

IMPACT OF ECONOMIC ENVIRONMENT ON THE PERFORMANCE OF NIGERIA BREWERIES INDUSTRY

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ABSTRACT

The study focuses on impact of economics environment on the performance of Nigeria Breweries industry. Specifically the study sought to determine the effect of government policies on productivity of Nigerian breweries; ascertain the nature of the relationship between economic resources and growth of Nigeria breweries; determine the extent at which level of income enhance employee performance of Nigeria breweries. . The study had a population size of 1530, out of which a sample size of 317 was realized using taro Yamane's formula at 5% error tolerance and 95% level of confidence. Instrument used for data collection was primarily questionnaire and interview. Out of 553 copies of the questionnaire that were distributed, 317 copies were returned while 27 were not returned. The descriptive survey research design was adopted for the study. The hypotheses were tested using Pearson product moment correlation coefficient, Chi-square and simple linear regression statistical tools. The findings indicated government policies significantly affects productivity of Nigerian Breweries ($r=0.811, 437.415; t = 6.976; p < 0.05$). There is a positive relationship between economic resources and growth of Nigeria breweries($r =.663, P<.05$). Level of income significantly enhance employee performance of Nigeria Breweries ($X^2_c= 75.036 > X^2_t = 9.49, p < 0.05$). The study concluded Nigeria economy is still struggling to gain momentum as many high-income countries continue to grapple with the legacies of the global financial crisis and emerging economies are less dynamic than in the past. The study recommended that government should formulate policies that will promote and sustain interest of the infant and indigenous firms

Keywords: *Economic, Performance, Breweries Industry*

INTRODUCTION

The global economy has in recent times been subjected to subdued growth for another year in 2013, with its inability to meet even the modest forecasts or projections earlier made by many institutional forecasters, including the World Economic Situation and Prospects (WESP 2013). Economic environment is the totality of economic factors, such as employment, income, inflation, interest rates, productivity, and wealth, that influence the buying behavior of consumers and institutions (Smith, 2007).

Over the last ten years, developed countries have grown very little. Comparatively however, several developing economies have expanded at unprecedented rates. As developing countries' share of the world economic output has been rapidly rising, economists have started to predict that in the next few decades, global competitive advantage will likely shift from West to East. In the context of this prediction, West refers to the United States, Canada, most of Europe, and developed countries of Asia (primarily Japan). On the other hand, East involves a few developing countries of Asia, Latin America and Eastern Europe. The shift in competitive advantage is a proposition advanced by organizations such as the Brookings Institution (Kharas, 2010; Lieberthal, 2010), The shift in foreign direct investments toward developing countries occurred, not only in the automobile industry, but also in many other sectors including manufacturing sector. Although developed countries were still the main destination for foreign direct investments, developing nations have been attracting a growing portion of these investments (Hill, 2009).

The global economy got off to a bumpy start this year buffeted by poor weather in the United States, financial market turbulence and the conflict in the Ukraine. As a result, global growth projections for 2014 as a whole have been marked down from 3.2 percent in January to 2.8 percent now. Despite the early weakness, growth is expected to pick up speed as the year progresses and world GDP is projected to expand by 3.4 percent in 2015 and 3.5 percent in 2016 – broadly in line with earlier fore-casts. Underperformance in the world economy was observed across almost all regions and major economic groups. Most developed economies continued struggling in an uphill battle against the lingering effects of the financial crisis, grappling in particular with the challenges of taking appropriate fiscal and monetary policy actions. A number of emerging economies, which had already experienced a notable slowdown in the past two years, encountered new headwinds during 2013 on both international and domestic fronts (Smith, 2007).

