

RESEARCH ARTICLE

BUDGETING PRACTICES OF SELECTED SMALL AND MEDIUM ENTERPRISES (SMEs) IN LUCENA CITY : AN INPUT FOR BUDGET MANAGEMENT PLAN

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ABSTRACT

This study aims to measure the budgeting practices of some Small and Medium Enterprises (SMEs) in Lucena City and to uncover some insights that would guide the formulation of budget management strategies. In this section, we define the key sub-problems as follows; managerial accountants' budgeting practices, impact of profitability, impacts of cost control and impacts of decision-making. Important budgeting practices to evaluate are managerial support, strategic goals consistent with the development of the budget, realistic allocation of resources, adaptability, continuous improvement, reducing complexity and technology integration. The data was obtained from a survey conducted into the involvement of managerial accountants in budgeting, their association with strategy and the distribution of resources, as well as their use of technology in the SMEs sector. This implies a pattern of strategy integration and resource allocation for the SMEs that involved the managerial team in the decision process itself. Moreover, technology is assumed to enhance decision-making and operational efficiency in the budgeting phase, which seem advantageous. In view of the fact that decision making, adjusting to the changing environment, remaining flexible, and the continuous learning process towards better efficiency and performance are the three things that SMEs must be committed to in order to sustenance and improve their financial performance and strategic coherence, this paper argues that SMEs need to adopt sound budgeting practices. These recommendations emphasize the need for greater managerial involvement in planning and allocation, and also recommend information technology to facilitate effective and refined budgeting strategies. Such research has been important for SMEs most especially to improve their budgetary management abilities to scale their productivity. Aside from the improvement of the budgeting process, the results of this study can also be useful, as the budgetary functions conducted in this research will be useful for reducing costs and help SMEs to improve.

KEYWORDS

Budgeting practices, SMEs, profitability, resource allocation, information technology, strategic planning, decision - making.

1. INTRODUCTION

Finance is the heart of a business. Thereupon, financial planning is considered of great importance to a businessman. Financial planning encompasses not only the raising of funds, but it also covers the effective utilization of such funds. A budget is an essential instrument for business organizations to have effective financial planning and control. Hence, a budget is a systematic allocation of resources to realize the company's goals. Budgeting encompasses the establishment of predetermined goals, the reporting of the actual result of performance and assessment of performance in terms of the predetermined objectives. Nonetheless, budgeting can be liable to challenges which may deter effective attainment of the company's goals. Conclusively, it can either have a positive or negative impact on the financial performance of companies. However, it still rests on how the operations are being managed effectively by the companies to attain their set targets. Good integration of the budget process with other activities, such as planning and management functions, provides better financial and program decisions that lead to improving operations. Prior studies concluded that there exists a positive relationship between budgeting practices and financial performance regarding return on asset, growth in sales and profit. Aforementioned points, it occurred the relationship between budgeting practices and

financial performance in which this present study attempt to refute.

This study was conducted to examine the current condition of SME's budgeting practices and level of profitability, as well as to analyze the relationship between these two variables. Although some studies have investigated budgeting and financial management practices among Philippine SMEs specifically assessing budgeting practices to profitability remains limited (Fortuna, 2021; Molina, Alaan, and Duay, 2022). Thus, further studies that focus on studying the relationship between the budgeting practices used and level of profitability of SMEs within the Philippines is recommended.

This study aims to determine the budgeting practices of selected Small and Medium Enterprises (SME's) in Lucena City, with the results serving as an input in developing a budget management plan. Specifically, it seeks to determine the influence of budgeting practices on profitability, cost control, and decision making. The results of this study aim to provide valuable insights that can help improve the budget management strategies of these selected SME's in Lucena City.

2. LITERATURE REVIEW

This chapter discusses the related reviews and theories for this study.

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The overall goals of public budgeting are still unchanged some elements have become more pressing in today's environment (de Jong, M. 2025). A budget is a tool in attaining and promoting the vision of an organization (Fortuna 2021). If a budget will be a useful tool, then it is necessary that all stages of budgeting are properly related and managed

The capability to organize, supervise and control small and medium-sized enterprises (SMEs) is vital to understand their organization's objective (Matsoso et al., 2021). This study assesses the efficiency and understanding of budgeting and budgetary control systems among SMEs.

