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Budgeting as a Support for the Success of Micro, Small and Medium Enterprises

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Abstract
This study aims to examine the correlation between budgeting and performance in the micro, small, and medium-sized enterprise (MSME) sector. The population comprises Padang Restaurants operating in Kapanewon Depok, Ngaglik, and Kalasan, Sleman Regency, Special Region of Yogyakarta Province. Stratified random sampling was employed as the sampling technique, with 29 Padang Restaurants successfully analyzed. Data were collected via questionnaires that met validity and reliability criteria. Data analysis utilized descriptive statistics and Spearman's rank correlation. The findings reveal no correlation between budgeting and MSME performance in the Padang Restaurant business sector. Specifically, no correlations were found between MSME performance and budgeting aspects, including budget preparation methods, budgeting elements, production budgeting based on sales estimates, and record tracking in budgeting.

Keywords:
Budgeting
Micro, small, and medium enterprise
Performance

Abstrak
Penelitian ini bertujuan menjelaskan korelasi penganggaran dan kinerja pada sektor usaha mikro, kecil dan menengah (UMKM). Jenis UMKM yang menjadi populasi adalah Rumah Makan Padang yang beroperasi di Kapanewon Depok, Ngaglik, dan Kalasan, Kabupaten Sleman, Propinsi Daerah Istimewa Yogyakarta. Teknik pengambilan sampel stratified random sampling. Jumlah sampel yang berhasil dianalisis sebanyak 29 Rumah Makan Padang. Data dikumpulkan dengan kuesioner yang memenuhi syarat valid dan reliabel. Analisis data menggunakan dengan statistik deskriptif dan correlation Rank Spearman's. Temuan penelitian adalah tidak ada korelasi penganggaran dan kinerja UMKM pada sektor usaha Rumah Makan Padang. Hubungan antara setiap aspek penganggaran yaitu cara menyusun anggaran, unsur-unsur penganggaran, penyusunan anggaran produksi berdasarkan estimasi penjualan, dan penelusuran pencatatan dalam penganggaran dengan kinerja UMKM juga tidak berkorelasi.

Kata Kunci:
Kinerja
Penganggaran
Usaha mikro, kecil, dan menengah

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INTRODUCTION

Research on Micro, Small, and Medium Enterprises (MSMEs) contributes significantly to the economy. MSMEs play a crucial role in Indonesia's economy at local, regional, and national levels. As reported by KADIN, MSMEs account for approximately 99% of all business units, making them a dominant component of the national economic structure. Their contribution is essential in maintaining economic stability and promoting inclusive growth.

KADIN referenced data from the Ministry of Cooperatives and SMEs' Single Data Information System (SIDIT) for 2024, indicating that 49.3% of MSMEs are involved in agriculture and fisheries, while the other 50.7% are in various sectors. In the non-agricultural sector, micro-enterprises make up 99%, small enterprises account for 0.24%, and medium enterprises represent 0.05%. This research is particularly focusing on accommodation, food, and beverage services.

Micro, Small, and Medium Enterprises (MSMEs) serve as a fundamental pillar of the Indonesian economy, significantly contributing to job creation, community income, and GDP growth, as recognized through Government Regulation Number 7 of 2021. While the sector's macroeconomic impact is well-documented (Mahmudova & Kovács, 2018), maximizing this potential requires MSMEs to strengthen internal managerial capabilities, particularly through structured strategic planning. Successful entrepreneurship relies on systematic planning competence (McClelland, 1987), where budgeting acts as a crucial manifestation of this strategy. By translating entrepreneurial vision into concrete financial plans, budgeting provides the foundation necessary for MSMEs to thrive and sustain their contributions to the national economy.