STATEMENT OF PROBLEM

The national and international macroeconomic environment is of great importance. Moreover, the economy is highly dynamic, as witnessed by key players such as the EU, Brazil, Russia, China, and India which have cause investments levels low, productivity growth is very weak and the export sector is only providing a small contribution to the recovery: Rising Crime and Insecurity; Armed Robbery and Kidnapping in Eastern Nigeria. Militancy in the Niger-Delta, Recurrent religious and sectarian crisis in parts of Northern Nigeria; Education and Health Services have suffered from under-investment during military rule; Absence of social protections and Problems associated with export and import logistics-ports; customs; inspection services; all these have cause a nightmare to Nigeria economy as regard to economy; thus the study seek to investigate impact of economics environment on the performance of Nigeria Breweries industry.

OBJECTIVES OF THE STUDY

The objectives of the study include:

1. To determine the effect of government policies on productivity of Nigerian breweries
2. To ascertain the nature of the relationship between economic resources and growth of Nigeria breweries
3. To determine the extent at which level of income enhance employee performance of Nigeria breweries

RESEARCH QUESTIONS

The following are the research questions

1. What is the effect of government policies on productivity of Nigerian Breweries?
2. What is the nature of the relationship between economic resources and growth of Nigeria breweries
3. What is the extent at which level of income enhance employee performance of Nigeria Breweries?

RESEARCH HYPOTHESES

The following are the research hypotheses. Each was tested at 0.05 level of significance

1. Government policies significantly affects productivity of Nigerian Breweries
2. There is a positive relationship between economic resources and growth of Nigeria breweries
3. Level of income significantly enhance employee performance of Nigeria Breweries

Conceptual Framework

The global economy or world economy refers to the economies of all the world nations. Hence, the aggregate of national economies makes up the global economy. The global economy refers to an integrated world economy with unrestricted and free movement of goods, services and labour. This is why the term 'global village' is being applied to describe the current world's economic order. In the current global economic environment, globalization would increase the economy of the whole world through transnational economic activities. In order to have an even ground for comparing these economies, they are usually judged in monetary terms. Such monetary values are based on the purchasing power of the local currency in terms of the US dollar or Euros. Global economy is usually limited to human activities (Steger,2002).

According to the International Monetary Fund (IMF), in 2011, the largest economies in the world with more than \$3trillion, £1.25 trillion by national GDP are the United States of America, China, Japan, Germany, France, United Kingdom and Italy.

Economic environment

The economic environment is one of these, which encompasses economic factors which have effects on national and international business performance. Such economic factors include; government policies; the type of economy (mixed, capitalistic or socialist), economic resources, level of income, distribution of income and wealth as well as purchasing power. The economic environment like all other environment is never static, it is dynamic and complex(World Bank, 2008).

Global economic environment – refers to the role of international economic environment on national business. This involves imports and exports of goods and the various rules and guidelines for international trade. The international organizations Involved are World Bank, World Trade Organization and International Monetary Fund, among other world financial institutions (World Bank, 2008).

Characteristics of Global Economy

A global economy is characterized by a unified market for all goods and services produced across the world. The following are some of the characteristics of the global economy:

1. It gives national producers the opportunity to export their goods and services to other countries. This implies that goods and service across the globe would be produced to meet international standards, since buyers have a choice of other producers.
2. It gives opportunity to domestic consumers to choose from a vast array of imported goods. Nigeria for example, has been inundated with too many imported goods sometimes to the detriment of local producers.
3. The global economy is characterized by reduction in the level of tariffs and quotas under the new World Trade Organizations restrictions. Goods and services can now flow between developing and developed countries, better than in this past.
4. The global economy is seeing more of multinational corporations in different parts of the world. Supermarket chains such as Shoprite, manufacturing companies such as KIA, Hyundai, and Toyota are established all over the world.
5. Transfer of learning takes place through the employment of nationals in the multi-national corporations. Skills are transferred over time to the local industries (Economy Watch, (2010)).

