

Participative Budgeting and Managerial Performance Among Sme Owners in Panabo City

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Abstract— This study aimed to determine the relationship between the participative budgeting and managerial performance among SME owners in Panabo City. The respondents of this research were 316 SME owners. The independent variable is participative budgeting with overall mean of independent variable is 4.34 which means that the level of participative budgeting was very high. While, the dependent variable is 4.40 which means that the level managerial performance was very high. The researchers used a quantitative, non-experimental correlation design to investigate the significant relationship between participative budgeting and managerial performance. The statistical tools used in the study were weighted mean and Pearson-r. The computed R-value is 0.642 associated with the P-value of 0.0 is less than 0.5. Thus, the null hypothesis (Ho) is rejected. This means that there is significant relationship between participative budgeting and managerial performance among SME owners in Panabo City.

Keywords— Participative Budgeting, Managerial Performance, SME Owners, Budgeting Practices, Panabo City.

I. INTRODUCTION

The success or failure of businesses is often reflected in the quality of managerial performance, which represents the organization's vision and mission. Many SME owners struggle to achieve long-term goals due to poor management, often caused by misunderstandings in budgeting practices and ineffective communication across organizational levels (Riyadh, Nugraheni, & Ahmed, 2023, p. 2). Leadership style also plays a crucial role in shaping managerial effectiveness and budgetary involvement (Alhasnawi, Said, Daud, & Muhamad, 2023, p. 1). Related studies cited by Harrison and Idowu (2020), along with the 2024 World Bank report, highlight that Sub-Saharan Africa continues to struggle with governance issues, characterized by fragile systems, inadequate budgeting, and widespread corruption that obstruct progress.

Managerial performance is crucial for the success of SMEs, as poor management negatively impacts the planning, organizing, leading, and controlling functions (Hani, 2021, p. 47). Excellent management skills enable effective decision-making and problem-

solving, helping businesses navigate challenges while staying aligned with their goals. In contrast, weak managerial abilities often lead to poor strategies, the misallocation of resources, and a failure to adapt, hindering sustainable growth (Agyapong, Agyapong, & Darfor, 2020, p. 1). Participative budgeting is a proven method for enhancing managerial performance by fostering motivation, transparency, and employee involvement (Yusuf & Saffar, 2022, p. 1). Allowing managers to contribute to budget development increases their accountability and effectiveness in financial planning and execution (Tang & Hall, 2021, p.1).

By directly being involved in planning and decision-making, participative budgeting enables SME owners, through key mechanisms of Social Cognitive Theory (SCT), to improve managerial performance. Participative budgeting "directly influences managerial performance" (Al Jasimee & Blanco-Encomienda, 2023, p. 1) and also contributes to "improved managerial performance" (Al Jasimee & Blanco-Encomienda, 2023, p. 2), suggesting a definite positive relationship. Based on SCT, when SME

owners set the budget, they perceive it through observational learning, internalize efficient strategies, and improve their management practices. This involvement also increases their self-efficacy: successful contributions to budgeting boost their confidence in handling complex tasks and promote greater effort and creativity.

Additionally, SCT's reciprocal determinism involves a dynamic feedback loop – participative budgeting, where environmental change interfaces with managers' cognition (beliefs and motivations) and their behaviors (planning and execution). With the increasing skills and confidence of owners, the enhanced performance of the collaborative budgeting culture further enhances its high performance. In brief, participative budgeting functions as a social learning process (observational learning) that enhances SME owners' beliefs and abilities (self-efficacy) and the manager-environment synergy of reciprocal determinism, thereby improving overall managerial quality (Al Jasimee & Blanco-Encomienda, 2023, p. 2).

Budget research draws from psychology, focusing on human behavior and individual differences (Covaleski, Evans, Luft, & Shields, 2020). Budgets impact behavior, particularly in superior-subordinate relationships. Organizations utilize budgets as control tools to communicate objectives and motivations. Psychology informs our understanding of the influence of budgeting on mental health, workplace behavior, and managerial performance. Participatory budgeting and organizational performance are best understood through psychological and behavioral accounting approaches (Lunardi, Zonatto, & Nascimento, 2020, p. 7).