The environment in which manufacturing small and medium enterprises operate has become very complex, and therefore manufacturing SME owners need to be aware of the impact their decisions have on the environment and society (Nartey and Van Der Poll 2021). The goal of the study is to find out which innovative management accounting practices can be unified into manufacturing SMEs' approach to surpass the challenge of being criticized by stakeholders as contributors to social and environmental problems.

Participation in the process of budgeting is highly appreciated, especially in the active engagement and submitting budget plan that align with the particular needs of each work unit (Irawan 2023). Leaders are being looked up to as competent in sending out commands, advising, supervising, and inspiring their subordinates. They are also experts at facilitating and organizing activities within and outside their organization.

The issue of financial-budgetary planning is largely used apart from strategic planning issues. Financial-budgetary planning is an important tool for managing the country's financial system, which is closely linked to socio-economic and strategic planning of regional development. In the situation of economic periodicity and the instability of financial and economic relations, it is important to consider budget planning as one of the necessary state regulation tools of the country's socio-economic development (Dalevska 2019).

Economic globalization constitutes notable challenges for small and medium enterprises (SMEs), leading to high decrease rates (Gamage et al., 2020). The notable challenges include global market competition, financial crises, information technology, multinational corporations, consumer preferences, trade dumping, terrorism, and religious conflicts (Kumar et al., 2024). SMEs must adopt survival ways to succeed.

3. METHODS

This chapter presents the Research Design, Research Locale, Respondents, Population and Sampling, Data Gathering Procedures, Research Instrument, and Statistical Treatment / Unit of Analysis of this study.

The study employed a descriptive research design since the goal was to describe and understand the budgeting practices of selected Small and Medium Enterprises (SMEs) in Lucena City. It aims to find out how SMEs manage their budgeting process, managers' involvement, the effectiveness of practices in profitability, cost control, and decision-making. A descriptive design was capable because it allowed the researchers to present a clear visualization of what is happening at the time the study was conducted.

The study was mainly on the small and medium-sized enterprises (SMEs) located in Lucena City, Quezon Province, which were considered local SMEs operating in the region. Taking this focused approach ensured that this particular operational environment was addressed to local businesses' operational dynamics within this region were captured in the results.

The sample comprised managerial accountants and financial managers in such SMEs, particularly for budget and financial planning work. Fifty (50) persons had been used for the study using purposive sampling (only people who had the pertinent knowledge and experience on budgetary matters being enrolled). Study entry was completely voluntary and informed consent of all participants was obtained prior to the study. To maintain confidentiality, participants were anonymous and responses were intended only for research purposes. The data was collected using a structured questionnaire that addressed a variety of questions such as involvement of managers, budgets as they fit to the strategic plans, allocation of resources, flexibility and continuous improvement, simplification of the flow of the processes, and information technology. Responses were further rated at mean to assess level of agreement or disagreement each item was provided in the response. It used the tool

based on accepted and reliable research instruments, hence the importance of the study and its results credibility.

4. THE DATA ANALYSIS

This section focuses on presenting, interpreting, and analysing data. Table 1 presents the Budget Management Practices.

Table 1: Budget Management Practices		
IDENTIFIERS	WEIGHTED MEAN	VERBAL DESCRIPTION
MANAGERS PARTICIPATION	3.55	STRONGLY AGREE
LINKING BUDGET DEVELOPMENT TO STRATEGY	3.32	STRONGLY AGREE
RATIONAL ALLOCATION OF RESOURCES	3.28	STRONGLY AGREE
FLEXIBILITY AND CONTINUOUS IMPROVEMENT	3.40	STRONGLY AGREE
REDUCTION OF COMPLEXITY	3.25	AGREE
USE OF INFORMATION TECHNOLOGY	3.10	AGREE
GENERAL WEIGHTED MEAN	3.32	STRONGLY AGREE

The results indicated that small and medium-sized businesses (SMEs) in Lucena City usually implement budgeting practices through the weighted general mean score, displaying an attitude of "Strongly Agree" (mean 3.32). This shows that most respondents believe that their organizations have budget measures to make financial management better and help them make informed business decisions. Among the included indicators, the "Managers' Participation" was the highest (mean 3.55). Continuous Improvement and Flexibility scored 3.40, while Linking Budgets with Strategy scored 3.32. Such results demonstrate how adaptive budgeting and strategic linkages drive business performance across the board.

