

Influence of Budgetary Control on the Growth of MSME'S in Southern Manila District of NCR, Philippines

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Abstract: The study investigates the relationship between budgetary control on the Growth of Micro, Small and Medium Enterprises (MSMEs) in Southern Manila District of National Capital Region. The goal of the study is to provide a comprehensive understanding of the transformative influence of budgetary control on the growth of MSME's. The study shows that most respondents agree that good budgetary control can lead to good business operations growth and efficiency. This study enhances the current understanding particularly in the budgeting and growth development of Micro, Small and Medium Enterprises (MSMEs). This will give local businesses tactical advantages in management techniques in terms of proper budgeting.

Key words: budgetary control, micro small and medium enterprises (MSME's)

JEL code: M

1. Introduction

Micro, Small and Medium sized Enterprises have been around for a long time among business institutions. MSME's are considered the oldest source of credit where they play an alternative role to banking institutions as it offers services like micro-lending. Over the years, MSME's have evolved into a more diversified place that offers both product and services. Small and Medium sized Enterprises deliver immediate contributions to the economy and can create more jobs that can boost the nation's productivity. However, due to the rapid growth and expansions of many Small and Medium sized Enterprises in the Philippines, huge competition is present among the industry. The competition as well as the high percentage of unredeemed Small and Medium sized Enterprises items are affecting the cash inflow balance. The study investigates the relationship between budgetary control on the Growth of Micro, Small and Medium Enterprises (MSMEs) in Southern Manila District of National Capital Region. The goal of the study is to provide a comprehensive understanding of the transformative influence of budgetary control on the growth of MSME's.

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2. Research Problem

A good budgeting system helps organizations plan and oversee operations including revenue, expenses, and financing sources, as well as assists management in making appropriate budgeting decisions. Although budgetary control has a significant impact on financial performance in financial institutions such as Micro, Small and Medium sized Enterprises, they still face several issues, including a lack of participation in the budgetary process, a lack of effort required for budget monitoring, and poor planning quality. Furthermore, there is little data on the relationship between budgetary controls and firm growth. It is still in question as to how the determinants of budgetary control (planning, monitoring, and control as well as budgetary participation) influence the firm's growth. The study analyzed how budgetary control influences the growth of MSME's in Southern Manila District of NCR. The researchers also answer the following specific questions:

(1) What is the profile of the business in terms of:

- 1) Type of Business Structure
- 2) Annual Gross Income
- 3) Initial Capital Amount
- 4) Total Number of Employees

(2) What are the necessary measures MSME'S take for budgetary control? In terms of:

- 1) Planning
- 2) Monitoring and Control
- 3) Participative Budgeting

(3) How does budgetary control influence the growth of MSME'S in Southern Manila Region of NCR? In terms of:

- 1) Profit
- 2) Expansion of Operations

(3) Are the measurement of budgetary control influences the and firm growth?

(4) Based on the findings of the study, what strategy framework can be proposed for budgetary control on the growth of MSME's in Metro Manila?

2.1 Hypothesis

To examine the impact of budgetary control on the growth of MSME's, the following hypotheses were considered.

H01: The measurements of budgetary control do not significantly influence the growth of MSMEs in Southern Manila District of NCR.

2.2 Significance of the Study

This study was driven by the necessity to conduct an in-depth analysis of the budgetary control methods on MSME's to assess their performance. The lack of accessible information may result in limited growth potential for these businesses, eventually causing them to lag in the market without even realizing it. This research aims to provide information and knowledge on the impact of budgetary control on the growth of MSME's. The researcher believe that the result and outcome of this paper will benefit the following:

National Economic Development Authority (NEDA). This study would help the NEDA to ensure a

comprehensive representation of the Micro, Small and Medium Enterprise and its contribution on the Macro Economy of the Philippines.

Legislative (Lower and Upper Congress). This study would help the legislative of the Philippines in formulating a regulatory framework policy that will help the expansion of growth of Micro, Small and Medium Enterprises.

Department of Trade and Industry (DTI). This study would help the government to understand how lowering taxes and having a good economy of scale can contribute to the potential earnings for the growth of MSME's.

Business or Company Owners. This study will help owners decide if they will promote the strategies of budgetary control.

2.3 Theoretical Framework

This research was similar on the Link Between Budgetary Control and Financial Performance Model by Ng'Wasa (2017) Model. This study model focused on the impact of the determinants of budgetary control with an emphasis on budgetary planning, monitoring, and control, as well as budget participation on a firm's financial performance. The idea was linked, as shown in Figure 1, demonstrating how budgetary planning, monitoring, and participation had a direct relationship with financial performance. Also, it showed how general budgetary control affects a company's financial performance. Budgetary planning affects financial performance by ensuring all the goals are managed through a spending plan. Additionally, budgetary monitoring affects financial performance by utilizing budgetary plans as a control tool to monitor all its financial activities over a given period. Lastly, budgetary participation has a direct relationship with financial performance since budgeting raises employees' awareness of the budgeting process.