Effective budgeting functions as a comprehensive financial tool that bridges short-term operations with long-term anticipations, ensuring current fiscal decisions align with future goals (Kemp & Dunbar, 2003; Maduekwe & Kamala, 2016). To ensure these projections remain accurate, they must be informed by reliable data from modern information systems, particularly digitized accounting information that supports sustainable performance (Hasbolah et al., 2021). Beyond planning, budgeting acts as a vital control mechanism, enabling managers to compare estimated targets against actual achievements and address significant deviations. This integration of planning, control, and data-driven insights allows MSMEs to monitor performance effectively and secure long-term sustainability.

The critical role of such internal mechanisms is further corroborated by broader academic research and national strategic initiatives regarding MSME development. The results of ninety-six (96) articles on MSME development published in twenty-seven (27) journals in the 2009-2017 period show that the fields studied include strategy, performance, information systems, ICT and E-business, capital and credit, MSME empowerment, organizational behavior, miscellaneous, financial accounting, business ethics, and taxation (Latifah et al., 2019). The Indonesian Chamber of Commerce (KADIN) revealed that the challenges of MSMEs in the future that must be overcome jointly by all relevant stakeholders include innovation and technology, digital literacy, productivity, legality or licensing, financing, branding and marketing, human resources, standardization and certification, equitable distribution of coaching, training, and facilitation, as well as a single database. Currently, the Indonesian Chamber of Commerce and the Government of Indonesia are encouraging the improvement of the performance of national MSMEs through a strategy to implement digitalization to increase competitiveness, become a global and export-oriented player.

The research by Latifah et al. (2019) and information from the Indonesian Chamber of Commerce and Industry (Kadin Indonesia) indicate that budgeting in MSMEs has not yet received adequate

attention. Kadin Indonesia hopes to see improved performance among MSMEs. One effort that can be undertaken is the preparation of budgets. The method of preparing budgets, the elements considered in budgeting, the preparation of production budgets based on sales, and budgeting based on tracing previous records set this study apart from previous research. One of the most popular types of MSMEs is the culinary business. Therefore, the focus of this research is to analyze the relationship between budget preparation and the performance of MSMEs operating Padang restaurants in the three districts of Ngaglik, Depok, and Kalasan in Sleman Regency.

LITERATURE REVIEW

Micro, Small and Medium Enterprises (MSMEs) in the Indonesian Context

Researchers provide diverse definitions of MSMEs (Ankrah & Mensah, 2015). The definition of MSMEs depends on various factors such as the number of workers, the amount of income and the specific industry in which the firm operates (Ankrah & Mensah, 2015; Gibson & van der Vaart, 2008). Furthermore, Gibson & van der Vaart (2008) distinguish between micro, small, and medium enterprises. The differences include formalities, tax and social security obligations, allowing employees to take time off and vacation while receiving compensation, being able and willing to provide formal training for their employees. Furthermore, distinction between micro, small, and medium enterprises can be determined by sales of IDR.

According to Government Regulation of the Republic of Indonesia Number 7 of 2021, MSMEs are classified based on capital and annual sales. Businesses that are classified as micro have a maximum capital of IDR 1.000.000.000,00 or a maximum sale for IDR 2,000,000.00. A small business is a business that has a capital between IDR 1,000,000,000.00 – IDR 5,000,000,000.00 or has sale between IDR 2,000,000,000.00 – IDR 15,000,000,000.00. Medium enterprises are defined as businesses that have a business capital between IDR 5,000,000,000.00 – 10,000,000,000.00 or having sales between IDR 15,000,000,000.00 – IDR 50,000,000,000,00.

MSME actors are required to be technologically literate (digital) and financially literate. In addition, financial authorities need to intervene to regulate the digital economy. The existence of digital technology encourages the emergence of the digital economy. The digital economy is defined as the process of buying and selling or transactions and markets that occur in cyberspace or the internet (Firdausy, 2018). Nikoloski (2014) states that there are two concepts or principles that organizations can use to help organizations succeed in information technology, namely: 1) connecting information technology solutions with the overall business strategy, and 2) keeping information technology simple. Simple information technology can be an option for MSMEs to enter the digital economy. The use of information technology, in addition to being a tool to optimize the information process to produce goods, also plays a role in optimizing profits (Nikoloski, 2014). Furthermore, Nikoloski (2014) states that information technology is changing the relationship between the industry and its suppliers.