Status of economic environment

Lai and Kenkyujo (1992) discussed the stages of global industrialization with distinctive policy stances. The early stage was the mercantilist period during which industrialization first started In Britain. This era was that of innovations in cotton, textiles, iron smelting and steam engine. This was a period of foreign trade controls. This was followed by a period of abolishing tariffs in Europe and the rise of protectionism in the US after civil war in 1865. It was during this phase that the second industrial revolution, consisting of a cluster of innovation based on greater use of and institutionalization of applied research become important. Current Global economy refers to the current trends in the global economy over a period of time. The current global economy has become a level playing field for all countries on account of the effect of globalization. Healthy interaction between the developed and the developing countries in the field of trade and the exchange of technological know-how has helped the global economy prosper remarkably. There has been a significant growth of real Gross Domestic Product (GDP) in most countries of the world and a consequent rise in the global income levels. Globalization has made it possible for domestic producers to expand and emerge on the international scene. Therefore it has been possible for consumers to choose from a wide range of local and imported commodities (World Bank, 2008).

Theoretical Framework

New trade theory

New Trade Theory tries to explain empirical elements of trade which the comparative advantage-based models above have difficulty with. These include the fact that most trade is between countries with similar factor endowment and productivity levels, and the large amount of multinational production (i.e. foreign direct investment) that exists. New trade theories are often based on assumptions such as monopolistic competition and increasing returns to scale. One result of these theories is the home-market effect, which asserts that, if an industry tends to cluster in one location because of returns to scale and if that industry faces high transportation costs, the industry will be located in the country with most of its demand, in order to minimise cost. Although new trade theory can explain the growing trend of trade volumes of intermediate

goods, Krugman's explanation depends too much on the strict assumption that all firms are symmetrical, meaning that they all have the same production coefficients. Shiozawa, based on much more general model, succeeded in giving a new explanation on why the traded volume increases for intermediate goods when the transport cost decreases.

Empirical Review

Nkechinyere (2010) conducted a study on environmental sustainability and sustainable growth: A global outlook. Examines the concept of environmental sustainability with a focus on global efforts to achieve this. The purpose of this capstone is to assess efforts made to curb the impact of environmental degradation on the society by some developed and developing countries such as Switzerland, United States of America and China. Excessive emphasis on environmental sustainability using some policies could hurt the economic activities of a country through loss of jobs and societal mishaps while on the other hand too much emphasis on economic growth could result into health risks, global warming and environmental degradation within the society. This study further discusses the need to strive towards a balance between environmental sustainability and economic growth. Sustainable environment and growth can only be achieved through the integration of policies that connect the environment, the economy and the society. Also, the study analyzes a number of strategic initiatives adopted by some developed countries that other countries can adopt to achieve the balance between environmental sustainability and growth through the integration of policies that connect the environment, society and economy. And from the analyses, the study concluded by outlining efforts that should be explored at the global level in order to achieve this desired balance.

Method and Materials

The study was carried out using descriptive survey design. Primary data was obtained through the use of interviews, questionnaire and observations while Secondary data were obtained through books, journals, and the internet. The population of the study was 1530 drawn from staff of Nigeria breweries Enugu State of Nigeria. A sample size of 317 was determined from the population using Taro Yamane's sample size determination method. 317 copies of questionnaire distributed, 290 copies were returned while 27 copies were not returned. The instrument used for data collection was questionnaire structured in a Likert 5 point scale and validated with content validity of face to face approach. The reliability test was done using test-retest method. The result gave a reliability coefficient of 0.59, indicating a high degree of consistency. The three hypotheses formulated were tested at 0.05 level of significance. Simple Linear Regression, Chi square, and Pearson product moment correlation coefficient was used for the three hypotheses. A computer aided Microsoft special package for social science (SPSS) was used to aid analysis.

Data Analysis and Discussion

The data obtained from the field were presented and analyzed with descriptive statistics to provide answers for the research questions while the corresponding hypotheses were tested with linear regression, Pearson chi-square and Pearson product moment correlation coefficient at 0.05 alpha levels.

What is the effect of government policies on productivity of Nigerian Breweries?