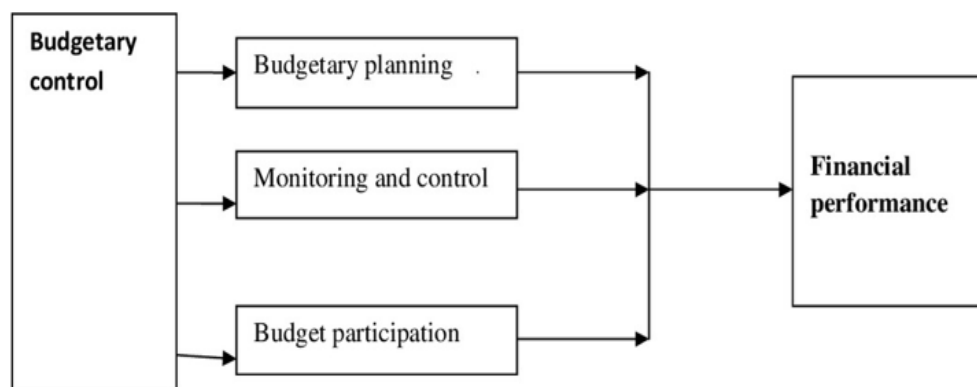


Figure 1 The Link Between Budgetary Control and Financial Performance in Financial Institutions. A Case of National Microfinance Bank (NMB) Zonal Office (Central Zone) Dodoma (Ng'wasa, 2017).

3. Research Design

The methodology utilized in this study is a descriptive research design, which aims to describe the current situation or phenomenon. This design is appropriate for the researcher's study since it aims to gather data on budgetary control that influences the MSME's Growth. As stated in an article by Kumar and Sankarapandian (2018), the descriptive design is used to get a clear understanding of a particular topic or subject, making it suitable

for this study since the researcher needs to examine the current impact of budgetary control on the performance and growth of MSME's. The study utilized a quantitative method. This research design is well-suited for the study, as it enables a thorough examination of the research problem. To collect quantitative data, a survey questionnaire will be administered to MSME owners in the Southern Part of National Capital Region via both physical survey and online.

4. Findings

Table 1 outlines the respondents using the type of business by the respondents in Southern Manila Part of NCR. Among the 354 respondents who participated in the data-gathering process, most of the respondents owned sole proprietorship (n = 257 or 72.6%) followed by partnership (n = 86 or 24.3%), lastly was the corporation (n = 11 or 3.1%).

Table 1 Frequency, Percentage Distribution, and Ranking of the Type of Business by Respondents

	Frequency	Percentage	Rank
Sole Proprietorship	257	72.6%	1
Partnership	86	24.3%	2
Corporation	11	3.1%	3
TOTAL	354	100%	

Table 2 outlines the respondents using the Initial Capital Amount of MSME's in Southern Manila Part of NCR. Among the 354 business establishments who participated in the data-gathering process, most of the respondents have an initial capital amount of Php. 3,000,001 to Php. 15,000,000 (n = 166 or 46.9%). Second was Micro Enterprises with an initial capital amount of Less and Equal to Php. 3 million (n = 165 or 46.6%).

Table 2 Frequency, Percentage Distribution, and Ranking of the Initial Capital Amount of MSME's

	Frequency	Percentage	Rank
Micro-Less and Equal to Php. 3 million	165	46.6%	1
Small-Php. 3,000,001 to Php. 15,000,000	166	46.9%	2
Medium-Php. 15,000,001 to Php. 100,000,000	23	6.5%	3
TOTAL	354	100%	

Table 3 outlines the respondent's number of workforce in their business operations of MSME's in Southern Manila District of NCR. Among the 354 business establishments who participated in the data-gathering process, most of the respondents have 2-10 employees (n = 136 or 38.4%) as their total number of their manpower.

Table 3 Frequency, Percentage Distribution, and Ranking of the Number of Workers in their Business Operations

	Frequency	Percentage	Rank
1 Person	118	33.3%	2
2-10 Persons	136	38.4%	1
More than 10 Persons	100	28.2%	3
TOTAL	354	100%	

Table 4 outlines the respondents using the type of budgeting methods of MSME's in Southern Manila Part of NCR. Among the 354 business establishments who participated in the data-gathering process, most of the respondents used the activity-based budgeting method (n = 172 or 48.6%).

