

Factors and Challenges Affecting Budget Utilization of Small Enterprises in Naga City

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Abstract

This study examined the factors and challenges affecting budget utilization to develop an effective action plan for establishing a budget monitoring system for small enterprises (SEs) in Naga City. Small enterprises continue to encounter difficulties in financial management due to procedural inefficiencies, operational limitations, and organizational challenges that affect the efficient utilization of resources. Using a descriptive–correlational research design, the study involved selecting 40 small enterprise owners, managers, and personnel responsible for budget monitoring and financial management. Data were gathered through a validated survey questionnaire comprising sections on the respondent profile, factors affecting budget utilization, and challenges encountered in budget management. The collected data were analyzed using frequency and percentage distribution, weighted mean, Chi-square test, and Spearman’s rank-order correlation coefficient. Findings revealed that procedural, operational, and organizational factors generally contributed to budget utilization, while both intrinsic and extrinsic challenges moderately affected financial management practices. The study further found that operational and organizational factors were significantly associated with the challenges respondents encountered, indicating that organizational systems and operational processes strongly influence budget utilization efficiency. The study concluded that although small enterprises demonstrate existing financial management practices, improvements in monitoring systems, coordination mechanisms, and resource management strategies are still necessary. Based on the findings, a data-driven action plan for establishing a budget monitoring system was developed to enhance transparency, accountability, and efficiency in resource utilization among small enterprises in Naga City.

Keywords: budget utilization, budget monitoring system, small enterprises, financial management, action plan

1. Introduction

Globally, small enterprises are key drivers of economic development through employment generation, innovation, and support for local supply chains. However, many struggle with financial management inefficiencies, particularly in budgeting and expenditure monitoring, which often result in underutilized or misallocated funds (World Bank, 2023; Andato & Onsare, 2024) [1, 2]. Weak financial planning, inadequate monitoring systems, limited managerial capacity, and the absence of structured financial controls expose small firms to cash flow disruptions and inefficient spending, underscoring the need for practical, structured interventions (International Finance Corporation [IFC], 2022; Przychocka, Sikorski, & Milewski, 2024) [3, 4].

In Southeast Asia, small enterprises face additional constraints related to regulatory compliance, administrative procedures, and organizational capacity. Government programs provide financial assistance and incentives, yet many enterprises fail to fully utilize available funds because of cumbersome documentation requirements, delayed approvals, and weak internal monitoring mechanisms (Asia Development Bank [ADB], 2023) [5].

The present study is anchored on the United Nations' Sustainable Development Goal 11 (Sustainable Cities and Communities), which promotes sustainable resource management and resilient local economies through efficient financial practices among small enterprises in urban areas such as Naga City. It is also grounded in Republic Act No. 9501, or the Magna Carta for Micro, Small, and Medium Enterprises, which mandates the State to promote, support, strengthen, and encourage the growth and development of MSMEs in all productive sectors of the economy and to improve government efficiency in assisting them. By emphasizing feedback and evaluation mechanisms to monitor MSME contributions and challenges, this law provides a policy basis for developing an action plan for a budget monitoring system that enhances transparency, accountability, and efficient resource utilization, thereby supporting the sustainable growth of small enterprises in Naga City.

In the Philippine context, micro, small, and medium enterprises (MSMEs) account for about 99.6% of all registered business establishments, with small enterprises representing around 8.8% of firms and providing roughly one-quarter of MSME jobs, thereby contributing substantially to national employment and local economic activity (Department of Trade and Industry [DTI], 2023) [6]. However, national development frameworks recognize that capacity gaps in management and financial literacy constrain MSMEs' ability to plan, monitor, and utilize resources effectively, underscoring the need to strengthen internal systems and skills DTI, 2023; National Economic and Development Authority [NEDA], 2023) [6,7]. In Naga City, small enterprises serve as a backbone of the local economy, supporting trade, services, and community-based industries. While local initiatives support enterprise development, many SEs still face challenges with budget utilization due to the lack of structured monitoring systems, limited use of financial tools, and operational inefficiencies. These challenges underscore the need to develop a practical, context-specific action plan to establish a budget-monitoring system responsive to the needs of small enterprises.

Given these conditions, this study examined the factors and challenges affecting budget utilization among small enterprises in Naga City and developed a context-specific action plan to establish an effective budget monitoring system. By analyzing procedural, operational, and organizational factors, as well as the intrinsic and extrinsic challenges faced by budget coordinators and enterprise owners, the study aims to provide a structured, data-driven approach to improving financial processes, enhancing accountability and transparency, and promoting the efficient use of available resources. The findings are intended to inform practical strategies for small enterprises and to contribute to the limited literature on structured budget-monitoring systems and action plans tailored to local small-enterprise settings.

1.1 Objectives of the Study

Generally, this study aimed to examine the profiles, factors, and challenges influencing the utilization of the budget monitoring system by small enterprises in Naga City.

