liquid asset universally considered is cash, and cash ratio assess company's ability to stay solvent in an emergency situation; that the ability of a firm to stay solvent guarantees that it will never go bankrupt, and having cash tied down as a result of liquidity safe guard is the best option to stay liquid.

Table 4: Surplus ROI (x_3)

ITEM	SD	D	UN	A	SA	Mean ($\bar{x}$)	SD
	F %	F %	F %	F %	F %		
The performance measure used in evaluating the investment profitability or efficiency or comparison of different number of investments is referred to as Return on Investment	0	19	46	195	105	4.06	.788
	0.0%	5.2%	12.6%	53.4%	28.8%		
A popular profitability metric used in evaluating the performance of investment is Return on Investment	5	6	68	193	93	4.04	.730
	0.6%	0.8%	18.9%	53.8%	25.9%		
ROI is calculated by division of net profit (loss) on investment by its initial outlay or cost and expressed as a percentage	2	7	38	183	135	4.21	.746
	0.5%	1.9%	10.4%	50.1%	37.0%		
ROI can be used to rank investments in different project or assets and to make apples-to-apples comparisons	0	6	39	178	142	4.26	.690
	0.0%	1.2%	10.7%	49.0%	39.1%		
Passage of time or holding period is not taken into account by ROI, Hence opportunity cost of investing elsewhere could be missed	0	15	47	176	127	4.15	.776
	0.0%	3.6%	12.9%	48.5%	35.0%		

Source: Author's computation of Field Survey Data (2021) using SPSS version 23

Table 4 shows that many respondents, 28.8% (n=105) strongly agreed that the performance measure used in evaluating the investment profitability or efficiency or comparison of different number of investments is referred to as Return on Investment and 53.4% (n=195) agreed. Similarly, 25.9% (n=93) of the respondents strongly agreed that popular profitability metric used in evaluating the performance of investment is Return on Investment and 53.8% (n=193) agreed. 37% (n=135) of the respondents strongly agreed that ROI is calculated by division of net profit (loss) on investment by its initial outlay or cost and expressed as a percentage and 50.1 % (n=183) agreed. In addition, a good number of respondents, 49% (n=178) agreed, while 39.1% (n=142) strongly agreed that ROI can be used to rank investments in different project or assets and to make apples-to-apples comparisons. Furthermore, many respondents, 48.5% (n=176) agreed that passage of time or holding period is not taken into account by ROI, hence opportunity cost of investing elsewhere could be missed while 35% (n=127) strongly agreed. These findings suggest that return on investment (ROI) is an efficient tool to evaluate the profitability of an investment, also it can be used to make comparison and rank different projects and assets; because it cannot account for holding period, one cannot estimate the opportunity cost of investing elsewhere; A popular profitability metric used in evaluating the performance of investment is Return on Investment and ROI is calculated by division of net profit (loss) on investment by its initial outlay or cost and expressed as a percentage.

Table 5: Budgetary Planning (x_1)

ITEM	SD	D	UN	A	SA	Mean ($\bar{x}$)	SD
	F %	F %	F %	F %	F %		
Budgetary planning (BP) is the process of producing a budget and using it to control business operations.	0	8	42	159	156	4.27	.748
	0.0%	2.2%	11.5%	43.6%	42.7%		
BP reduces the risk that an organization's financial achievements will be worse than expected	12	20	57	164	112	3.94	.989
	3.3%	5.5%	15.6%	44.9%	30.7%		
Budgets encourages managers to achieve goals and thereby, establishing organization control	0	17	48	158	142	4.16	.826
	0.0%	4.7%	13.2%	43.3%	38.9%		
Budgetary planning helps management to achieve a certain level of performance	0	7	35	197	126	4.21	.689
	0.0%	1.9%	9.6%	54.0%	34.5%		
Training managers is necessary before they can adequately utilize budgetary control	0	4	52	190	119	4.16	.698
	0.0%	1.1%	14.2%	52.1%	32.6%		

Source: Authors' computation of Field Survey Data (2021) using SPSS version 23

Table 5 revealed that the majority of the respondents, 42.7% (n=156) strongly agreed and 43.6% percent (n=159) agreed that budgetary planning is the process of formulating a budget and then making use of it to control the operations of a business. Similarly, 30.7% (n=12) of the respondents strongly agreed that budgetary planning reduces the risk that an organization's financial achievements will be worse than expected and 44.9% (n=164) agreed to that fact. 38.9% (n=142) of the respondents strongly agreed that budgets encourages managers to achieve goals and thereby, establishing organizational control and 34.3% (n=158) agreed to that position.