Budget as Planning and Control Instrument

Budgeting is one of the keys to the success of MSMEs. Budgeting is a major component in financial planning. Budgeting for MSMEs is a controller and a tool for evaluating company performance. Both functions run according to the Figure 1.

Figure 1 depicts the relationship between the budget and the control of the company. The budget can be used as a control by comparing the short-term plan outlined in the budget with the actual conditions. If there are irregularities, the company's leadership will conduct an investigation and take corrective actions for the preparation of the next budget. This is in line with the objectives of budgeting, namely: 1) compel management to make a plan, 2) provide information on resources

that can improve the quality of decision-making, 3) as a standard for performance evaluation, and 4) improve communication and coordination (Mowen et al., 2018).

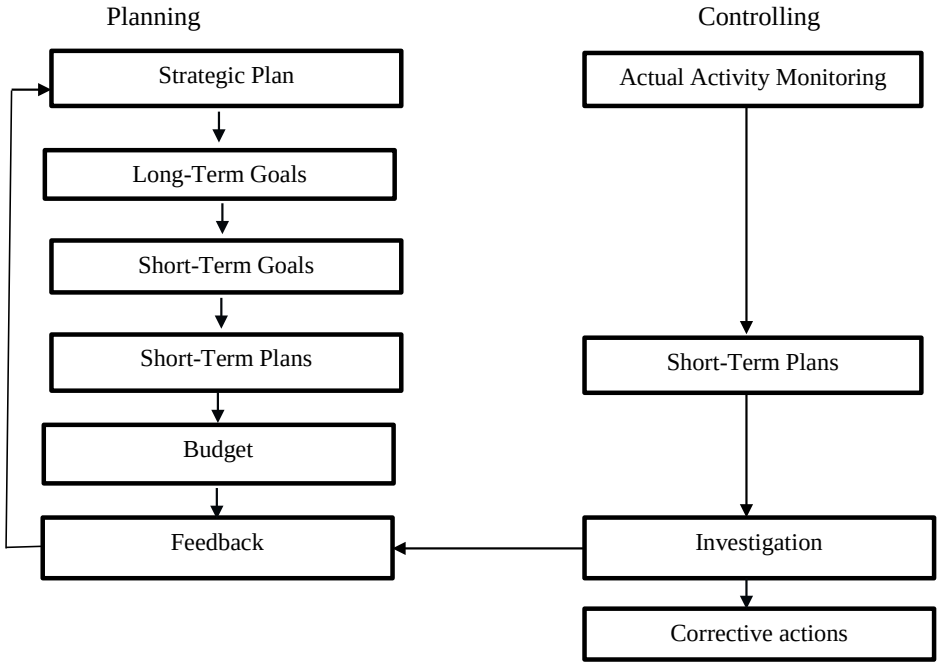


Figure 1. Planning and Control Relationship
Source: Mowen et al. (2018)

Kemp & Dunbar (2003) state that there are eight steps to prepare a budget. The eight steps of budgeting include 1) obtaining information, 2) understanding each line containing the amount of spending, 3) predicting the future, 4) reviewing results, 5) finalizing the budget, 6) adding budgeting assumptions, 7) checking the budget, and 8) submitting the budget. In contrast to Hansen & Mowen (2007) state that budget preparation begins with making a cash budget. In compiling a cash budget, the budget preparer needs to understand cash flow. For most companies, cash flow is an important thing that must be maintained. Unstable cash flow can cause problems in the company's operations. Therefore, it is important for companies to pay attention to the cash receipts and expenditures that occur.

The budget approved by the organization/company leader is a reference for financing in work. If there are irregularities, it must be evaluated. A favorable deviation is called a positive variance, whereas a negative deviation is called a negative variance. Negative deviations can be interpreted as deviations from the company's goals.