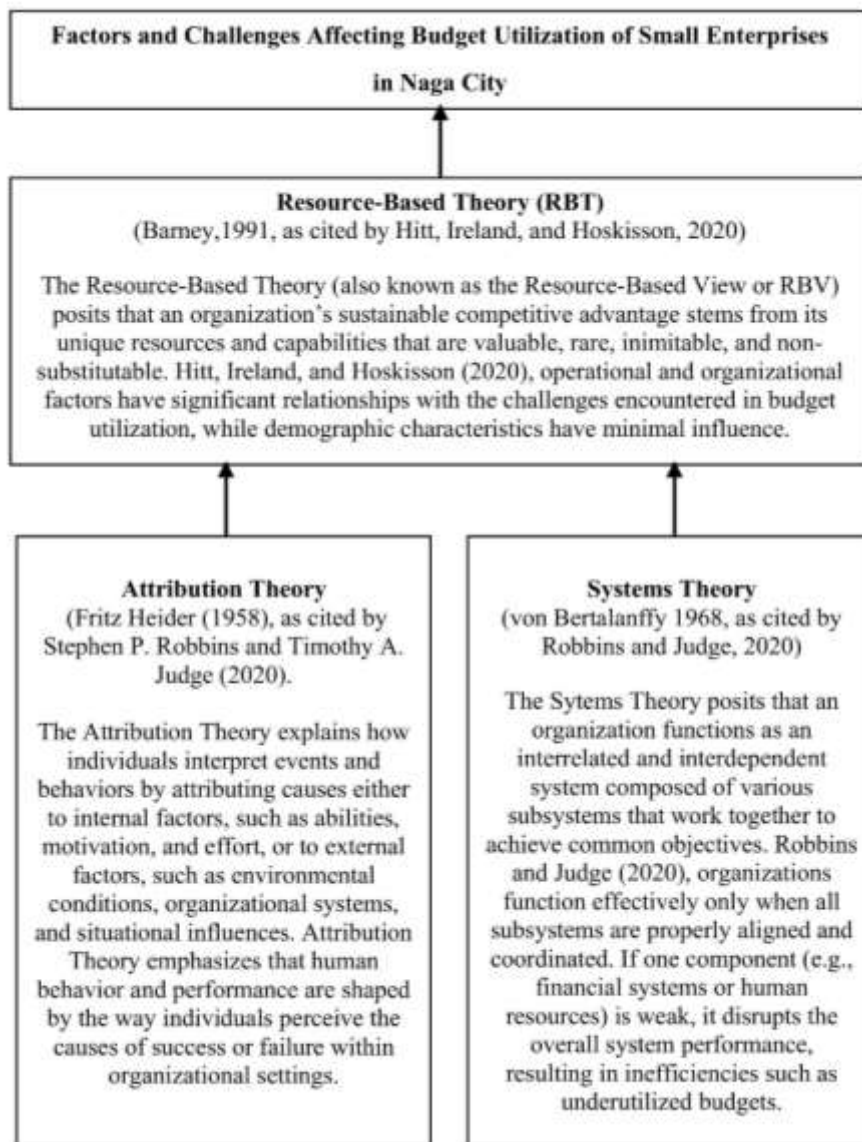
1. To determine the profile of budget coordinators in terms of age, gender, years of service, educational attainment, department, and amount of budget being monitored.
2. To identify the factors contributing to the underutilization of funds, small enterprises, along with procedural, operational, and organizational aspects.

3. To assess the challenges encountered in utilizing small enterprises along intrinsic and extrinsic aspects.
4. To examine the profile associated with challenges faced by budget coordinators in utilizing their department budget.
5. To determine the relationship between factors contributing to underutilized budgets and challenges faced by budget coordinators.
6. To develop an action plan for establishing a budget monitoring system for budget utilization based on the findings of the study.

1.2 Theoretical Framework of the Study

This study is grounded primarily in Resource-Based Theory (RBT), with Attribution Theory and Systems Theory providing additional support in explaining the factors and challenges that influence budget utilization among small enterprises (SEs) in Naga City, as shown in Figure 1.

Figure 1: Theoretical Paradigm



Resource-Based Theory. Originating with Penrose (1959) and developed by Barney (1991), as cited by Hitt, Ireland, and Hoskisson (2020), RBT holds that organizations gain advantage by effectively acquiring,

managing, and using valuable, rare, inimitable, and non-substitutable resources [8] [9] [10]. In this study, RBT explains how the competencies, skills, experience, and managerial capabilities of budget coordinators, along with procedural and organizational resources, influence budget utilization. Intrinsic and extrinsic limitations are seen as constraints on maximizing financial resources, and the proposed budget-monitoring action plan is a strategic step to strengthen capabilities, control, accountability, and efficient resource use.

Attribution Theory. Proposed by Heider (1958) and expanded by Kelley (1973), as cited by Robbins and Judge (2020), Attribution Theory describes how people assign causes of events to internal factors (abilities, effort) or external factors (environment, systems) [11] [12] [13]. Here, it frames how budget coordinators interpret intrinsic challenges (e.g., limited skills, workload) as internal causes and extrinsic challenges (e.g., delayed fund releases, weak coordination) as external causes, affecting their responses and budget practices. The action plan aims to address both types of constraints by improving monitoring, accountability, and financial management.

Systems Theory. From von Bertalanffy (1968), as cited by Robbins and Judge (2020), Systems Theory views organizations as interdependent subsystems that transform inputs into outputs using processes and feedback; inefficiency in one component affects the whole [14] [13]. In this study, SEs are treated as open systems in which budget coordinators (inputs), procedures and organizational factors (processes), and constraints (intrinsic/extrinsic) interact to shape budget utilization. The proposed budget-monitoring system functions as a feedback mechanism to detect inefficiencies, improve coordination, and support continuous improvement in financial management.