Table 4 Frequency, Percentage Distribution, and Ranking of the Type of Budgeting Methods of MSME's

	Frequency	Percentage	Rank
Zero-Based Budgeting	78	22%	2
Activity Based Budgeting	172	48.6%	1
Flexible Budgeting	78	22%	2
Value Proposition Budgeting	21	5.9%	3
Incremental Budgeting	5	1.4%	4
TOTAL	354	100%	

Weighted Mean shows the average score for each statement, calculated by giving different weights to different responses according to their importance or scale position. SD measures the amount of variation or dispersion of a set of values. A low standard deviation indicates that the values tend to be close to the mean, while a high standard deviation indicates that the values are spread out over a wider range. Most of the respondents said that they agreed that Planning, Monitoring and Control, Participative Budgeting are the necessary measurements of Budgetary Control of MSME's in the Southern Region Part of National Capital Region.

This entails that most of the respondents are committed to ensuring that the company's performance is within the goal, budget, and scope. Also, the organization makes sure that they have budget policies to monitor business expenditures.

Table 5 The Necessary Measure of Budgetary Control of MSME's

Indicators	Mean	VI	STDV.	Rank
Planning	3.23	Agree	.701	1
Monitoring and Control	2.52	Agree	.722	3
Participative Budgeting	2.78	Agree	.998	2

Table 6 Budgetary control influence on the growth of MSME'S in Southern Manila Region of NCR

Indicators	Mean	VI	STDV.	Rank
Profit	2.72	Agree	.763	1
Expansion of Operations	2.47	Disagree	.931	2

A low standard deviation indicates that the values tend to be close to the mean, while a high standard deviation indicates that the values are spread out over a wider range. Most of the respondents said that Profit influences the growth of MSME'S in Southern Manila Region of NCR while Expansion of Operations will not be affected nor influenced by budgetary control.

Table 7 illustrates the influence of Budgetary Control on the Growth MSME's in Southern Part of Metro Manila. Spearman Rho Correlation was computed to assess the influence of Budgetary Control on the Growth MSME's in Southern Part of Metro Manila with a p-value of 0.000 which is less to the p-value of 5 percent. Thus, it will conclude that Budgetary Control influences the Growth of MSME's in Southern Part of Metro Manila. It

also showed that budgeting assists businesses in allocating finances and planning operations.

Table 7 Spearman Rank Correlation of Budgetary Control on the Growth of MSME's in Southern Part of Metro Manila.

Correlations				
			Budgetary Control	Firm Growth
Spearman's rho	Budgetary Control	Correlation coefficient	1.000	.383**
		Sig. (2-tailed)		0.000
		N	354	354
	Firm Growth	Correlation coefficient	.383**	1.000
		Sig. (2-tailed)	0.000	
		N	354	354
**. Correlation is significant at the 0.01 level (2-tailed).				

Note: If p value is less than or equal to the level of significance which is 0.05 reject the null hypothesis otherwise failed to reject Ho. Correlation coefficient values: $\pm 0.76 - \pm 0.99$ Very Strong; $\pm 0.51 - \pm 0.75$ Strong; $\pm 0.26 - \pm 0.50$ Moderate; $\pm 0.11 - \pm 0.25$ Weak; $\pm 0.01 - \pm 0.10$ Very Weak

4. Conclusion

The empirical findings revealed that there was an influence between budgetary control on the growth of MSME's. Therefore, on their financial performance and profitability, MSMEs should consider additional variables like competitive positioning, management practices, and operational efficiencies for their budgetary practices. Lastly, as the MSMEs viewed their businesses differently based on their size and industry, their budgeting approach practices as well as their allocation of funds per business type category likewise vary from one another, hence the result of the study.

5. Recommendations

After thorough analysis and interpretations of the survey results, the researchers propose the following recommendations:

The researchers recommend the National Economic Development Authority (NEDA) includes a regulatory annual report of data gathering by having the total population of MSME's yearly to determine neither the increase nor the population of different categories of MSME's. This will provide an idea for the National Government of the potential factors that affect their budgetary system that in the latter part will affect their potential growth as well.

The researchers recommend that the Legislative Body of the Philippines formulate a regulatory framework and policy to recognize and ensures the rights of MSME's alongside the lessen their governmental fees, permits and even a percent of their taxes to help them on alleviating on their budget.

Through the power of the legislative body, the researchers recommend the Department of Trade and Industry establish a sector or sub-agency mainly watching the problems usually encountered by MSME's and identifying the possible threats on their business operations.

Lastly, the researchers recommend the Business/Company Owners to conduct training and seminars about proper budgetary allocation and financial stability seminars that will uplift their skills on handling their businesses.

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