Numerous studies have applied the social cognitive theory (SCT) approach, including Lunardi, Zonatto, and Nascimento (2020), Al Jasimee and Blanco-Encomienda (2023), and Denardo, D., and Sudarwan, S. (2020). SCT helps identify key variables that explain the impact of participative budgeting on managerial performance. This theoretical framework facilitates an understanding of the effects of budgetary activities on performance.

Participative budgeting was the study's independent variable, and from a psychological and cognitive perspective, it represents identification and individual involvement in setting financial goals. Increased motivation, better commitment, and improved performance are all facilitated by this relationship. Additionally, participative budgeting encourages open dialogue and information sharing between superiors and subordinates, which enhances decision-making. In support of this viewpoint, Nguyen, Evangelista, and Kieu (2019) demonstrated that participative budgeting enhances goal commitment and information exchange, ultimately impacting work performance, particularly when employees perceive the budgeting process as fair.

On the other hand, the managerial performance of Panabo City SMEs is the research-dependent variable. Managerial performance in budgetary activities is determined by how well managers carry out activities such as management, coordination, planning, and evaluation in alignment with organizational objectives. These management duties are crucial for fulfilling the organization's vision, mission, and goals. Molina et al. (2022, p. 1) suggest that effective financial management techniques, such as internal controls and budgeting, considerably improve managerial performance and profitability among SMEs in Panabo City. The significance of competence in financial and operational planning was also emphasized by Batocael et al. (2022, p. 2), who highlighted the importance of efficient internal control systems in enhancing managerial success and informed decision-making.

This research holds both global and local significance by addressing the impact of participative budgeting on managerial performance, particularly among Small and Medium Enterprises (SMEs). Globally, the findings contribute to the growing discourse on inclusive financial practices by showing how participative budgeting fosters accountability, collaboration, and informed decision-making—principles that support sustainable and ethical business management. In terms of social values, the study promotes cooperation, transparency, and responsible leadership, which are vital in strengthening enterprise

environments and improving business decision-making. SME owners may use the findings to improve strategic planning, resource allocation, and long-term sustainability through active financial participation. Educational institutions, government agencies, and private organizations may also benefit from this study by using its findings to shape training programs, policies, and initiatives that support financial literacy and effective management. Locally, in Panabo City, the study offers practical knowledge to help entrepreneurs address management challenges and improve their business strategies. Lastly, future researchers may use this study as a foundation for further exploring the link between participative budgeting and enterprise development in both local and global contexts.

The study focuses on Panabo City SME owners' participative budgeting and managerial performance. Participative budgeting fosters positive working relationships by encouraging open communication and collaboration between managers and subordinates. This inclusive approach facilitates sharing essential information for effective decision-making in capital budgeting, production planning, and marketing strategies (Alhasnawi, Taha, and Ghani, 2023; Lunardi, Becker, Maçada, and Dolci, 2020). Managerial performance in budgeting is shaped by how effectively managers engage in planning and decision-making tasks. As cited by Alhasnawi, Said, Daud and Muhamad (2023), Lunardi et al. (2020), and Osee (2025), participative budgeting enhances this performance by increasing managerial involvement, strengthening goal commitment, and reducing information asymmetry. This study highlights the importance of linking participative budgeting to managerial performance to support SME growth.

The primary purpose of this study is to assess the extent of participative budgeting and managerial performance among SME owners in Panabo City. Specifically, this aims to answer the following objectives: (1) To determine the level of participative budgeting among SME owners. (2) To determine the level of managerial performance among SME owners. (3) Is there a significant relationship between participative budgeting and managerial performance

among owners of SMEs in Panabo City. Furthermore, the researchers will not come across a study on the influence of participative budgeting and managerial skills on the owners of selected small and medium-sized enterprises in Panabo City. As a result, the researchers consider themselves compelled to conduct this research, as Panabo City is home to many small and medium-sized business owners. The study's null hypothesis was tested at a 0.05 level of significance, stating that there is no significant relationship between participative budgeting and managerial performance.

II. METHOD

In this chapter, the methodology and procedures are applied and described. It comprises research participants, materials/instruments, and design procedures.