2. Methodology

This study used a descriptive–associational correlational design to examine profiles, factors, and challenges influencing budget utilization among small enterprises in Naga City and to inform an action plan for a budget monitoring system. Descriptive analysis summarized respondents’ demographic and professional characteristics, the extent of procedural, operational, and organizational factors, and the intrinsic and extrinsic challenges related to budget use. Correlational analysis assessed relationships among respondents’ profiles and budget utilization challenges, as well as between the identified factors and these challenges. Spearman’s rank-order correlation (ρ) was applied because the data were ordinal (Likert scale) and non-normal, and the combined results served as the empirical basis for the proposed action plan.

Respondents were budget coordinators and other financial personnel from registered small enterprises in Naga City, including owners, managers, accounting staff, and those directly involved in budgeting and financial monitoring. From 120 active small enterprises listed by the Department of Trade and Industry (DTI)–Naga City, 40 respondents were selected through purposive sampling to ensure direct involvement in financial planning, budget preparation, expenditure monitoring, and resource-related decision making. Inclusion criteria required employment in a registered small enterprise in Naga City, at least one year of experience in financial or budgeting functions, and voluntary participation. Individuals without direct financial roles, temporary staff, and enterprises outside Naga City were excluded, ensuring that data were drawn from participants with actual responsibility for budget utilization.

Data was collected using a structured questionnaire administered in both printed and Google Forms formats. The instrument had three parts: Part I captured demographic and professional profiles; Part II measured procedural, operational, and organizational factors related to budget utilization; and Part III

assessed intrinsic and extrinsic challenges in managing enterprise budgets. Items in Parts II and III were rated on a five-point Likert scale to reflect the degree of perceived factors and level of challenges. Content validity was established through expert review in business, financial management, and research methods, and their feedback was incorporated into the final version. A pilot test with similar but non-sample respondents assessed clarity and reliability, leading to minor revisions. Cronbach's alpha (minimum 0.95) confirmed high internal consistency for the instrument.

Permission to conduct the study was secured from DTI–Naga City and from owners or authorized representatives of participating enterprises. The finalized questionnaire, prepared after validation and pilot testing, was distributed in print and electronic formats — printed copies were personally handed to respondents while the Google Forms link was shared via email and messaging platforms. Prior to participation, respondents were briefed on the study's purpose, procedures, confidentiality, and their right to withdraw at any time; informed consent was obtained through signed forms and an electronic consent section in Google Forms. All responses were checked for completeness and consistency, then encoded for statistical analysis. In compliance with the Data Privacy Act of 2012 (Republic Act No. 10173), data were stored in password-protected digital files and secured physical folders accessible only to the researcher. The study adhered to the ethical principles of respect, beneficence, and justice; respondents' identities were anonymized in all datasets and reports. Artificial intelligence tools were used solely for language refinement and formatting support, with all data analysis, interpretation, and conclusions remaining the responsibility of the researcher.

Frequency and percentage distributions were used to summarize respondents' demographic and professional profiles (age, gender, years of service, educational attainment, department, and amount of budget managed) and to describe the distribution of responses across categories, thereby organizing categorical data and facilitating interpretation of respondent characteristics. In addition, a weighted mean was computed to determine the perceived extent to which procedural, operational, and organizational factors contributed to budget utilization and the degree of intrinsic and extrinsic challenges in managing enterprise budgets, allowing comparison of Likert-scale responses across indicators. Furthermore, the Chi-square test examined associations between respondents' profile variables and the challenges encountered in budget utilization to identify significant relationships between demographic characteristics and budget-related issues, while Spearman's rank-order correlation coefficient (Spearman's rho) assessed the strength and direction of relationships between procedural, operational, and organizational factors and the intrinsic and extrinsic challenges experienced by respondents using ordinal data. Finally, a Modified ADDIE Model (Analysis–Design–Development–Implementation–Evaluation) guided the development of the proposed action plan for a budget monitoring system, wherein the analysis phase identified key factors and challenges from the findings, the design phase structured the monitoring system and its strategies, and the development phase prepared tools, templates, and action plan recommendations as a systematic framework for translating empirical results into a practical intervention.

3. Results and Discussion

3.1 Demographic and Professional Profile of Respondents

Table 1 presents the demographic and professional characteristics of respondents involved in budget monitoring and financial decision-making in small enterprises in Naga City.

The variables included age, gender, years of service, educational attainment, type of employment, department or functional area, and approximate annual budget managed, as these may influence budgeting

practices, financial management capability, and the types of challenges experienced in budget utilization. Most respondents were 31–40 years old (50.00%), followed by those aged 41 and above (35.00%), while only 15.00% were 22–30 years old. Females comprised 62.50% of the sample and males 37.50%. In terms of tenure, 37.50% had 1–5 years of service, 27.50% had 6–10 years, and 35.00% had more than 11 years. The majority held a bachelor’s degree (85.00%), with only a few holding a high school diploma, a master’s degree, or other qualifications. Most respondents were enterprise owners (55.00%) or permanent employees (42.50%), were assigned mainly in operations (40.00%) and sales/marketing (35.00%), and nearly half (47.50%) managed annual budgets above ₱1,000,000.

