INTERNATIONAL JOURNAL OF MULTIDISCIPLINARY RESEARCH AND ANALYSIS

ISSN(print): 2643-9840, ISSN(online): 2643-9875

Volume 08 Issue 07 July 2025

DOI: 10.47191/ijmra/v8-i07-38, Impact Factor: 8.266

Page No. 4054-4060

Assessing Budgeting Practices of Micro and Small Business Owners in the Municipality of Bantayan

June T. Dela Cerna

College of Business Administration, University of the Visayas, Cebu, Philippines

ABSTRACT: This study assessed the budgeting practices of micro and small business owners in the Municipality of Bantayan, focusing on four dimensions: budgeting behavior, financial record keeping, financial planning and control, and use of budgeting tools. Guided by the OECD INFE Core Competencies Framework (2018) and the Behavioral Theory of the Firm by Cyert and March (1963), the study explored the extent of these practices, the challenges encountered, and the behavioral tendencies that influence financial decision making. A descriptive and correlational design was employed using a structured Likert scale questionnaire. A total of 60 respondents, composed of 30 micro and 30 small business owners, participated in the study. Results showed that financial record keeping was the most consistently practiced, while financial planning and use of budgeting tools were less established. Respondents commonly reported challenges such as lack of financial training, difficulty in separating personal and business funds, and limited familiarity with digital tools. Behavioural patterns such as reliance on trial and error and informal planning routines were also observed. Significant differences in budgeting practices were identified based on business size and years of operation, particularly in financial record keeping and use of tools. These findings point to the need for localized and behaviourally informed financial education that is sensitive to the everyday realities of small business owners in rural areas.

KEYWORDS: Budgeting Practices, Micro and Small Enterprises, Financial Literacy, Behavioral Theory, Municipality of Bantayan

I. INTRODUCTION

Micro and small enterprises continue to serve as crucial drivers of local development, particularly in rural and island municipalities like Bantayan. These businesses provide livelihood opportunities, stimulate local economies, and promote grassroots entrepreneurship. However, despite their significant role, many micro and small business owners lack formal training in financial management, especially in budgeting. This gap often leads to unstable financial performance and missed opportunities for growth.

While these small businesses show determination and resilience, many continue to struggle with one critical aspect of running a business, which is managing money effectively. Most of these business owners work hard every day, but without access to formal training in financial management, especially budgeting, they often rely on instinct, guesswork, or day-to-day adjustments. This often leads to unstable finances, missed opportunities, and difficulty growing their operations.

Budgeting involves more than just documenting financial inflows and outflows. It is a financial habit and decision-making tool that helps business owners plan ahead, prepare for uncertain periods, and manage resources wisely. It allows them to identify priorities, monitor performance, and make more informed choices. Yet many entrepreneurs still struggle to practice budgeting consistently. A 2022 national study revealed that only one in four Filipino microentrepreneurs use a formal budgeting system, even though most recognize its importance in sustaining and growing their business (Barbosa, 2022). Another study found that poor budgeting practices are a major reason why small businesses face financial instability, with unplanned expenses often resulting in serious cash shortages (Ballesteros, 2025a).

Recent studies highlight the importance of effective financial management practices for micro, small, and medium enterprises (MSMEs) in the Philippines. Proper bookkeeping and budgeting are crucial for business growth and decision-making (Micabalo et al., 2022; Jimenez et al., 2024). Research shows that budgeting practices, including manager participation and linking budgets to strategy, have a significant impact on MSME profitability (Fortuna, 2021). However, many MSMEs face challenges in implementing comprehensive financial management systems. A study in Ilocos Sur found that micro businesses moderately practice financial planning, budgeting, and accounts management, with inventory management being the most prevalent practice (Pascua et al., 2023). To address these issues, researchers recommend enhancing owners' knowledge through training seminars on bookkeeping and budgeting (Micabalo et al., 2022; Pascua et al., 2023). Additionally, increasing capital, joining business organizations, and participating in educational programs can help MSMEs overcome financial management challenges (Pascua et al., 2023). In Nueva Ecija, Prado and Domingo (2024) found that many food cart owners repeatedly faced financial difficulties because of inconsistent budgeting and limited financial knowledge. Likewise, in the food retail sector, Deligero and Ballados (2025) observed that while many entrepreneurs understood the value of budgeting, they did not apply it consistently, reducing its impact on business performance.