In addition, 54% (n=197) of the respondents accepted that budgetary planning helps management to achieve a certain level of performance, and 34.5% (n=126) strongly agreed to that fact.Furthermore, 52.1% (n=190) agreed while 32.6% (n=119) strongly agreed that training managers is necessary before they can adequately utilize budgetary control. The findings imply thatbudgetary planning is the process of producing a budget and using it to control business operations; using budget for planning mitigates risks; budgets encourages managers to achieve goals and thereby establishing organizational control; it helps the management achieve a certain level of performance; and there is need to train managers to effectively utilize budgetary control.

Table 6: Budgetary Monitoring and Control (x_2)

ITEM	SD	D	UN	A	SA	Mean ($\bar{x}$)	SD
	F %	F %	F %	F %	F %		
Budgetary monitoring and control assist management assess the level of performance	0	5	32	208	120	4.21	.653
	0.0%	1.4%	8.8%	57.0%	32.9%		
Effective mechanism for financial planning and control is budgetary monitoring or control	2	0	28	195	140	4.29	.653
	0.5%	0.0%	7.7%	53.4%	38.4%		
Effective budget monitoring and control should be practiced in every profit-making organization	2	6	40	174	143	4.23	.751
	0.5%	1.6%	11.0%	47.7%	39.2%		
Budget committee exists within the organization	0	4	52	175	126	4.18	.715
	0.0%	1.1%	14.6%	49.0%	35.3%		
An effective tool for budget control is internal control	0	17	48	158	142	4.16	.826
	0.0%	4.7%	13.2%	43.3%	38.9%		

Source: Authors' computation of Field Survey Data (2021) using SPSS version 23

Table 6 showed that most respondents, 32.9% (n=120) strongly agreed and 57% (n=208) agreed that budgetary monitoring and control helps management to assess their performance level. Similarly, 38.4% (n=140) of the respondents strongly agreed while 53.4% (n=195) agreed that effective mechanism for financial planning and control is budgetary monitoring or control. 39.2% (n=143) of the respondents strongly agreed that effective budget monitoring and control should be practiced in every profit-making organization while 47.7% (n=174) agreed to that fact. In addition, 49.0% (n=175) agreed while 35.3% (n=126) strongly agreed that budget committee exist within the organization. Furthermore, 43.3% (n=158) agreed that an effective tool for budget control is internal control and 38.9% (n=142) strongly agreed to this fact. The implications of the findings are that effective mechanism for financial planning and control is budgetary monitoring or control; every company should have effective budgetary monitoring and control; budgetary monitoring and control helps management to assess their performance level; budget committee exist within the organization; and effective tool for budget control is internal control.

Table 7: Participative Budgeting (x_3)

ITEM	SD	D	UN	A	SA	Mean ($\bar{x}$)	SD
	F %	F %	F %	F %	F %		
Lower management level involvement in the process of budget preparation is participative budgeting (PB)	0	7	35	197	126	4.21	.689
	0.0%	1.9%	9.6%	54.0%	34.5%		
PB shares the responsibility with lower-level management so as to have a belonging to business ownership	0	4	52	190	119	4.16	.698
	0.0%	1.1%	14.2%	52.1%	32.6%		
Lower-level employees inform supervisors where to allocate funds as they are better positioned making PB produce achievable budgets	0	5	32	208	120	4.21	.653
	0.0%	1.4%	8.8%	57.0%	32.9%		
Implementation of PB in company's is an evidence of the confidence of top management in its staff	2	0	28	195	140	4.29	.653
	0.5%	0.0%	7.7%	53.4%	38.4%		
Motivation to hard work and attainment of goals is attained when employees' have the sense of ownership	2	6	40	174	143	4.23	.751
	0.5%	1.6%	11.0%	47.7%	39.2%		

Source: Authors' computation of Field Survey Data (2021) using SPSS version 23

Table 7 revealed that the majority of the respondents, 34.5% (n=126) strongly agreed and 54% (n=197) agreed that lower management level involvement in the process of budget preparation is participative budgeting (PB). Similarly, 32.6% (n=119) of the respondents strongly agreed that PB shares the responsibility with lower-level management so as to have a belonging to business ownership while 52.1% (n=190) agreed to that. 32.9% (n=120) of the respondents strongly agreed and 57% (n=208) agreed that lower-level employees inform supervisors where to allocate funds as they are better positioned making PB produce achievable budgets. In addition, 53.4% (n=195) of the respondents agreed while 38.4% (n=140) strongly agreed that implementation of PB in company's is evidence of the confidence of top management in its staff. Furthermore, 47.7% (n=174) of the respondents agreed while 39.2% (n=143) strongly agreed that motivation to hard work and attainment of goals is attained when employees' have the sense of ownership.