These results show that budget monitoring and financial management in small enterprises are mainly handled by mature, educated, and experienced personnel directly involved in core operations. Enterprises appear to entrust financial responsibilities to staff with substantial business exposure and decision-making roles, and the high share of bachelor’s degree holders suggests formal training relevant to budgeting and financial management. Budget duties are embedded in operational and managerial positions rather than concentrated in specialized finance posts, as indicated by the large number of owners and operations staff serving as budget handlers.

These patterns imply that effective budget utilization in small enterprises depends strongly on the competencies, experience, and organizational roles of those managing financial resources. This supports Resource-Based Theory, which highlights human capabilities, managerial skills, and organizational resources as key drivers of performance and efficiency (Penrose, 1959; Barney, 1991, as cited in Hitt, Ireland, & Hoskisson, 2020) [8, 9, 10]. The findings also reflect Attribution Theory, which links performance to internal factors such as knowledge, experience, and motivation (Heider, 1958; Kelley, 1973, as cited in Robbins & Judge, 2020), and Systems Theory, which views organizations as interconnected systems where roles and interactions shape the effectiveness of processes like budget utilization and financial management (von Bertalanffy, 1968, as cited in Robbins & Judge, 2020) [11, 12, 13, 14].

Table 1: Demographic and Professional Profile

Parameters	Category	Frequency	Rank	Percentage
Age (number in years)	22-30	6	3	15.00%
	31-40	20	1	50.00%
	41 and above	14	2	35.00%
Gender	Male	15	2	37.50%
	Female	25	1	62.50%
	Prefer not to say	0		0.00%
Years of Service in the Enterprise	1-5 years	15	1	37.50%
	6-10 years	11	3	27.50%
	11 and above	14	2	35.00%
Highest Educational Attainment	High School	3	2	7.50%
	Bachelor’s Degree	34	1	85.00%
	Master’s Degree	2	3	5.00%

	Others:	1	4	2.50%
Type of Employment	Owner	22	1	55.00%
	Permanent	17	2	42.50%
	Contractual	1	3	2.50%
	Casual	0		0.00%
Department / Functional Area	Finance	1	5	2.50%
	Operations	16	1	40.00%
	Administration	6	3	15.00%
	Sales/Marketing	14	2	35.00%
	Others:	3	4	7.50%
Approximate Annual Budget Managed	Below ₱500,000	16	2	40.00%
	₱500,000–₱1,000,000	5	3	12.50%
	Above ₱1,000,000	19	1	47.50%

3.2 Perceived Factors Contributing to Budget Utilization in terms of Procedural, Operational, and Organizational Factors

3.2.1 Procedural Factors

Table 2 shows an overall mean of 4.16 (“Contributes”), indicating that procedural factors strongly support budget utilization. The highest ratings were given to clear and consistent budget preparation processes and to policies that align with enterprise goals and operational needs (mean = 4.20), followed by timely approval and release of funds and standardized, easy-to-understand financial reports (mean = 4.15). Procurement and purchasing procedures received the lowest rating but were still considered to contribute positively (mean = 4.10). These results indicate that small enterprises rely on structured and organized procedural systems to achieve budgeting efficiency and financial control. Clear, consistent procedures and policy alignment help ensure that responsibilities are understood and resources are allocated in line with operational priorities, while relatively lower ratings in procurement and purchasing suggest minor inefficiencies that do not critically hinder budget use. Overall, procedural mechanisms appear to provide direction, consistency, and accountability, helping enterprises minimize errors, improve coordination, and utilize resources more effectively.

The findings align with Resource-Based Theory (Penrose, 1959), which emphasizes that structured procedures and management systems are valuable internal resources that enhance performance and efficiency. They also reflect Attribution Theory (Heider, 1958), which suggests that employees’ budgeting behaviors are shaped by their understanding and perceptions of organizational procedures and policies, and Systems Theory (von Bertalanffy, 1968), which views standardized and coordinated processes as essential to maintaining organizational stability and effectiveness. Together, these perspectives underscore the importance of strong procedural systems in improving budget utilization and strengthening financial management practices in small enterprises [8, 11, 14].

Table 2: Perceived Factors Contributing to Budget Utilization in terms of Procedural, Operational, and Organizational Factors

Parameters - Procedural	Mean	Rank	Interpretation
The budget preparation process follows clear and consistent procedures.	4.20	1.5	Contributes
Approval and release of funds are timely.	4.15	3.5	Contributes
Procurement and purchasing procedures are efficient and transparent.	4.10	5	Contributes
Financial reporting formats are standardized and easy to understand.	4.15	3.5	Contributes
Budget policies align with enterprise goals and operational needs.	4.20	1.5	Contributes
Overall Mean - Procedural	4.16		Contributes
Parameters – Operational	Mean	Rank	Interpretation
Workload affects the timely use of allocated funds.	3.65	4.5	Contributes
Staff skills and training influence budget implementation.	3.93	3	Contributes
Delays in procurement or supplier delivery hinder spending.	3.65	4.5	Contributes
Access to updated financial information supports decision-making.	4.03	1	Contributes
Coordination among enterprise units improves budget utilization.	3.98	2	Contributes
Overall Mean – Operational	3.85		Contributes
Parameters – Organizational	Mean	Rank	Interpretation
Management support facilitates efficient budget implementation.	4.08	2	Contributes
Communication between management and staff is effective.	4.15	1	Contributes
Accountability mechanisms exist in managing enterprise funds.	3.90	4	Contributes
Existing monitoring practices help track budget utilization.	3.93	3	Contributes
Enterprise culture promotes transparency in financial management.	3.83	5	Contributes
Overall Mean – Organizational	3.98		Contributes