These findings demonstrate that SMEs are able to harmonizes their budgets with the long-term strategic objectives of the business making them be flexible to adjust the budgets if it suits them. On the other hand, Rational Allocation of Resources was rated a 3.28 meaning a Strongly Agree agreement, but shows SMEs are looking to better the use of their resources instead of standardizing the way to do so. Within Agree, the categories of Reduction of Complexity (3.25) and Use of Information Technology (3.10) had the least scores. In other words, SMEs are aware of the advantages of efficient management and technology solutions, but do not implement them to the same extent as their budgeting counterparts can.

Overall, the results of this study result show that the SMEs in Lucena City tend to emphasize on the leadership role, flexibility and strategic alignment in the way they budget. Yet to ensure improved financial integration, we need to leverage more technology for better decision-making and budgeting, the analysis will identify some areas of improvement. Table 2 presents the influence of budget practices.

Table 2: Influence of Budget Practices		
IDENTIFIERS	WEIGHTED MEAN	VERBAL DESCRIPTION
PROFITABILITY	3.35	STRONGLY AGREE
COST CONTROL	3.42	STRONGLY AGREE
DECISION MAKING	3.50	STRONGLY AGREE
GENERAL WEIGHTED MEAN	3.42	STRONGLY AGREE

The result showed that the average effect of budgeting practices on SMEs in Lucena City was rated positively, with the general weighted mean being 3.42 and being Strongly Agree. The results mean budgeting is perceived by respondents as important in terms of financial performance and operational performance. Relatedly, Decision-making received the highest score 3.50. Budgeting gives managers a great deal of financial information. They can therefore make more accurate decisions in times of need. Followed by Cost Control 3.42 as a weighted mean. With budgeting, SMEs now see it as an effective way to monitor expenses and to avoid needless expenses.

Instead, in our last section Profitability 3.35 weighted mean was rated as Strongly Agree which means that budgeting has boosted income

generation and provided for the long-term survival of the business. From the results derived, SMEs budgeting is not only an inconspicuously important record-keeping practice but also it is a strategic approach with which to strengthen financial discipline, decision-making and profitability. It emphasizes the necessity to refine budgeting models including the active involvement of managers and methods that marry budgeting and business development (Kumar et al., 2009).

5. CONCLUSIONS AND RECOMMENDATIONS

This study shows that many small and medium-sized enterprises (SMEs) based in Lucena City are dependent on effective budgeting (e.g., managerial involvement, strategic alignment of budgets with business objectives, and flexibility). With these elements of the budgeting process, it has to acknowledge budgeting itself is its own strategy as the objective map of a set of strategies that enables an organization to realize its objective based on its goals; more than just a financial tool. The budgeting process, however, is less straightforward and obsolete technology is a staple of most SMEs. This kind of old position can in turn work against efficiency and productivity. Good budgeting is not only helpful in the decisions of making and expense control, but in sustaining profitable performance in the future (Kumar et al., 2024).

To help budget more effectively, we recommend including analytical information as part of a unified Budget Management Plan. There are five elements of SME which should be as follows: technology adoption, process improvement, proactivity, stakeholder engagement, and meeting the need of budget with the business objectives with flexibility. This might take the form of utilizing friendly digital platforms for better budgeting, looking to make your budget templates slightly simpler to understand with greater ease, and involving your managers from start to finish during a budgeting process. Budgets also need to be tied to the economic plan with an appropriate system to be kept track of and then reassessed to respond in a rotational manner to the changes brought about by the market. By educating the business and staff with practical workshops on financial planning and strategic budgeting, the initiative can inspire people in business finance to feel confident with their own financial management and budgeting. This is how we could put a feasible budgeting approach in place for every SME business as this structure establishes an excellent ground, while the development of the SME is sustainable over time.

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