The above findings implied that lower management level involvement in the process of budget preparation is PB; PB shares the responsibility with lower-level management so as to have a belonging to business ownership; implementation of PB in company's is an evidence of the confidence of top management in its staff and motivation to attain goals through hard work; lower-level employees inform supervisors where to allocate funds as they are better positioned making PB produce achievable budgets.

Table 8: Budget Motivation and Communication (y_4)

ITEM	SD	D	UN	A	SA	Mean ($\bar{x}$)	SD
	F %	F %	F %	F %	F %		
Effective coordination is dependent upon adequate communication	0	4	52	175	126	4.18	.715
	0.0%	1.1%	14.6%	49.0%	35.3%		
A lot of financial information is analyzed through accounting statement	2	0	28	195	140	4.29	.653
	0.5%	0.0%	7.7%	53.4%	38.4%		
Risk is evaluated and analyze accurately, reasonably and effectively	2	6	40	174	143	4.23	.751
	0.5%	1.6%	11.0%	47.7%	39.2%		
Offer of reference for ay company's short and long term project decision, finance condition and competition condition is determined through the evaluation of the economic environment	0	4	52	180	126	4.18	.710
	0.0%	1.1%	14.4%	49.7%	34.8%		

Source: Authors' computation of Field Survey Data (2021) using SPSS version 23

Table 8 revealed that 35.3% (n=126) of the respondents strongly agreed that effective coordination is dependent upon adequate communication and 49.0% (n=175) agreed to this. Similarly, most of the respondents, 38.4% (n=140) strongly agreed and 53.4% (n=195) agreed that a lot of financial information is analyzed through accounting statement. In addition, 39.2% (n=143) of the respondents strongly agreed and 47.7% (n=178) agreed that risk is evaluated and analyze accurately, reasonably and effectively. Furthermore, 49.7% (n=180) of the respondents agreed that offer of reference for ay company's short and long term project decision, finance condition and competition condition is determined through the evaluation of the economic environment while 34.8% (n=126) strongly agreed. These findings imply that effective coordination is dependent on adequate communication; budget motivation and communication aid the analysis of financial information through accounting statements; the sampled SMEs risk were evaluated and analyze accurately, reasonably and effectively; offer of reference for ay company's short and long term project decision, finance condition and competition condition is determined through the evaluation of the economic environment.

4.2 Testing of Hypotheses

- **Hypothesis One**

Table 9: Effect of budgeting on net profit margin of SMEs

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.655	1.039		4.479	.000

	BPL	.172	.068	.185	2.540	.012
	BMC	.075	.090	.071	.835	.404
	PBU	.416	.099	.391	4.208	.000
	BMO	.088	.032	.114	2.783	.006
		Model Summary				
Model	R	R Square	Adjusted R Square	F	Sig.	
1	.653[a]	.426	.420	66.925	.000[b]	

Source: Authors' computation of Field Survey Data (2021) using SPSS version 23

The estimated model in table 9 is given as:

$NPM = \alpha_0 + \alpha_1 BPL + \alpha_2 BMC + \alpha_3 PBU + \alpha_3 BMO + \mu_1$

$NPM = 4.655 + 0.172\ BPL + 0.075 BMC + 0.416 PBU + 0.088 BMO + \mu_1$

(2.540) (0.835) (4.208) (2.783)

The result on table 9 shows a positive effect between budgetary planning (BPL) and net profit margin with a coefficient of NPM (0.172) and *p*-value of 0.012 that is less than 0.05 which is significant. In addition, positive effect between budget monitoring and control (BMC) and on Net Profit Margin, with coefficient NPM (0.075) with *p*-value of 0.404, that is greater than 0.05 which is insignificant. Furthermore, the size of the positive impact of 0.075, implies that 1 per cent increase in budget monitoring/control would lead to 0.075 increase in net profit margin. Also, the result reveals positive significant effect of participative budgeting (PBU) and net profit margin, as shown by coefficient NPM (0.416) and a significant *p*-value of 0.000, which is less than 0.05. Finally, the result indicates positive significant effect of budget motivation and communication (BMO) and Net Profit Margin as shown by coefficient NPM (0.088) and *p*-value of 0.006 which is less than 0.05. However, the combined result shows that budgeting (BPL, BMC, PBU and BMO) explained about 42% of shifts in Net profit margin while 58% is predicted by other factors not included in the model. Furthermore, considering the F-Statistic value of 66.925 and *p*-value of 0.000 which is less than 0.05 and significant, one can infer significant effect of budgeting and Net Profit Margin of SMEs in Lagos State, Nigeria. To this end, the null hypothesis is rejected.