Note: 1.00–1.80 Does Not Contribute; 1.81–2.60 Slightly Contributes; 2.61–3.40 Moderately Contributes; 3.41–4.20 Contributes; 4.21–5.00 Strongly Contributes

3.2.2 Operational Factors

Table 2 shows an overall mean of 3.85 (“Contributes”), indicating that operational factors significantly support budget utilization. The highest rating was given to access to updated financial information (mean = 4.03), followed by coordination among enterprise units (mean = 3.98) and staff skills and training (mean = 3.93). Workload and delays in procurement or supplier delivery received lower but still contributory ratings (mean = 3.65), suggesting these remain operational concerns. These results indicate that effective budget utilization in small enterprises depends largely on timely financial information, strong inter-unit coordination, and competent staff handling financial tasks. Updated data and coordinated operations support informed decisions on expenditures, resource allocation, and budget adjustments, and a smoother implementation of budget-related activities, while existing workload pressures and procurement delays can delay the timely use of funds. Overall, the results imply that operational effectiveness is strengthened when enterprises maintain efficient communication, updated information systems, and capable personnel to support financial management processes.

The findings align with Resource-Based Theory, which views employee competencies, information systems, and operational capabilities as key internal resources that enhance efficiency and performance

(Penrose, 1959; Barney, 1991, as cited in Hitt, Ireland, & Hoskisson, 2020) [8, 9, 10]. They are also consistent with Attribution Theory, which suggests that employee performance and financial decisions are shaped by both internal capabilities and external operational conditions (Heider, 1958; Kelley, 1973, as cited in Robbins & Judge, 2020), and with Systems Theory, which emphasizes that organizations function as interconnected systems where information flow, coordination, and operational processes directly influence effectiveness (von Bertalanffy, 1968, as cited in Robbins & Judge, 2020) [11, 12, 13, 14]. Collectively, these perspectives highlight that operational factors are critical mechanisms that shape budget utilization and support efficient financial management in small enterprises.

3.2.3 Organizational Factors

Table 2 shows an overall mean of 3.98 (“Contributes”), indicating that organizational factors significantly support budget utilization. The highest rating was given to effective communication between management and staff (mean = 4.15), followed by management support for budget implementation (mean = 4.08), existing monitoring practices (mean = 3.93), and accountability mechanisms (mean = 3.90). Enterprise culture promoting transparency in financial management received the lowest rating (mean = 3.83), though it was still considered contributory. These results suggest that budget utilization is strongly influenced by organizational support systems, especially clear communication and active leadership involvement. Clear communication helps ensure that financial goals, procedures, and priorities are understood across the organization, while management support provides direction and resources for effective budget execution. The relatively lower levels of accountability mechanisms and transparency imply that such systems are present but may need further strengthening and institutionalization to enhance financial management efficiency.

The findings are consistent with Resource-Based Theory, which highlights leadership, communication systems, and organizational culture as key intangible resources that enhance performance and efficiency (Penrose, 1959; Barney, 1991, as cited in Hitt, Ireland, & Hoskisson, 2020) [8, 9, 10]. They also reflect Attribution Theory and Systems Theory, which emphasize that internal organizational conditions and the interconnected roles of communication, coordination, and leadership shape employee behavior and overall effectiveness (Heider, 1958; Kelley, 1973; von Bertalanffy, 1968, as cited in Robbins & Judge, 2020). Together, these perspectives show that strong organizational support systems are critical for effective budget utilization and financial management in small enterprises [11, 12, 14, 13].

3.2.4 Summary of Perceived Factors Contributing to Budget Utilization

All three dimensions were interpreted as “Contributes,” indicating that procedural, operational, and organizational factors collectively support budget utilization among respondents.

Table 3: Summary of Perceived Factors Contributing to Budget Utilization

Parameters	Mean	Rank	Interpretation
Procedural Factors	4.16	1	Contributes
Operational Factors	3.85	3	Contributes
Organizational Factors	3.98	2	Contributes

Note: 1.00–1.80 Does Not Contribute; 1.81–2.60 Slightly Contributes; 2.61–3.40 Moderately Contributes; 3.41–4.20 Contributes; 4.21–5.00 Strongly Contributes

The findings show that structured budgeting procedures, aligned policies, communication systems, and operational activities all play important roles in effectively managing and utilizing enterprise resources.

However, the higher ranking of procedural and organizational factors suggests that respondents place greater importance on formal systems, management support, and organizational coordination in achieving efficient budget utilization.

The findings imply that effective budget utilization among small enterprises is largely influenced by clear procedures, supportive organizational environments, and efficient operational practices. Procedural factors ranked highest because structured guidelines, budgeting policies, and standardized processes provide direction and consistency in financial management activities. Organizational factors also exerted a strong influence, as communication, leadership support, and accountability mechanisms help create a work environment that encourages efficient budget implementation and coordination among personnel. Although operational factors ranked lowest, they still significantly contributed to budget utilization, indicating that day-to-day financial activities, workforce capabilities, and information accessibility remain essential components in achieving effective resource management.