There is also growing evidence that access to digital budgeting tools can improve how micro and small enterprises manage their finances. According to Ballesteros (2025), entrepreneurs who used mobile budgeting applications reported better control over their spending, fewer financial mistakes, and increased accountability. However, access to these tools and training programs remains a challenge in provincial and island communities, where resources are often limited.

In Bantayan, a municipality where small businesses are deeply rooted in fishing, tourism, retail, and food services, understanding how entrepreneurs manage their finances is important. Local conditions such as geographic isolation, limited support services, and informal business practices create a unique context that deserves closer attention. Studying their budgeting behaviours will provide useful insights for designing programs that actually meet their needs.

II. PROBLEM STATEMENT

Micro and small enterprises remain vital contributors to local development, particularly in rural municipalities like Bantayan, where they provide livelihoods and strengthen community-based economies. However, despite their economic role, many of these business owners face challenges in managing their finances, especially when it comes to budgeting. Rather than using structured systems, many rely on informal practices shaped by routine, experience, or short-term needs. This raises concerns about financial stability, planning, and growth potential. Given this context, examining how micro and small business owners in Bantayan approach budgeting becomes essential to understanding their financial behaviors, constraints, and capacities. This study seeks to explore the extent and nature of budgeting practices among these business owners, focusing on how they plan, record, and control financial resources, the tools they use, the challenges they face, and the behavioral tendencies that influence their decision-making.

To guide this investigation, the study addresses the following questions:

1. What is the extent of budgeting practices of micro and small business owners in terms of the following dimensions:
    a. Budgeting behavior
    b. Financial record keeping
    c. Financial planning and control
    d. Use of budgeting tools
2. What challenges do micro and small business owners face in implementing effective budgeting practices?
3. To what extent do micro and small business owners display behavioral patterns such as relying on trial and error, informal decision-making, and simplified budgeting approaches?
4. Are there significant differences in the budgeting practices of micro and small business owners in the Municipality of Bantayan when grouped according to business characteristics such as size and years of operation?

III. CONCEPTUAL FRAMEWORK

This study is anchored on two guiding perspectives: the OECD/INFE Core Competencies Framework (2018) and the Behavioral Theory of the Firm originally developed by Cyert and March (as cited in Belzile, 1964), which emphasizes decision-making based on routines and trial-and-error in the face of uncertainty. Together, these frameworks provide both a structural and behavioral lens through which the budgeting practices of micro and small business owners in the Municipality of Bantayan can be understood.

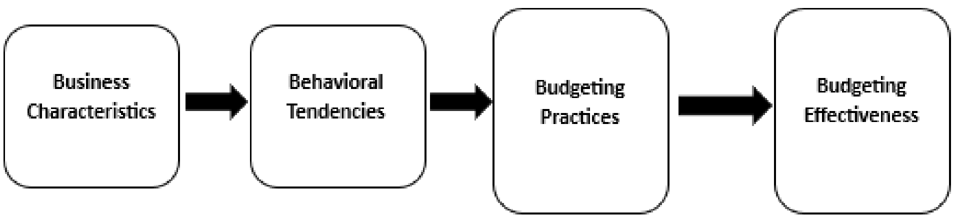

Figure 1: Conceptual Model (Source: Author's work)

The OECD/INFE Core Competencies Framework outlines essential financial skills and behaviors expected of individuals engaged in economic activity. From this framework, the study adopts four core dimensions to assess budgeting practices: budgeting behavior, financial record keeping, financial planning and control, and use of budgeting tools. These dimensions reflect the functional aspects of how business owners manage their financial resources on a day-to-day basis.

On the other hand, the Behavioral Theory of the Firm explains how organizations make decisions when operating under constraints such as limited information, time, and rationality. In the context of micro and small enterprises, this theory suggests that owners often use simplified routines, rely on trial-and-error methods, and make decisions reactively rather than through formal analysis or strategic planning. These behavioral tendencies can significantly influence how budgeting is perceived and practiced.