Table 1: Coded Responses on government policies on productivity of Nigerian Breweries

s/no	Questionnaire items	S.Agree /Agree		Disagree /S.Disagree		Undecided		Total (Freq)
		Freq	%	Freq	%	Freq	%	
1	Government restricted statement promote output in Nigeria breweries	271	93	11	4	8	3	290
2	Nigerian breweries has a legal protection against foreign products	266	92	20	7	4	1	290
	Total	537		31		12		580

Source: fieldwork 2016

According to table (1) based on aggregate response 537(93%) indicated strongly agree, 31(5%) indicated disagree while 12(2%) indicated undecided. This implies that government policies significantly affect productivity of Nigerian Breweries

Government policies significantly affect productivity of Nigerian Breweries

Table 2 Model Summary^b

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate	Durbin-Watson
1	.811 ^a	.657	.656		.60187	.073

a. Predictors: (Constant), Government policies

b. Dependent Variable: Productivity

Table 3 ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	158.454	1	158.454	437.415	.000 ^a
	Residual	82.593	288	.362		
	Total	241.048	289			

a. Predictors: (Constant), Government policies

b. Dependent Variable: Productivity

Table 4 Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.592	.085		6.976	.000
	Government policies	.830	.040	.811	20.914	.000

a. Dependent Variable: Productivity

R = 0.811

R² = 0.657

F = 437.415

T = 6.976

DW = 0.073

Interpretation:

The regression sum of squares (158.454) is greater than the residual sum of squares (82.593), which indicates that more of the variation in the dependent variable is not explained by the model. The significance value of the F statistics (0.000) is less than 0.05, which means that the variation explained by the model is not due to chance.

R, the correlation coefficient which has a value of 0.811, indicates that there is positive relationship between Government policies and productivity. R square, the coefficient of determination, shows that 0.657% of the variation in productivity, and is explained by the model.

With the linear regression model, the error of estimate is low, with a value of about .60187. The Durbin Watson statistics of 0.073, which is not more than 2, indicates there is no autocorrelation.

The government policies coefficient of 0.811 indicates a positive significance between Government policies and productivity, which is statistically significant (with $t = 6.976$). Therefore, the null hypothesis should be rejected and the alternative hypothesis accordingly accepted. Thus government policies significantly affect productivity of Nigerian Breweries

What is the nature of the relationship between economic resources and growth of Nigeria breweries

Table 5: Coded Responses on nature of the relationship between economic resources and growth of Nigeria breweries

s/no	Questionnaire items	S. Agree /Agree		Disagree /S.Disagree		Undecided		Total (Freq)
		Freq	%	Freq	%	Freq	%	
1	Availability of economic resources promote growth of Nigeria breweries	261	90	21	7	8	3	290
2	Nigeria breweries expansion in size and production activities could be achieve through availability of economic resources	270	93	15	5	5	2	290
		531		36		13		580

Source: fieldwork 2016

According to table (5) based on aggregate response 531(92%) indicated strongly agree, 36(6%) indicated disagree while 12(2%) indicated undecided. This implies that there is a positive relationship between economic resources and growth of Nigeria breweries.

Table 6 Descriptive Statistics

	Mean	Std. Deviation	N
Economic Resources	2.0000	.95305	290
Growth	2.2696	.94681	290

Table 7 Correlations

		Economic Resources	Growth
Economic Resources	Pearson Correlation	1	.663**
	Sig. (2-tailed)		.000
	N	290	290
Growth	Pearson Correlation	.663**	1
	Sig. (2-tailed)	.000	
	N	290	290

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

Table 6 shows the descriptive statistics of the economic resource and growth, with a mean response of 2.0000 and std. deviation of .95305 for economic resources and a mean response of 2.2696 and std. deviation of .94681 for growth and number of respondents (290). By careful observation of standard deviation values, there is no much difference in terms of the standard deviation scores. This implies that there is about the same variability of data points between the dependent and independent variables.