3.3 Perceived Intrinsic and Extrinsic Challenges in Budget Utilization

3.3.1 Intrinsic Challenges

Table 4 shows an overall mean of 3.23 (“Moderately Challenging”), indicating that intrinsic factors moderately affect respondents’ ability to manage and utilize budgets. The most challenging issue was heavy workload or multitasking, which limited effective budget monitoring (mean = 3.48), followed by limited training in financial or budget management (mean = 3.28) and limited involvement in budget planning (mean = 3.20). Difficulty in understanding budget rules and procedures (mean = 3.13) and lack of motivation due to limited incentives (mean = 3.08) were rated slightly lower but remained moderately challenging overall. These results suggest that intrinsic challenges in budget utilization stem mainly from workload pressures and capacity gaps in financial management. Staff in small enterprises often juggle multiple operational and administrative tasks, reducing the time and focus available for budget monitoring and control. Insufficient training and limited participation in budgeting processes also weaken their confidence and effectiveness in handling financial responsibilities, while lower—but still notable—scores for motivation and understanding of procedures indicate that both competency-related and attitudinal factors shape how well budgets are implemented.

The pattern is consistent with Resource-Based Theory, which views employee skills, knowledge, and managerial capabilities as crucial internal resources that drive organizational performance and efficiency (Penrose, 1959; Barney, 1991, as cited in Hitt, Ireland, & Hoskisson, 2020) [8, 9, 10]. It also aligns with Attribution Theory, which links individual behavior and work performance to internal factors such as competence, motivation, and perceived ability (Heider, 1958; Kelley, 1973, as cited in Robbins & Judge, 2020), and with Systems Theory, which emphasizes that weaknesses in elements like human resource capacity or workload distribution can impair the functioning of broader organizational processes (von Bertalanffy, 1968, as cited in Robbins & Judge, 2020) [11, 12, 13, 14]. Together, these perspectives explain why intrinsic challenges, particularly excessive workload and limited financial management capability, undermine efficient budget utilization and financial management in small enterprises.

3.3.2 Extrinsic Challenges

Table 4 shows an overall mean of 3.28 (“Moderately Challenging”), indicating that institutional and environmental factors moderately hinder effective budget utilization. The most challenging issue was delayed cash inflows or fund availability (mean = 3.40), followed by lack of proper monitoring tools for tracking expenditures (mean = 3.38) and weak coordination among enterprise units (mean = 3.28).

Lengthy approval processes and limited flexibility in reallocating unused funds resulted in slightly lower, but still moderately challenging, ratings (mean = 3.18). The findings suggest that budget utilization difficulties arise mainly from weaknesses in organizational systems and external financial processes rather than from individual limitations. Delayed cash inflows disrupt planned activities and slow the implementation of budgeted operations, while inadequate monitoring tools hinder accurate tracking of expenditures and financial performance. Weak coordination among enterprise units creates communication gaps and operational inefficiencies, and lengthy approvals and rigid rules on fund reallocation further delay or restrict budget execution. Overall, the results point to the need to strengthen institutional systems, coordination practices, and financial procedures to support more efficient budget utilization.

Table 4: Perceived Intrinsic and Extrinsic Challenges in Budget Utilization

Parameters – Intrinsic	Mean	Rank	Interpretation
Limited training in financial or budget management affects performance.	3.28	2	Moderately Challenging
Heavy workload or multitasking limits effective budget monitoring.	3.48	1	Challenging
Understanding budget rules and procedures is difficult.	3.13	4	Moderately Challenging
Lack of motivation due to limited incentives affects budget performance.	3.08	5	Moderately Challenging
Limited involvement in budget planning reduces efficiency.	3.20	3	Moderately Challenging
Overall Mean – Intrinsic	3.23		Moderately Challenging
Parameters – Extrinsic	Mean	Rank	Interpretation
Delayed cash inflows or fund availability hinder budget execution.	3.40	1	Moderately Challenging
Lengthy approval processes cause delays and underutilization.	3.18	4.5	Moderately Challenging
Lack of proper monitoring tools makes tracking expenditure difficult.	3.38	2	Moderately Challenging
Weak coordination among enterprise units affects budget implementation.	3.28	3	Moderately Challenging
Limited flexibility in reallocating unused funds restricts operations.	3.18	4.5	Moderately Challenging
Overall Mean – Extrinsic	3.28		Moderately Challenging

Note: 1.00–1.80 Not Challenging; 1.81–2.60 Slightly Challenging; 2.61–3.40 Moderately Challenging; 3.41–4.20 Challenging; 4.21–5.00 Very Challenging

These patterns are consistent with Resource-Based Theory, which highlights financial systems, monitoring tools, and coordination mechanisms as critical organizational resources for efficiency and performance (Penrose, 1959; Barney, 1991, as cited in Hitt, Ireland, & Hoskisson, 2020) [8, 9, 10]. They

also align with Attribution Theory, which stresses that budgeting outcomes reflect both internal capabilities and external organizational conditions (Heider, 1958; Kelley, 1973, as cited in Robbins & Judge, 2020), and with Systems Theory, which views organizations as interconnected systems where weaknesses in subsystems such as funding processes or coordination mechanisms can impair overall budget execution (von Bertalanffy, 1968, as cited in Robbins & Judge, 2020) [11, 12, 13, 14]. Collectively, these perspectives underscore that strengthening institutional and systemic support is essential to improving budget utilization and addressing extrinsic financial management challenges faced by small enterprises.