This conceptual framework positions budgeting practices as the focal point of the investigation. It explores not only the extent and consistency of budgeting across the four dimensions, but also how these practices are shaped by behavioral patterns such as informal decision-making and reactive financial habits. Additionally, it considers how business characteristics, including type, size, and years in operation, may lead to variations in budgeting behavior.

This integrated framework provides a comprehensive lens to understand how budgeting is practiced among micro and small business owners in the Municipality of Bantayan. It captures both the structural competencies necessary for sound financial management and the behavioral tendencies that may either support or hinder these practices. Through this approach, the study identifies not only the extent of budgeting activities but also the underlying habits and conditions that influence them. The framework also highlights areas where targeted interventions, such as financial literacy programs or business development support, may enhance the long-term sustainability and decision-making capacity of local entrepreneurs.

III. RESEARCH METHODOLOGY

This study adopted a quantitative descriptive-correlational research design to systematically assess the budgeting practices of micro and small business owners in the Municipality of Bantayan, Cebu. A descriptive design was applied to document the financial behaviors, planning methods, and record-keeping routines of business owners, while the correlational component was used to explore the relationship between behavioral tendencies and budgeting practices, as well as possible differences based on business characteristics. This design is particularly suitable when the aim is to describe existing conditions and test relationships among variables without manipulating them (Creswell & Creswell, 2018).

The research was conducted in Bantayan, a rural island municipality in Northern Cebu, Philippines. Bantayan is characterized by a high concentration of micro and small enterprises (MSEs) engaged in various sectors, including food retail, fishing, tourism, and informal trade. These enterprises are critical drivers of local economic activity, employment, and livelihood—yet they often lack access to formal financial training or resources, making them ideal subjects for a study on budgeting practices (Department of Trade and Industry, 2023).

A total of 60 respondents participated in the study, composed of 30 micro and 30 small business owners. The study used a non-probability quota sampling method, which allowed the researcher to ensure equal representation between these two business categories. Quota sampling is useful when comparing subgroups, especially in exploratory research within localized populations (Lavrakas, 2008). By setting quotas for micro and small enterprises, the study was able to gather balanced insights and analyze differences in budgeting behavior and constraints.

The primary data collection tool was a structured survey questionnaire, designed based on the OECD/INFE Core Competencies Framework on Financial Literacy for Adults (2018). This international framework outlines essential financial capabilities such as budgeting, planning, and record keeping, which were operationalized into measurable indicators across four key dimensions: budgeting behavior, financial record keeping, financial planning and control, and use of budgeting tools. Additionally, elements from the Behavioral Theory of the Firm (Cyert & March, 1963, as cited in Belzile, 1964) were integrated to explore how business owners make financial decisions under bounded rationality, often relying on simplified routines and informal strategies. The final questionnaire included Likert-scale items and was reviewed by field experts to ensure clarity and content validity. A pilot test was conducted with a small group of business owners outside the sample to assess the instrument's reliability and usability before full deployment.

The instrument's internal consistency was measured using Cronbach's alpha, a commonly used statistic to assess scale reliability. The overall reliability score of the instrument was 0.83, indicating a high level of internal consistency (Fein et al., 2022). Reliability scores for individual dimensions ranged from 0.76 to 0.86, demonstrating acceptable to good consistency across subscales.

In terms of usability, participants reported that the questionnaire instructions were clear, the Likert-scale format was easy to follow, and the statements were relevant to their day-to-day business experience. Based on feedback, minor wording adjustments were made to improve clarity without altering the constructs being measured.

RESULTS AND DATA ANALYSIS

The study began with a descriptive analysis of how micro and small business owners in the Municipality of Bantayan engage in budgeting activities. This initial examination provided a detailed view of their financial behaviors, including how frequently they perform core budgeting functions such as planning, record keeping, and the use of budgeting tools. The analysis then explored the extent of these practices across four key dimensions: budgeting behavior, financial record keeping, financial planning and control, and the use of tools. Subsequently, the study investigated the challenges encountered in implementing effective budgeting routines, as well as the behavioral tendencies that influence financial decisions. Lastly, comparative analysis was conducted to determine whether budgeting practices significantly differ when grouped according to business size, years in operation, and other enterprise characteristics.

What is the extent of budgeting practices of micro and small business owners in terms of the following dimensions: (a) budgeting behavior, (b) financial record keeping, (c) financial planning and control, and (d) use of budgeting tools?