Control of the budget will come down to measuring the company's performance. Company performance measurement is important for a variety of reasons. Maduekwe & Kamala (2016) shows that performance measurement reports are useful for 1) monitoring business, 2) measuring performance, 3) planning for the future, 4) controlling the company, 5) improving decision-making, 6) improving business processes, 7) identifying problems, 8) optimizing the use of resources, 9) developing tactical strategies, and 10) improving communication. In addition to financial performance measurement, non-financial performance measurement such as customers, internal business processes, learning, and growth, is also needed (Niven, 2012). The results of the study show that the three highest financial performance measures are sales growth, cash flow, and operating income (Niven, 2012). On the other hand, the highest non-financial performance measures are response time to customers, customer satisfaction, and percentage of repeat customers.

Technological advances currently require business actors to take advantage of opportunities and face challenges. One of the keys to being able to survive and grow, companies need to do activity planning well. By using information technology, company planning can be done easily. The planning made by the company is aimed at achieving the goals that have been set effectively and efficiently.

Business planning needs to be done so that the company can run with clear measures of success. There are two purposes in preparing a business plan. First, external, namely, to ensure funding, which is very important for the growth and development of the company. Second, internally, namely, to support the company's business strategy and development (Oyewole, 2018). With good business planning, the company will have 1) an action plan, 2) a roadmap, 3) a business promotion tool, and 4) a performance measurement tool.

The keys to success that must exist within a company to compete in the market include 1) adopting new technologies, 2) hiring human resources, 3) strategic locations, 4) distribution channels and marketing strategies, 5) improving service or focus on consumers, and 7) improving operations in the direction of good practices (Oyewole, 2018). To measure the success of a company, the key to success needs to be measured with the right performance measurement tool.

The Relationship between Budgeting and Corporate Performance.

Etymologically, performance comes from the Latin "performare," which means to complete a predetermined activity (Mahmudova & Kovács, 2018). Furthermore, Mahmudova & Kovács (2018) define performance as a prominent achievement in one specific field of activity. Mulani et al. (2015) state that a budget is a comprehensive plan that describes information about the needs and use of resources at any given time. Nevertheless, in practice, the measure of a company's performance varies. The measure of performance depends on the perspective that the company uses in measuring the success of achieving goals. In MSMEs, performance measurement focuses more on the financial aspect (Mulani et al., 2015). In general, performance measurement tools in financial aspects are in the form of profitability, sales revenue, growth and efficiency, return on assets, return on sales, net profit margin, market share growth, return on investment, and changes in net profit.

In addition to the measurement tools above, one of the tools used to measure performance is budgeting. Budgeting is an economic measurement tool to realize and facilitate the achievement of organizational vision (Fortuna, 2021). Adhika et al. (2018) stated that budget absorption is one of the benchmarks for MSME performance. On the one hand, the budget functions as planning, and on the other hand, the budget functions as control. Failure in estimating is the main reason for micro, small, and medium enterprises' failure (Maduekwe & Kamala, 2016).

Research conducted by Agbenyo et al. (2018) shows that there is a link between planning, monitoring and controlling, coordinating, evaluating, and financial performance of manufacturing companies in Ghana. The study recommends that managers create comprehensive budgeting plans to enable manufacturing companies to identify their business financial indicators. Maduekwe & Kamala (2016) stated that budgeting that is often used by SMEs is sales budgeting, purchasing budgeting, and cash budgeting. SMEs also use budgeting to monitor businesses, measure performance, and improve decision-making.

Adhika et al. (2018) stated that budget, human resource competence, and the use of information technology affect budget absorption. Based on these results, if performance measurement is carried out based on the budget, then the preparation of the budget needs to be prepared carefully. Because increased budget absorption is supported by reliable information technology, company leaders need to prepare the right technology and according to their needs and prepare a reliable

workforce.

The proper use of information technology, such as social media, will increase the company's sales. The number of sales made depends on the planning (budget) made by the company with certain assumptions. If the sales realization is the same as the sales budget, then the performance of MSMEs is considered good. If there is a difference in the budget, then the manager needs to examine the difference, whether the difference occurs because the budget set is too low or too high.