3.3.3 Summary of Perceived Challenges in Budget Utilization

As shown in Table 5, among the two categories, extrinsic challenges obtained a slightly higher mean of 3.28 and ranked first, while intrinsic challenges recorded a mean of 3.23 and ranked second. Both categories fell within the same interpretation, indicating that challenges exist at both the individual and organizational levels. These findings show that although respondents possess certain competencies and experiences in budget management, both personal limitations and institutional constraints continue to affect the efficiency of budget utilization practices among small enterprises.

The findings suggest that organizational and environmental constraints have a slightly greater influence on budget utilization challenges compared to individual-level concerns. Extrinsic challenges, such as delayed funding availability, limited monitoring tools, weak coordination, and rigid organizational processes, tend to affect the implementation of financial plans more significantly because they are directly linked to institutional systems and operational procedures. Although intrinsic challenges such as workload, limited training, and involvement in budgeting activities also contribute to the difficulties respondents encounter, they appear less influential than organizational limitations. The results imply that improving budget utilization requires not only enhancing employee competencies and workload management but also strengthening organizational systems, coordination mechanisms, and financial monitoring practices within small enterprises.

Table 5: Summary of Perceived Challenges in Budget Utilization

Parameters	Mean	Rank	Interpretation
Intrinsic (Individual-Level) Challenges	3.23	2	Moderately Challenging
Extrinsic (Institutional / Environmental) Challenges	3.28	1	Moderately Challenging

Note: 1.00–1.80 Not Challenging; 1.81–2.60 Slightly Challenging; 2.61–3.40 Moderately Challenging; 3.41–4.20 Challenging; 4.21–5.00 Very Challenging

3.4 Association Between Profiles and Challenges Encountered by Budget Coordinators

Table 6 shows that most profile variables were not significantly associated with intrinsic challenges, as indicated by p -values > 0.05 . For extrinsic challenges, only department ($p = 0.020$) and annual budget managed ($p = 0.034$) were statistically significant, while age, gender, years of service, educational attainment, and type of employment were not. These findings indicate that budget utilization challenges depend more on organizational context and financial responsibility than on personal demographics. Respondents managing larger budgets or working in departments closely involved in operational and

financial functions are more exposed to institutional constraints such as coordination issues, monitoring difficulties, approval delays, and resource limitations, whereas demographic variables have minimal influence. In contrast, variables such as age, gender, educational attainment, and years of service appear to have minimal influence on the challenges encountered. This implies that improving budget utilization requires stronger institutional support, clearer departmental roles, and enhanced financial coordination mechanisms rather than interventions focused on demographic characteristics.

The results are consistent with Resource-Based Theory, which emphasizes that organizational performance depends on how human resources, financial responsibilities, and capabilities are structured and deployed within the organization (Penrose, 1959; Barney, 1991, as cited in Hitt, Ireland, & Hoskisson, 2020) [8, 9, 10]. They also align with Attribution Theory, which highlights that employee performance and challenges are shaped by external organizational conditions and assigned responsibilities, not just personal traits (Heider, 1958; Kelley, 1973, as cited in Robbins & Judge, 2020), and with Systems Theory, which views organizations as interconnected systems where departmental functions, financial roles, and operational processes jointly influence outcomes (von Bertalanffy, 1968, as cited in Robbins & Judge, 2020) [11, 12, 13, 14]. Together, these perspectives underscore that budget utilization challenges are largely role- and system-dependent, reinforcing the need to strengthen organizational structures and coordination mechanisms in small enterprises.

Table 6: Association Between Profiles and Challenges Encountered by Budget Coordinators

Profile	Intrinsic Challenges	Extrinsic Challenges
Age	0.451	0.271
Gender	0.474	0.747
Years of Service	0.570	0.544
Highest Educational Attainment	0.511	0.613
Department	0.971	0.020*
Type of Employment	0.852	0.173
Annual Budget Managed	0.789	0.034*

Note. * $p < .05$

3.5 Relationship Between Factors Contributing to Budget Underutilization and the Challenges Faced by Budget Coordinators

Table 7 shows that procedural factors had a low but significant relationship with intrinsic challenges ($\rho = 0.315, p < .05$), but no significant relationship with extrinsic challenges ($\rho = 0.274, p > .05$). In contrast, operational factors had moderate, significant relationships with both intrinsic ($\rho = 0.428, p < .01$) and extrinsic challenges ($\rho = 0.416, p < .01$), while organizational factors exhibited the strongest, significant relationships with intrinsic ($\rho = 0.454, p < .01$) and extrinsic challenges ($\rho = 0.461, p < .01$). These results indicate that operational and organizational factors exert greater influence on the challenges encountered in budget utilization than procedural factors. These findings suggest that budget utilization challenges are driven more by organizational structure and operational management than by formal procedures alone. Weak communication, poor coordination, inefficient operational practices, and limited leadership support heighten both intrinsic (e.g., workload, limited capability) and extrinsic (e.g., implementation delays, weak monitoring) challenges. Although procedures provide important guidance, their weaker association with challenges implies that they are insufficient when organizational and operational systems are not

functioning effectively. Thus, improving budget utilization requires enhancing coordination, operational efficiency, leadership support, and financial monitoring systems to address both individual and institutional barriers to budget implementation.