This question aimed to quantify the budgeting practices of respondents based on the four core dimensions adopted from the OECD/INFE Framework. Each dimension was measured using multiple items rated on a 5-point Likert scale. The mean scores were computed to determine the degree to which each practice is applied in the business operations of the respondents.

Table 1: Budgeting Practices of Micro and Small Business Owners

Dimension	Mean	Standard Deviation	Interpretation
Budgeting Behavior	3.01	0.74	Sometimes practiced
Financial Record Keeping	3.58	0.81	Often practiced
Financial Planning and Control	2.55	0.76	Sometimes practiced
Use of Budgeting Tools	3.01	0.85	Sometimes practiced

The data shows that financial record keeping is the most consistently practiced budgeting activity among micro and small business owners, with a mean score of 3.58, indicating it is often practiced. In contrast, budgeting behavior, financial planning and control, and use of budgeting tools all fall within the range of sometimes practiced, with mean scores ranging from 2.55 to 3.01.

This suggests that while respondents are generally able to track their income and expenses, they tend to be less engaged in proactive financial behaviors such as planning, setting goals, or using digital or formal budgeting tools. The limited engagement in planning and tool usage may reflect a reliance on informal routines or a lack of access to training and resources. This is consistent with earlier findings by Ballesteros (2025) and Prado & Domingo (2024).

What challenges do micro and small business owners face in implementing effective budgeting practices?

To answer this question, the study identified a list of common financial management obstacles based on prior literature. Respondents rated the extent to which these challenges affected their budgeting practices. The responses were summarized using mean scores to determine which barriers are most prevalent.

Table 2: Challenges Encountered

Challenges	Mean	Interpretation
Lack of financial training	4.25	Strongly Agree
Difficulty separating personal/business funds	3.87	Agree
Limited time to maintain financial records	3.01	Sometimes Agree
Difficulty using digital budgeting tools	4.10	Agree
Unpredictable business income	3.51	Agree

The results indicate that lack of financial training is the most critical challenge faced by micro and small business owners, with a mean score of 4.25, falling in the "Strongly Agree" range. This highlights the need for structured financial education and training programs, particularly for entrepreneurs operating in rural or semi-formal environments.

Other key challenges such as difficulty using digital budgeting tools (M = 4.10), difficulty separating personal and business funds (M = 3.87), and unpredictable business income (M = 3.51) all fall within the "Agree" category. These indicate consistent barriers that interfere with financial discipline and long-term planning.

On the other hand, limited time to maintain financial records had a lower mean score (M = 3.01), falling under "Sometimes Agree", suggesting it is a moderate concern compared to other challenges.

These findings reflect a combination of capability-based limitations (e.g., lack of training, unfamiliarity with tools) and contextual barriers (e.g., unpredictable income and time constraints), consistent with the financial difficulties often faced by small businesses in remote or under-resourced municipalities. These challenges support the study's framework by emphasizing both behavioral and structural constraints in budgeting practices.

To what extent do micro and small business owners display behavioral patterns such as relying on trial and error, informal decision-making, and simplified budgeting approaches?

To understand the behavioral tendencies influencing financial decisions, respondents rated their level of agreement with statements that reflect non-formal decision-making habits. These behaviors are commonly found among small businesses operating under conditions of uncertainty and limited resources, as described in the Behavioral Theory of the Firm by Cyert and March. The analysis used a 5-point Likert scale to quantify these tendencies.

Table 3: Behavioral Tendencies

Behavioral Pattern	Mean	Interpretation
Uses trial and error to manage finances	3.79	Agree
Makes financial decisions based on habit or gut feeling	3.65	Agree
Avoids formal planning unless necessary	3.55	Agree
Uses mental math or rough estimates instead of records	1.50	Disagree

The results show that most respondents agree they engage in **trial-and-error financial management** (M = 3.79), make decisions based on **habits or gut feeling** (M = 3.65), and **avoid formal planning unless required** (M = 3.55). These patterns suggest a common reliance on informal, experience-driven decision-making—characteristics consistent with the **Behavioral Theory of the Firm**, which explains how small enterprises operate under bounded rationality, limited resources, and routine-based actions.