Based on the explanation above, the research hypothesis is formulated as follows:

H1 : There is a relationship between budgeting and MSMEs performance.
H1a : There is a relationship between how to prepare budgeting and the performance of MSMEs.
H1b : There is a relationship between budgeting elements and MSMEs performance.
H1c : There is a relationship between the preparation of production budgets based on sales and the performance of MSMEs.
H1d : There is a relationship between tracking budget records and MSMEs performance.

An empirical model illustrating the relationships among the variables in this study is shown in Figure 2.

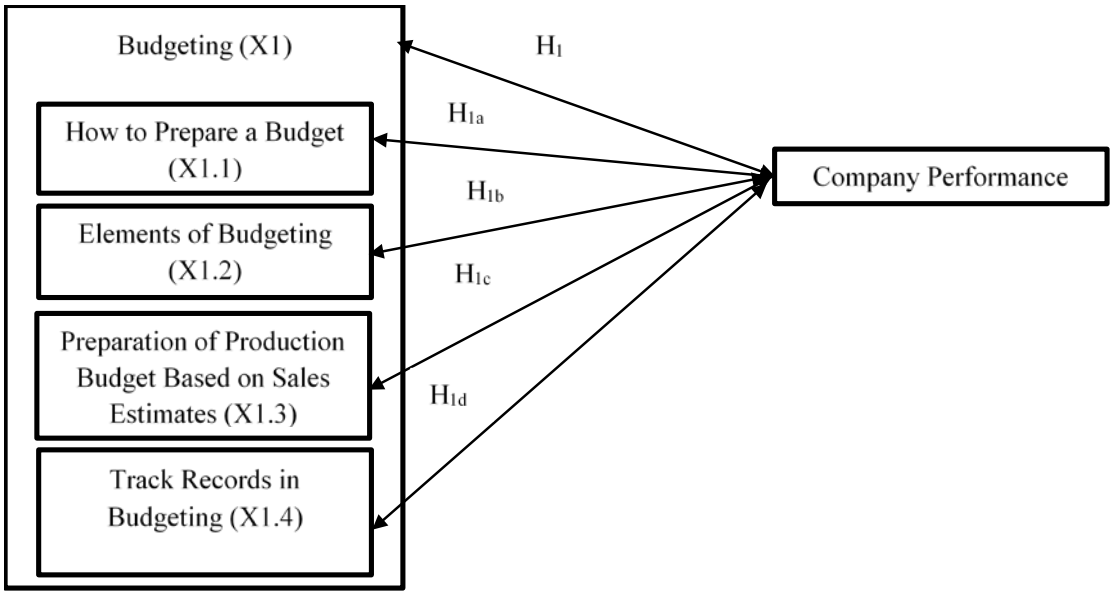


Figure 2. Empirical Model
Source: Author

METHODS

Data Types, Data Sources, and Data Collection Techniques.

This study employs a quantitative research approach, using numerical data. Quantitative data covers all research variables. The source of the research data was obtained from respondents who were selected as samples in this study. The source of data for this study is primary data, which was obtained through a survey using a data collection technique using a questionnaire (Neuman, 2013). The questionnaires distributed have met the results of the validity and reliability tests. Data was collected directly from respondents. The respondents are the owners or managers of the Padang Restaurant.

Population and Research Sample

The population of this study has the following criteria: 1) MSMEs engaged in the food sector, namely Padang Restaurant in Sleman Regency, Special Region of Yogyakarta Province (DIY); 2) The Padang Restaurant selected is a micro sector with a maximum asset ownership of 50 million rupiah (Rp50,000,000.00), excluding land and buildings where the business is located, and a maximum sales turnover of 300 million rupiah (Rp300,000,000.00) (Law of Republik of Indonesia Number 20 of 2008). The population is very large, so this researcher used a sample.