- **Test of Hypothesis Two**

Table 10: Effect of budgeting on cash liquidity of SMEs

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
2	Constant	6.895	1.137		6.066	.000
	BPL	.355	.074	.369	4.791	.000
	BMC	.049	.099	.045	.501	.617
	PBU	.228	.108	.207	2.110	.036
	BMO	.024	.035	.031	.709	.479

Model Summary					
Model	R	R Square	Adjusted R Square	F	Sig.
2	.599[a]	.359	.352	50.488	.000[b]

Source: Authors' computation of Field Survey Data (2021) using SPSS version 23

The estimated model in table 10 is given as:

CLI= $\alpha_0 + \alpha_1$BPL+ α_2BMC + α_3PBU + α_3BMO + μ_2

CLI = 6.895 +0.355 BPL+ 0.049BMC + 0.228PBU + 0.024BMO + μ_1

(4.791) (0.501) (2.110) (0.709)

The result shows positive significant effect between BPL and cash liquidity with coefficient of CLI (0.355) and significant *p*-value of 0.000, which is less than 0.05. Also, a positive and insignificant effect between BMC and positive effect on cash liquidity, with CLI coefficient (0.049) and *p*-value of 0.617 which is insignificant, and greater than 0.05. Furthermore, the size of the positive effect of 0.049 implies that 1 per cent increase in budget monitoring and control would lead cash liquidity increase by 0.049. Also, the resulteals positive significant effect of PBU and cash liquidity with CLI coefficient (0.228) and a significant *p*-value of 0.036, which is less than 0.05. Finally, the result shows a positive insignificant effect between BMO and Cash Liquidity with CLI coefficient (0.024) nd insignificant *p*-value of 0.479 which is greater than 0.05. However, the overall budgeting (BPL, BMC, PBU and BMO) explains about 35% of shifts in cash liquidity while 65% is explained by other factors not included in the model. That is, other than budgeting, cash liquidity is predicted by other factors, being associated with a correlation coefficient of 0.599. Considering the F-Statistic value of 50.488 and a significant *p*-value of 0.000, which is less than 0.05, one can infer a significant effect between budgeting and Cash Liquidity of SMEs in Lagos State. To this end, the null hypothesis is rejected.

- **Test of Hypothesis Three**

Table 11: Effect of budgeting on surplus ROI development index of SMEs

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
3	Constant	3.874	1.138		3.404	.001
	BPL	.148	.070	.148	2.103	.036
	BMC	.297	.088	.259	3.367	.001
	PBU	.282	.083	.253	3.389	.001
	BMO	.067	.035	.081	1.933	.054

Model Summary					
Model	R	R Square	Adjusted R Square	F	Sig.
3	.639[a]	.408	.401	61.999	000[b]

Source: Authors' computation of Field Survey Data (2021) using SPSS version 23

The estimated model in the table 11 is given as:

$$ROI = \alpha_0 + \alpha_1 BPL + \alpha_2 BMC + \alpha_3 PBU + \alpha_3 BMO + \mu_3$$

$$ROI = 3.874 + 0.148\,BPL + 0.297 BMC + 0.282 PBU + 0.067 BMO + \mu_3$$

(2.103) (3.367) (3.389) (1.933)

The result on Table 11 revealed that BPL has a positive significant effect on surplus ROI development index with coefficient of ROI (0.148) and significant *p*-value of 0.036, which is less than 0.05. Also, significant and positive effect between BMC and surplus ROI with ROI coefficient (0.297) and significant *p*-value of 0.001, which is less than 0.05. The size of the positive effect of 0.297 implies that 1 per cent increase in budget monitoring and control would lead return on investment increase by 0.297. Also, PBU has a positive significant effect on surplus ROI development index, as shown by ROI coefficient (0.282) and a significant *p*-value of 0.001, which is less than 0.05. Finally, the result revealed that BMO has a positive significant effect on surplus return on investment with ROI coefficient (0.067) and significant *p*-value of 0.054 which is greater than 0.05. However, on the overall, budgeting (BPL, BMC, PBU and BMO) explains about 40% of shifts in return on investments while 60% is explained by other factors not included in the model. Furthermore, considering the F-Statistic value of 61.999 and a significant *p*-value of 0.000 which is less than 0.05, one can infer that budgeting has a significant effect on surplus return on investment development index of SMEs in Lagos State, Nigeria. To this end, the null hypothesis is rejected.