However, the item **"Uses mental math or rough estimates instead of records"** received a much lower mean score of **1.50**, falling within the **"Disagree"** range. This indicates that despite other informal behaviors, most respondents do not heavily rely on mental calculations and instead may be practicing at least some form of written or recorded financial tracking. This finding aligns with the earlier result showing relatively strong engagement in financial record keeping. In summary, while intuitive and adaptive behaviors are common in financial decision-making, there appears to be a growing awareness or practice of record-based budgeting among these business owners.

Table 4. Differences by Business Size (Micro vs. Small)

Dimension	t-value	p-value	Interpretation
Budgeting Behavior	-1.03	0.312	Not Significant
Financial Record Keeping	-1.10	0.028	Significant
Financial Planning and Control	-1.75	0.065	Not Significant
Use of Budgeting Tools	-2.32	0.016	Significant

Significant at $p < 0.05$

The negative t-values across all dimensions indicate that the mean scores of micro businesses were lower than those of small businesses. While budgeting behavior (p = 0.312) and financial planning and control (p = 0.065) did not reach statistical significance, the result for financial planning was close to the threshold, indicating a possible trend that could be explored further with a larger sample.

Table 5. Differences by Years of Operation (Groups: 1–3 years, 4–6 years, 7 years and above)

Dimension	F-value	p-value	Interpretation
Budgeting Behavior	1.40	0.243	Not Significant
Financial Record Keeping	3.25	0.042	Significant
Financial Planning and Control	2.84	0.061	Not Significant
Use of Budgeting Tools	1.70	0.160	Not Significant

Significant at $p < 0.05$

A significant difference was observed in financial record keeping (p = 0.042), suggesting that budgeting discipline in this area increases with years of experience. Business owners operating for 7 years and above demonstrated stronger record-keeping practices compared to those in earlier stages (1–3 years and 4–6 years). This supports the idea that prolonged exposure to financial responsibilities improves tracking habits over time.

Although financial planning and control did not reach statistical significance (p = 0.061), it was close to the threshold indicating a possible trend toward improved planning among longer-operating businesses. This trend could be more evident with a larger sample size or longitudinal follow-up.

No significant differences were found in budgeting behavior (p = 0.243) or use of budgeting tools (p = 0.160). This suggests that these two aspects may not be influenced as strongly by operational years alone and could be shaped more by other factors such as training, exposure to technology, or business size.

IV. DISCUSSIONS

The results imply that budgeting practices among micro and small business owners are shaped not only by knowledge gaps but also by behavioral routines and constraints, as described in the Behavioral Theory of the Firm. Entrepreneurs often rely on trial-and-error, simplified decision-making, and informal practices highlighting the need for financial literacy programs that go beyond technical skills to address habitual financial behavior.

The OECD/INFE Framework emphasizes core competencies such as record keeping and planning, but this study shows that these are unevenly practiced without supportive behavioral reinforcement. Therefore, interventions should be designed with behavioral patterns in mind, especially for microenterprises and less experienced businesses.

Supporting small businesses in rural areas like Bantayan requires localized, behaviorally informed strategies that consider both structural limitations and how decisions are actually made in practice. This alignment between theory and lived experience underscores the need for programs that are simple, consistent, and grounded in the day-to-day realities of entrepreneurs.

V. CONCLUSIONS

In conclusion, budgeting practices in Bantayan's micro and small enterprises reflect both opportunity and limitations for entrepreneurs, but their capacity is constrained by behavioral, experiential, and structural factors. For budgeting to become a true driver of sustainability and growth, support programs must be behaviorally responsive, practical, and context-specific.

Government agencies, NGOs, and local business support centers should offer practical, context-specific training on budgeting tailored to micro and small business owners. These should focus on core competencies such as financial planning, record keeping, and basic tool usage, as highlighted in the OECD/INFE Framework. Future studies could expand this research by exploring longitudinal impacts of budgeting practices or testing the effectiveness of specific interventions. Regular monitoring of small business financial behaviors could also inform policy adjustments and local initiatives.

ACKNOWLEDGMENT

The researcher extends sincere gratitude to all micro and small business owners in the Municipality of Bantayan who generously shared their time and insights for this study.