The sampling technique used was stratified random sampling. This technique is taken with consideration that in the research population, there are strata that as a whole must be represented so that each sub-district area and business field can be represented. Based on the consideration of the unknown population number, the determination of the sample size refers to being determined by the following formula Casteel & Bridier (2021):

$$N = \frac{z^2 \times \hat{p}(1 - \hat{p})}{\varepsilon^2}$$

The explanation of each symbol is N = sample size, Z = confidence level, ε = margin of error, pˆ = population proportion. The sample size was determined by the Z score at a 95% level of 1.96; The margin of error was 0.05 (5%), and the population proportion was 0.25 (25%). Based on this formula, the number of samples taken is as follows:

$$N = \frac{1{,}96^2 \times 0{,}25\,(1 - 0{,}25)}{0{,}05^2}$$

$$N = 288{,}12$$

Furthermore, the sample size is at least 15% larger than N to meet the a priori power analysis, namely (288.12 x 1.15) = 331 respondents. In fact, respondents who responded to instrument were 29 Padang Restaurants. It caused by the owner didn't stay at the restaurant.

Research Variables and Measurement

The variables studied included company budgeting and MSME performance. Budgeting consists of four dimensions, namely how to prepare the budget, elements of budgeting, preparation of production budgets based on sales estimates, and tracing records in budgeting (Kemp & Dunbar, 2003). MSME performance is measured using non-financial indicators, including growth in sales, employees, and profits (Maduekwe & Kamala, 2016).

The measurement of each research variable uses a number of indicators formed from the dimensions of budgeting and MSME performance. Each indicator of each variable is arranged into questionnaire statement items using the Likert scale.

Research Data Analysis

After going through the data screening process, the data is first analyzed using a descriptive statistical method. Descriptive statistical analysis includes statistical calculation of mean, standard deviation, minimum value, maximum value, crosstabulation, and divergence analysis with Mann-Whitney and statistical test. The results of the descriptive analysis describe the pattern of research variables by comparing, mapping, and distinguishing between groups of variables.

Second, the data was analyzed using statistical inference methods to determine the relationship (correlation) between budgeting and MSME performance. The empirical model of this correlational research is as follows:

$$Y = B_0 + B_1X_1 + e_1 \quad (1)$$

$$Y = B_2 + B_3X_3 + B_4X_4 + B_5X_5 + B_6X_6 + e_2 \quad (2)$$

Where, Y is the performance of MSMEs, B_0 and B_2 are equal constants; B_1 is the correlation coefficient of the overall budgeting (X1), B_3 is the correlation coefficient of the dimension of the way the budget is prepared (X3), B_4 is the correlation coefficient of the dimension of the budgeting elements (X4), B_5 is the correlation coefficient of the dimension of the production budget preparation based on sales estimates (X5), B_6 is the correlation coefficient of the record trace dimension in budgeting (X6), e1 is the error term for the first equation and e2 is the error term for the second equation.

This correlational relationship is tested by multiple correlation methods formulated as follows:

$$Rx_1, x_2, \dots x_i y = \frac{\sqrt{B_1 \sum x_1 y + B_2 \sum x_2 y + \cdots + B_i \sum x_i y}}{\sum y^2}$$

Where $Rx_1, x_2, \dots x_i y$ = correlation of variable y with $x_1, x_2, \dots x_i$; $B_1, B_2,$ dan B_i = coefficient of the sum $\sum x_1 y$, $\sum x_2 y$, dan $\sum x_i y$. Symbol $\sum x_1 y$, $\sum x_2 y$, dan $\sum x_i y$ = sum of variable multiplication x1 and y, variable x2 and y1, and variable xi and y; and $\sum y^2$= sum of variable y2.

The normality test results indicate that the data does not follow a normal distribution, as evidenced by the One Sample Kolmogorov Smirnov test showing a significance (2-tailed) of 0.00, which is greater than 0.05. On the other hand, the linearity test results confirm that the data exhibits a linear relationship, with a deviation from linearity of 0.075, which is also greater than 0.05. Since the conditions for multiple regression are not fully satisfied, hypothesis testing is conducted using a non-parametric method, specifically the Spearman Rank test (Spearman's rho). Subsequently, descriptive statistical data analysis is performed using the SPSS version 23 software.