Table 7 is the Pearson correlation coefficient for economic resources and growth. The correlation coefficient shows 0.663. This value indicates that correlation is significant at 0.05 level (2tailed) and implies that there is a relationship between economic resources and growth ($r = .663$). The computed correlations coefficient is greater than the table value of $r = .195$ with 289 degrees of freedom ($df. = n-2$) at alpha level for a two-tailed test ($r = .663, p < .05$). However, since the computed $r = .663$, is greater than the table value of .195 we reject the null hypothesis and conclude that there is a positive relationship between economic resource and growth ($r = .663, P < .05$).

What is the extent at which level of income enhance employee performance of Nigeria Breweries

Table 8: Coded Responses on level of income and employee performance of Nigeria Breweries

s/no	Questionnaire items	S.Agree /Agree		Disagree /S.Disagree		Undecided		Total (Freq)
		Freq	%	Freq	%	Freq	%	
1	Increase in the level of income encourage them to put in their best in the company	261	90	21	7	8	3	290
2	Employee commitment can be achieved when there is a positive in the level of income of an employee	270	93	15	5	5	2	290
		531		36		13		580

Source: fieldwork 2016

According to table (8) based on aggregate response 531(92%) indicated strongly agree, 36(6%) indicated disagree while 12(2%) indicated undecided. This implies that level of income significantly enhance employee performance of Nigeria Breweries.

Table 9 : Chi-Square Tests Computed from the Frequency Cross Tabulation

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	75.036(a)	4	.061
Likelihood Ratio	7.996	4	.027
Linear-by-Linear Association	4.911	1	.027
N of Valid Cases	580		

Table (9) is the output of the computed Chi-Square values from the cross tabulation statistics of observed and expected frequencies with the response options of agree and disagree based on the responses of the research subjects. Pearson. Chi-Square computed value ($X^2_c = 75.036$) is greater than the Chi-Square tabulated value ($X^2_t = 9.49$) with 4 degrees of freedom (df) at 0.05 level of alpha ($X^2_c = 75.036$, $p < .05$).

Decision Rule

The decision rule is to accept the alternate hypothesis if the computed Chi-Square value is greater than tabulated Chi-Square value otherwise reject the null hypothesis.

Decision

Since the Pearson Chi-Square computed $X^2_c = 75.036$ is greater than Chi-Square table value $X^2_t = 9.49$, the null hypothesis is rejected and alternate hypothesis is accepted. Thus, we conclude that levels of income significantly enhance employee performance of Nigeria Breweries.

Summary of Findings

The findings at the end of this study include the following:

1. Government policies significantly affects productivity of Nigerian Breweries ($r= 0.811$, 437.415 ; $t = 6.976$; $p < 0.05$)
2. There is a positive relationship between economic resources and growth of Nigeria breweries($r =.663$, $P<.05$).
3. Level of income significantly enhance employee performance of Nigeria Breweries($X^2_c= 75.036 > X^2_t = 9.49$, $p < 0.05$)

Conclusion

The study concluded that Nigeria economy is still struggling to gain momentum as many high-income countries continue to grapple with the legacies of the global financial crisis and emerging economies are less dynamic than in the past. After rising marginally in 2014, to 2.6 percent, world GDP will grow by an estimated 3.0 percent in 2015 and 3.3 percent in 2016, supported by gradual recovery in high-income countries, low oil prices, and receding domestic headwinds in developing countries. Several major forces are driving the global outlook: soft commodity prices; persistently low interest rates but increasingly divergent monetary policies across major economies; and weak world trade.

Recommendations

The study recommended that:

1. Government should formulate policies that will promote and sustain interest of the infant and indigenous firms
2. Organizations should locally source their raw materials, so that restrictions on importation of raw material and issues of stock out during production will not be experience
3. Organizations and government should structure and restructure salary package, to be interested, attractive, that will go a long way to motivate employees to put in their best

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