Participants

This study focused on the 574 small and medium owners in Panabo city. The Raosoft software's sample size calculator was used to calculate the population, which consists of 316 business owners. The researchers hypothesized that respondents might estimate participative budgeting and managerial performance among small and medium-sized enterprise (SME) owners in Panabo City. The small and medium enterprise with 10 above employing or having 3 million above operations and have been in continuous operation for at least one year are this study's focused participants, and the exclusion criteria included micro-enterprises, large enterprises, businesses outside Panabo City, unregistered or newly established businesses (less than one year), and respondents not holding managerial roles. Notably, the respondents' participation was purely voluntary, and there would be no consequences for refusing to provide an answer. Participants in this study were allowed to withdraw their permission and cease participating at any time.

Materials/Instruments

For this study, the instrument used to achieve the study's primary objective was an adapted and modified questionnaire developed by Eferakeya and Edgars (2024). The questionnaire was designed to assess the extent of participative budgeting and managerial

performance in small and medium- sized enterprises. The adaptation ensured its relevance to the current research by focusing specifically on participative budgeting and managerial performance among SME owners in Panabo City.

The researchers used a survey questionnaire to collect statistical information regarding the involvement of SME owners in participative budgeting and managerial performance. The questionnaire consisted of two sections: Section A, which addressed participative budgeting, included five items assessing respondents' involvement in activities such as drafting the budget, setting budget targets, and engaging in budget discussions. Section B focused on managerial performance and comprised ten items evaluating how participative budgeting influences planning, coordination, supervision, and evaluation.

A Likert scale was used to indicate respondents' levels of agreement or disagreement with each statement. The scales used to measure the levels of participative budgeting and managerial performance were interpreted as follows: (1) 4.21–5.00 is considered Very High, indicating frequent involvement; (2) 3.41–4.20 is considered High, indicating regular involvement; (3) 2.61–3.40 is considered Moderate, indicating occasional involvement; (4) 1.81–2.60 is considered Low, indicating minimal involvement; and (5) 1.00–1.80 is considered Very Low, indicating no involvement.

The researchers used a validated questionnaire to measure participative budgeting and managerial performance. It was reviewed by two expert panelists. A pilot test, conducted by the researchers with non-respondent SME owners, showed strong reliability, with Cronbach's alpha scores of 0.845 for participative budgeting and 0.930 for managerial performance. These results confirmed the instrument's consistency and suitability for the main study in Panabo City.

Design and Procedure

The study used a quantitative descriptive-correlation method and an adapted survey questionnaire to gather the necessary data from the respondents. Descriptive correlational research identifies the level of relationship between variables and supports

researchers in making data-driven forecasts based on these relationships (Smith and Johnson, 2022, p.1). It shows the relevance of the study by exploring the relationship between participative budgeting and managerial performance among SME owners. Throughout the research, ethical guidelines were strictly followed. Participants were asked to voluntarily consent to participate, with a clear understanding of the study's objectives, methods, potential risks, and benefits (Haring et al., 2023, p. 97). To ensure confidentiality, the identities of both the business owners and their businesses were kept confidential.

The following process was followed to collect the data: (1) Request Permission to Conduct the Study. The researchers sent a letter to the SME Owners for approval to conduct the study. (2) Development and Approval of the Test Instruments. The researchers adapted a survey questionnaire and provided it to the adviser for evaluation and validation by the panel members. (3) After validating the questionnaires, researchers sent a request letter to the Investment Promotion Center (PIPC) to determine the small and medium enterprise population in the Panabo City. (4) Handing out questionnaires and Gathering Responses. Upon the approval to conduct the study, researchers personally distributed the validated questionnaires to the respondents and immediately collected them with an appreciation for their participation. The researchers checked whether all the necessary information was provided. (5) Scoring and Compilation of Data. After gathering the data, it was compiled and went through statistical interpretation. (6) Analysis and Interpretation of Data. The collected raw data were forwarded to the statistician for computation and analysis.

Lastly, the researchers used the following statistical tools: (1) the mean to determine the level of the participative budgeting and managerial performance, and (2) the Pearson Product Moment Correlation coefficient (r) to determine if there is a significant relationship between the variable's extent of participative budgeting and managerial performance among SMES owners in Panabo City.

III. RESULTS AND DISCUSSION

This section presents the analysis and interpretation of the data on participative budgeting and managerial performance among SME owners in Panabo City. The researcher presented the interpretation and analysis of

the gathered with logical descriptions of the results. The major topics in the study are as follows: the level of participative budgeting of SME owners and the level of managerial performance among SME owners in Panabo City.

The Level of Participative Budgeting of SME owners.