Table 7: Relationship Between Factors Affecting Budget Utilization and Challenges Encountered by Budget Coordinators

		Intrinsic Challenges	Extrinsic Challenges
Procedural Factors	Spearman's rho	0.315*	0.274
	p-value	0.048	0.087
Operational Factors	Spearman's rho	0.428**	0.416**
	p-value	0.006	0.008
Organizational Factors	Spearman's rho	0.454**	0.461**
	p-value	0.003	0.003

Note. * $p < .05$, ** $p < .01$, *** $p < .001$

The pattern is consistent with Resource-Based Theory, which highlights communication systems, leadership, and coordinated operations as strategic resources that drive performance and efficiency (Penrose, 1959; Barney, 1991, as cited in Hitt, Ireland, & Hoskisson, 2020) [8, 9, 10]. It also aligns with Attribution Theory and Systems Theory, which stress that internal organizational conditions and the interdependence of organizational components shape employee behavior and overall financial management outcomes (Heider, 1958; Kelley, 1973; von Bertalanffy, 1968, as cited in Robbins & Judge, 2020) [11, 12, 14, 13]. Together, these perspectives indicate that effective budget utilization requires not only clear procedures but also strong organizational systems and coordinated operations in small enterprises.

3.6 Develop an action plan for establishing a budget monitoring system for the utilization of resources in Small Enterprises (SEs)

The action plan for establishing a budget monitoring system for small enterprises was developed through a structured, evidence-based systems development process aligned with the study's empirical findings. It followed a modified ADDIE framework focused on the Analysis, Design, and Development phases, as implementation and evaluation were beyond the scope of this study. Each phase was anchored in the assessed budget utilization practices, monitoring challenges, and factors contributing to fund underutilization, ensuring that the proposed plan directly addresses gaps in financial tracking, reporting efficiency, and budget control.

In the Analysis phase, results showed that procedural, operational, and organizational factors generally support budget utilization (overall mean = 4.00), yet respondents still experience moderate challenges (overall mean = 3.26) related to delayed fund availability, lack of monitoring tools, heavy workload, limited training, and coordination issues. These findings indicate that while basic budgeting practices exist, there are gaps in system integration, resource availability, and implementation efficiency. The absence of a structured, unified monitoring approach, reliance on manual or informal processes, and human resource constraints (multitasking and limited financial training) collectively undermine budget implementation, underscoring the need for a comprehensive monitoring strategy.

The Design phase focused on formulating a practical, context-specific Budget Monitoring System (BMS) tailored to small enterprises. The action plan aims to strengthen financial management by enhancing transparency, coordination, and control over budget utilization. It defines core components such as budget planning, budget tracking, reporting, and control mechanisms within an integrated framework. Key strategies include standardizing budgeting procedures, implementing real-time expense tracking, developing simple reporting tools, and introducing control measures such as variance analysis and budget alerts. The plan also specifies role assignments, accountability structures, and coordination mechanisms among enterprise units, with emphasis on accessibility and practicality using readily available tools such as spreadsheets and basic digital platforms.

In the Development phase, the designed action plan was translated into concrete tools and guidelines. Structured templates for budget planning, expense tracking, variance analysis, and financial reporting were created and linked to enable real-time monitoring and automated budget utilization computation. The plan was operationalized through user-friendly formats, simple automation features, and clear procedural guidelines to support easy adoption by small enterprise operators. Pilot testing was conducted to assess practicality and effectiveness, and feedback was used to refine system components. A user guide was also developed to provide step-by-step instructions for implementation. Through this process, the study produced a comprehensive, data-driven action plan that directly addresses identified challenges in budget utilization and offers a structured approach to improving financial control, accountability, and efficiency among small enterprises.

4. Conclusions

First, budget management in small enterprises was primarily handled by experienced, educated, and operationally involved personnel, particularly business owners and key staff.

Second, procedural, operational, and organizational factors collectively contributed to effective budget utilization by providing clear processes, access to financial information, and strong internal communication.

Third, even with these supports, respondents still experienced moderate intrinsic and extrinsic challenges, especially heavy workloads, limited training, delayed fund availability, and a lack of monitoring tools.

Fourth, department assignment and annual budget management were significantly associated with extrinsic challenges, indicating that organizational roles and financial responsibilities influenced the level of difficulty encountered in budget management.

Fifth, operational and organizational factors showed significant relationships with intrinsic and extrinsic challenges, confirming that organizational systems and operational processes greatly affect budget utilization and support the need for an effective budget monitoring system.

5. Recommendations

First, small enterprise owners and managers in Naga City should adopt and implement a structured, practical action plan to establish a simple, user-friendly, and adaptable budget monitoring system that is accessible to non-finance personnel, thereby improving transparency, accountability, and efficiency in budget utilization.

Second, enterprise management should strengthen procedural systems by establishing clear budgeting guidelines, standardized financial reporting formats, defined approval processes, and consistent budget preparation procedures to improve financial control and reduce errors in budget implementation.

Third, owners, managers, and financial personnel should ensure timely allocation and release of funds to avoid delays in operational activities and minimize underutilization of enterprise resources.

Fourth, small enterprises should improve operational practices by maintaining updated financial records and accessible financial information systems to support timely decision-making and accurate expenditure monitoring.

Fifth, enterprise management should provide regular capacity-building programs, seminars, and workshops on budgeting, financial management, expenditure tracking, and resource utilization to strengthen the competencies of employees and business owners responsible for financial management.

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