4.3 Discussion of Findings

Model one showed that BPL, BMC, PBU and, BMO all have positive effects on Net Profit Margin and the overall, budgeting has a significant effect on net profit margin of SMEs in Lagos State, Nigeria. The outcome is in line with the works of Wonder, Osei and Wang (2018) who examined the role and financial effects of budgeting on manufacturing companies listed on Ghana Stock Exchange and found that the financial success of listed manufacturing companies needs budgeting as the relationship between budgeting and financial results was highly positive. Similarly, Alde, Mercy and Kolawole (2020) stated that budget preparation would enhance the financial accountability of the state government sector in Ondo State, Nigeria. The study of Faith (2013) which revealed that formal budgetary control could lead to greater budgetary control and higher growth profit in parastatals leads to better managerial performance at the rate of 78.9% of increment in growth profit, also aligned with the findings of this paper. In addition, Mohamed and Ali (2018) found a similar result which revealed that five aspects of capital budgeting decisions and the performance/profitability of organizations have a strong and optimistic association. However, the findings contradicted the findings by Oyewo and Adyeye (2018) who stated that the effect on financial performance of budgetary engagement seemed mild.

Model two revealed positive effects of BPL, BMC, PBU and, BMO and Cash Liquidity and on the overall, budgeting has a significant effect on Cash Liquidity of SMEs in Lagos State, Nigeria. This finding is consistent with the work of Caroline and Peter (2016) who calculated the degree to which SMEs use the budgets in Cape Metropolis and found that budgets were used primarily for the tracking, assessment, preparation and management of market efficiency. This finding also aligns with the study of Nwanyanwa and Nkiru (2018) who explored the connection between budgeting and financial management of small and medium-sized companies in River states and discovered that 5 percent of budgetary restrictions and financial performance have a substantial relationship. Similarly, Onduso (2013) examined the effects of budgetary control on financial performance using ROA and concluded that ROA is strongly influenced by budget variance and management support at 0.001 level of significance respectively. However, the findings contradicted the result of Ojua (2016).

Model three revealed BPL, BMC, PBU and, BMO all have positive effect on surplus ROI development index. On the overall, budgeting has a significant effect on surplus ROI development index of SMEs in Lagos State, Nigeria. The study of Balogun, Mamidu and Owuze (2015) who found that budgets and budgetary controls will affect an organization's efficiency, since they are very mutually related, aligned with the findings of this paper. Also, this paper's finding is in harmony with the work of Eton, Mwosi and Ogwel (2018) who examined the importance of cash budgeting in improving the operational efficiency of private companies in Uganda and found that there was a clear connection between cash and organizational success and that cash budgeting stabilizes rental level, ensuring that corporate spending is consistent with scheduled cash flows, and also improves the ability to forecast surplus cash probability. On the same vein, the findings of Ibrahim and Abu (2019) in Nigeria which revealed that financial management systems are closely related to the viability of companies is consistent with the finding of this paper.

4.4 Implications of Findings

The implications of this paper's findings are:

To the management: This paper showed that budgeting has positive effect on sustainability of SMEs in Lagos State, Nigeria. Thus, this study will aid the management and policy makers of SME's in knowing that when budgetary planning, budget monitoring and control and motivation and communication of budgets are effectively managed or implemented, the probability of SMEs' survival, leading to the going concern (sustainability) of the business becomes higher. The results will help to shed more light on how SMEs can increase their profitability and meet medium to long term obligations as they fall due.

To the government: These findings will guide Nigerian government and other operational regulators of small and medium-sized companies on developing efficient policies that will not only regulate the operations of companies in the industry but allow the industry to increase and in turn contribute to economic growth since, it is evident that budgeting has an effect on sustainability of SMEs in Nigeria.