Table 1. Level of Participative Budgeting of SME Owners

Participative Budgeting	Standard Deviation	Mean	Descriptive Equivalent
Over-all Results	0.86	4.34	Very High

As shown in Table 1, participative budgeting has an overall mean of 4.34, which is very high. Among the five questions, item number one got the highest mean of 4.61, which is described as very high. This results in participative budgeting being frequent involvement.

In participative budgeting, the highest item was item number one, which means that the SME owners involved in creating and refining the store's budget reported a mean of 4.61, which is described as very high. This means that participative budgeting involves frequent involvement. Pangaribuan et al. (2024, p.2) indicate that SMEs that involve relevant parties in the budgeting process experience increased discipline and a better understanding of budgets among managers, leading to significant improvements in both managerial and financial performance.

However, the lowest item number of participative budgeting was item number three, with a mean of 3.92. This is described as high and indicates regular involvement. On the other hand, SME owners often take on a key role, working with assistants or bookkeepers to share objectives and finalize the budget. Recent studies have shown that many small and medium-sized enterprises fail to maintain accurate accounting records. For instance, Grefalde (2019) found that SME owners often lack formal training in bookkeeping and rely heavily on outsourced bookkeepers, which makes it challenging to maintain accurate records. Similarly, Balagobei (2019) indicated that reliable recordkeeping has an essential effect on SME performance, pointing out that poor practices lead to incomplete records and inadequate financial planning. Since small firms need accounting

knowledge and expertise to maintain simple accounts and effectively prepare for the future, our findings imply that SME owners should work closely with their bookkeepers.

On the other hand, item number two for participative budgeting gathered a mean of 4.40, which is described as very high. This means that participative budgeting is frequent involvement. This is further supported by Nguyen, Evangelista, and Kieu (2019), who found that Involving managers in the budgeting process can improve the clarity of budget goals, which may boost performance. Furthermore, managers more committed to an organization's budgetary goals are more likely to disseminate important information and disclose confidential information about their duties. The last two items, numbers four and five of participative budgeting gathered with the same mean of 4.38, were described as very high. This means that participative budgeting involves frequent involvement. Furthermore, individuals who understand the organization's financial goals are more likely to improve their performance. Additionally, budget involvement can enhance communication and cooperation between managers and their subordinates. (Jaka, Nugroho, Dwi, Rahardian, Monica and Imang, 2019).

Level of Managerial Performance of SME owners

Presented in Table 2 is the level of managerial performance of SME owners in Panabo City. The overall mean is 4.40, which is described as very high. This means that organizational performance is frequently involved; among the ten questions, item

number one got the highest mean of 4.65, which is described as very high.

The highest mean items are one and ten, with a mean of 4.65, which is described as very high. This means that managerial performance is frequently involved. A study found that participation in budgeting has a direct impact on organizational performance and indirectly enhances motivation. Engaging in budgeting can improve decision-making and negotiation skills by

cultivating a motivated and committed managerial team (Mustika et al., 2020, p. 1).

However, item 4 has the lowest mean of 4.26, with a descriptive equivalent of very high, indicating that, as the owner, it can effectively evaluate performance due to my engagement in budgeting. Furthermore, owner involvement in budgeting has improved managerial decision-making and organizational performance (Drury, 2018, p.2.).

Table 2. Level of Managerial Performance of SME Owners

Managerial Performance	Standard Deviation	Mean	Descriptive Equivalent
Over-all Results	0.79	4.40	Very High

Moreover, the managerial performance, with an overall mean of 4.40, is very high. This means that managerial performance in SME owners is frequently involved, and it is noted that organizational performance is crucial to the company's success and reflects its performance. (Riyadh Hosam Alden, Nugraheni, Fadhilah Rahmaningtyas, and Ahmed, Mohammed Ghanim, 2023, p. 3). For instance, poor employee performance is a significant obstacle to business growth (Silva, Pedro, Mota, Jorge, and Moreira; Antonio Carrizo, 2022, p.1).

Significant Relationship between Participative Budgeting and Managerial Performance among SME owner in Panabo City

The results presented in Table 3 indicate a significant relationship between participative budgeting and managerial performance. The computation of the R-value is 0.642, associated with the P-value of 0.000, which is less than the 0.05 level of significance. Thus, the null hypothesis (Ho) is rejected. This indicates a significant relationship between participative budgeting and managerial performance among SME owners in Panabo City.