REFERENCES

1) Ballesteros, B. (2025a, April 30). *Effective Budget Allocation Strategies for Filipino SMEs*. Olern AI for Business. https://www.olern.com/effective-budget-allocation-strategies-for-filipino-smes/
2) Ballesteros, B. (2025b, May). *Top Budgeting Tools for Filipino SMEs in 2024*. Olern AI for Business. https://www.olern.com/top-budgeting-tools-for-filipino-smes-in-2024-2/
3) Belzile, B. (1964). A Behavioral Theory of the Firm, par Richard M. Cyert et James G. March, Prentice-Hall, Inc., Englewood Cliffs, New Jersey, 1963, 332 pages. *Relations Industrielles*, *19*(3), 409. https://doi.org/10.7202/1021288ar

4) Browning, R. P. (1966). A Behavioral Theory of the Firm. By Richard M. Cyert and James G. March. *American Political Science Review*, *60*(3), 697–698. https://doi.org/10.2307/1952987
5) Creswell, J. W., & Creswell, J. D. (2018). *Research design: Qualitative, quantitative, and Mixed Methods Approaches* (5th ed.). SAGE Publications.
6) Deligero, L., & Ballados, Ma. T. (2025). Financial Management Practices and Business Performance of Micro and Small Enterprises in the Food Retail Industry. *Journal of Interdisciplinary Perspectives*, *3*(6). https://doi.org/10.69569/jip.2025.220
7) Department of Trade and Industry. (2023). *2023 PHILIPPINE MSME STATISTICS*. Dti.gov.ph. https://www.dti.gov.ph/resources/msme-statistics/
8) Fein, E. C., Gilmour, J., Machin, T., & Hendry, L. (2022, June 16). *Section 8.7: Scale Reliability*. Statistics for Research Students; University of Southern Queensland. https://usq.pressbooks.pub/statisticsforresearchstudents/chapter/scale-reliability/?utm
9) Fortuna, C. P. A. (2021). Budgeting Practices: Its Impact on the Profitability of Small and Medium Enterprises in Isabela. *Universal Journal of Accounting and Finance*, *9*(3), 336–346. https://doi.org/10.13189/ujaf.2021.090307
10) Jimenez, L., Manzano, O., & Gamboa, R. (2024). Budget management key to success in smes. *FACE Revista de La Facultad de Ciencias Económicas Y Empresariales*, *24*(1), 124–134. https://doi.org/10.24054/face.v24i1.2947
11) Lavrakas, P. J. (2008). *Encyclopedia of Survey Research Methods*. Sage.
12) Micabalo, K. G., T. Poliquit, W. M., C. Pondare, R., N. Idjao, J., B. Vilbar, M. R., U. Pendon, Y., & J. Hitutuane, Y. (2022). ANALYSIS OF BOOKKEEPING PRACTICES AND ITS IMPACTS ON THE GROWTH OF MICRO AND SMALL ENTERPRISES IN CENTRAL VISAYAS, PHILIPPINES. *International Journal of Research in Commerce and Management Studies*, *04*(06), 75–91. https://doi.org/10.38193/ijrcms.2022.4604
13) OECD. (2018). *OECD/INFE Core Competencies Framework on financial literacy for MSMEs*. OECD. https://www.oecd.org/en/publications/oecd-infe-core-competencies-framework-on-financial-literacy-for-msmes_220101c9-en.html
14) Pascua, R., Ayson, D. J., & Rosario, F. D. (2023). Status of Financial Management Systems of Micro Businesses in Ilocos Sur. *E-Dawa an International Multidisciplinary Research Journal*, *3*(2). https://doi.org/10.56901/JRNZ4524
15) Prado, J. P., & Domingo, A. (2024). Financial management practices and challenges among food cart businesses in Nueva Ecija, Philippines: Insights and Implications. *World Journal of Advanced Research and Reviews*, *23*(2), 1070–1078. https://doi.org/10.30574/wjarr.2024.23.2.2451
16) Reynalyn, B. (2022, April 7). *Financial management practices of micro and small enterprises in Tanauan, Leyte, Philippines • Eastern Visayas State University*. Eastern Visayas State University. https://www.evsu.edu.ph/university-research-and-created-works/financial-management-practices-of-micro-and-small-enterprises-in-tanauan-leyte-philippines/