To the investors: The implication of these findings is that it will aid in investment decision making especially, in the viability and profitability of the investment decision through accounting reports of the business. It will also provide an all-round organizational performance and financial health of SMEs through budgetary control and management.

To Future researchers: The findings of this paper will also serve as a resource base or reference material to other scholars and researchers who have an interest in carrying out further research in this field.

5. Summary and Conclusion

The first model revealed that BPL, BMC, PBU, and BMO as proxies of budgeting all have positive effects on net profit margin. The explanatory power of the model reflect that the joint effect of budgeting measures yielded 42% variations in net profit margin while the remaining 68% changes in net profit margin is caused by other factors not captured in this model. By implication, a significant effect between budgeting and net profit margin of SMEs in Lagos State, Nigeria. Model two of the regression estimates revealed positive effects of BPL, BMC, PBU, and BMO and Cash Liquidity. The explanatory power of the independent and controlling variables reflect that the joint variations in the budgeting proxies yielded 35% variations in Cash Liquidity while the remaining 75% changes in Cash Liquidity is caused by other factors not captured in this model. To this end, a significant effect between budgeting and cash liquidity of SMEs in Lagos State, Nigeria. Model three of the regression estimates revealed that BPL, BMC, PBU, and BMO all have positive effects on the surplus ROI development index. The explanatory power of the independent variables reflect that the joint variations in budgeting measures yielded 40% variations in surplus ROI while the remaining 60% changes in surplus ROI is caused by other factors not included in this model. Therefore, a significant effect between budgeting and surplus ROI development index of SMEs in Lagos State, Nigeria. Relevance of the underpinning theory which is accounting theory is justified with the findings of this paper because the theory has an essential normative role in the evaluation of budget and control procedures to be adopted. Also, in giving circumstances it has assisted possible outcome predictions of budget action and the effect of any change in circumstances in cost leading to organizational survival.

The result of the analyses revealed positive significant effect of budgeting and net profit margin of SMEs in Lagos State, Nigeria; positive significant effect of budgeting and cash liquidity; and a positive significant effect of budgeting and surplus ROI development index. Therefore, budgeting positively and significantly affects the sustainability of SMEs in Lagos State, Nigeria.

The following recommendations were made:

- Owners of SMEs should ensure that components of budgeting such as budget planning, budget monitoring and control, participative budgeting and motivation and communication of budgets are maintained or implemented in the planning of the firm's finances in order to increase the net profit margin, liquidity and to ensure that going concern (sustainability) is achieved.
- The government should enforce the use of budget and budgeting components on SMEs to ensure their survival and sustainability since the sector contributes greatly to the economy and its well-being.

- Owners of SMEs should ensure that employees participate actively in the budgetary process and that changes are well communicated to encourage motivation leading to surplus ROI and cash liquidity through the planned budgets.

This paper made the following contributions to knowledge:
To policy: The paper contributed to knowledge by shedding light on the importance of budgeting to business survival of SMEs in Nigeria. This will encourage new policies by government and regulators that will stimulate the growth, survival and sustainability of SMEs which will have an overall effect on the growth of the nation.
To theory: Examining a relevant theory in the area of budgeting and how it affects the sustainability or going concern of SMEs contributed to existing literature.

To accounting practice: The predictability of the models suggested that budgeting has an effect on the sustainability of SMEs in Nigeria which is in line with the a *priori* expectation. This has contributed to accounting practice by showing that budgetary planning, budget monitoring and control, budget motivation and communication can increase the chance of survival and sustainability of SMEs and overall financial health through cash management, net profit margin and surplus ROI.

To Literature: The paper has contributed to literature by transferring to the next generations: statement discovered, existing empirical findings, theory related to the study, concepts (including the conceptual model), findings made from analyses, recommendations, conclusions and suggestions for further study.
To Research: The paper can also serve as a resource base to other scholars and researchers who have an interest in carrying out further research in this field. If consulted and applied by these researchers, it will go a long way in providing new explanations to the subject matter.

Suggestions for further study emanated from the limitations of the methodology. This study is limited in its scope as data were collected only from the region of Lagos State, Nigeria. Also, data were gotten through a survey (questionnaire) which is qualitative in nature and the measures of sustainability considered in this paper are quantitative (financial) in nature. To this end, further studies can expand the scope of this paper, employ other research designs such as *ex-post facto* or mixed methods, and use non-financial measures of sustainability such as employee satisfaction, employee motivation, and job involvement or include both financial and non-financial constructs/data for both the dependent and independent variables.

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