This study found that SME owners who engage in participative budgeting demonstrate improved managerial performance, as shown in Table 3, with a significant relationship between participative budgeting and managerial performance (p-value = 0.000). Participating in the budgeting process allows business owners to gain better control and insight into their financial situation, influencing strategic decision-

making. Budgeting serves as a vital tool in business and financial management by providing essential information for planning, resource allocation, and performance evaluation. It helps SMEs understand their available resources, financial limitations, and organizational objectives, allowing them to assess performance and adjust strategies when necessary. Saripudin and Siswantoro (2020, p.1) emphasized that participative budgeting enhances managerial performance when it is supported by a stable business environment and active employee involvement.

IV. CONCLUSIONS AND RECOMMENDATION

This chapter presents a summary of the findings of the study Participative Budgeting and Managerial Performance among SME Owners in Panabo City, from which conclusions are derived and recommendations are offered.

Conclusions

Based on the study's findings, this section draws conclusions. The overall mean managerial performance of SME owners in Panabo City is described as very high, which means that organizational performance is frequently involved. Also, SME owners demonstrate a very high level of involvement in participative budgeting, particularly in creating goals and providing strategic oversight. This active engagement reflects their commitment to aligning financial planning with overall business objectives.

Recommendation

As technology advances, particularly AI and machine learning, it may assist small and medium-scale enterprise owners by promoting a consistent supply of exceptional managerial outcomes. Using modern accounting software in conjunction with automated financial tracking systems via digital tools improves budgeting efficiency; such advancements have accelerated the accounting process and transformed it into a strategic corporate intelligence tool, allowing for real-time financial analysis and decision support. However, current AI developments are making automated accounting more accessible and user-friendly, potentially overcoming the adoption gap and democratizing the benefits of digital bookkeeping at all levels of organization (Azman, Mohamed, & Jamil, 2021). SME owners may not actively collaborate with assistants or bookkeepers in budgeting due to limited financial literacy, time constraints, or a tendency to delegate without strategic involvement. This lack of engagement can hinder alignment on business objectives and reduce financial accountability. To improve, encourage financial training, set clear collaborative processes, and hold regular budget review meetings (OECD, 2020).

Well-designed financial literacy education should be introduced to encourage SME owners to be involved in bookkeeping and influence assistants. Training with a specific schedule helps entrepreneurs improve their financial bookkeeping skills. Urefe, Odonkor, Chiekezie, and Agu (2024, p. 297) found that giving business owners even basic financial knowledge can significantly enhance their financial planning and allow them to manage their money better.

These tools enable individuals to practice recording their income, arranging expenses under different categories, and creating a workable budget for enterprise growth.

By using QuickBooks, Wave, or Xero, businesses see improved financial reports and less work for accounting staff.

Online financial tools make work easier and more accurate, allowing businesses to control finances on a real-time basis and change their strategic approach

where needed. Because of these systems, companies can avoid common mistakes, manage invoicing well, and do their taxes more easily (Phornlaphatrachakorn & Kalasindhu, 2021, p. 409).

Also, when SME owners are matched with experienced professionals, they can gain much from the arrangement.

Yani, Suherlan, and Az Zaakiyyah (2024, p. 337) mention that mentorship programs help improve recordkeeping methods by giving steady advice, making employees more responsible, and strengthening businesses.

Experienced mentors pass on helpful advice and assist entrepreneurs in reviewing their finances, picking goals, and working through the foremost transactions.

Having bookkeeping as part of regular budget talks is suggested. Including financial reviews in the planning process increases transparency and ensures the team works toward the same goals. By integrating, organizations improve communication, make decisions based on goals, and can track their ongoing performance.

As a result, bookkeeping will stay consistent, and SMEs will be quick to respond to any financial problems (Matsoso, Nyathi, and Nakpodia, 2021, p. 77).

Participative budgeting and managerial performance approaches should be taught to SME owners through workshops and training, leading to long-term business sustainability. Regular contributions to planning and goal creation are central to the budgeting responsibilities for all stakeholders.

Establishing a defined participative budgeting system with managerial performance protocols enables small business entities to operate at peak levels even when facing market challenges.

Adopting these recommended strategies will improve both budgeting processes and management performance at SMEs, resulting in sustained business success.

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