RESULTS

Data Description

A total of 34 questionnaires were returned of which 29 were completed and usable for analysis. The respondents came from Kapanewon Ngaglik, Kapanewon Depok, and Kapanewon Sleman. The demographic figure of respondents that can be described is about the level of education based on the level of education of the respondents who act as owners or managers and the length of time it has been run. The number of respondents who run the Padang restaurant business, ranging from the most to the least are educated, in high school (high school and vocational school) (55%), junior high school (24%), elementary school (7%), undergraduate (S-1) (7%), and postgraduate (S2) (7%). Table 1 below contains a summary of the respondents' education level information.

Table 1. Respondent's Education Level

No	Education Level	Respondent	%
1	Elementary school	2	7
2	Junior High School	7	24
3	High school	16	55
4	Undergraduate	2	7
5	Postgraduate	2	7
Total (n)		29	100

Source: Data processed by the Author

Based on the length of business, entrepreneurs who open a Padang Restaurant business for less than 4 years as much as 28%, 15 – 19 years as much as 24%, 10 – 14 years as much as 21%, 5 –

9 years as much as 16%, more than 25 years as much as 7%, and 20 – 24 years as much as 4%. Table 2 is a summary of the Padang Restaurant's business.

Table 2. Business Ages

No	Business Ages	Respondent	%
1	0 - 4 year	8	28
2	5 - 9 year	5	16
3	10 - 14 year	6	21
4	15 - 19 year	7	24
5	20 - 24 year	1	4
6	> 25 year	2	7
Total (n)		29	100

Source: Data processed by the Author

The performance of Padang Restaurant was most respondents fall into the 'fair' category (55%), followed by performance in the category of poor (21%), good (17%), very good (3.5%), and very bad (3.5%). This performance is measured by sales results, the number of employees and the profits earned each month. The performance categories of Padang Restaurants are shown in Table 3 below.

Table 3. Padang Restaurant Performance

No	Range	Respondent	%	Category
1	12.00 – 15.00	1	3.5	Excellent
2	9.75 – 11.85	5	17	Good
3	8.40 – 9.60	16	55	Fair
4	6.00 – 8.25	6	21	Bad
5	0.00 – 5.85	1	3.5	Very Bad

Source: Data processed by the Author

The budgeting of Padang Restaurant entrepreneurs is mostly good (52%), then it is classified as not good (24%), quite good (21%), and very bad (3%). A summary of the budgeting category of Padang Restaurants is presented in Table 4 below.

Table 4. Budgeting of Padang Restaurants

No	Range	Respondent	%	Category
1	56.00 - 70.00	0	0	Excellent
2	45.50 – 55.30	15	52	Good
3	39.20 – 44.80	6	21	Fair
4	28.00 – 38.50	7	24	Bad
5	0.00 – 27.30	1	3	Very Bad

Source: Data processed by the Author

The results of the frequency distribution for twenty-nine Padang Restaurants are shown in the Table 5. The results from the frequency distribution analysis emphasize the characteristics of two main variables: Padang Restaurant's performance and its budgeting. The performance variable recorded a minimum score of 4, a maximum of 15, an average of 9, and a median of 9. With a standard deviation of 1.80, the data shows low variability, indicating that most values are close to the mean. The similarity between the mean and median points to a balanced distribution, indicating no significant skewness. This implies that Padang Restaurant's performance is relatively good and stable.

For the budgeting variable, the lowest score was 24, the highest score was 55, the average was 43.1, and the median was 46. The standard deviation of 8.8 signifies that the degree of variation in this variable is comparatively greater than that in the performance variable. The disparity between the mean and the median suggests a negatively skewed distribution, highlighting the

existence of several low values that affect the drop in the average. This shows that the budgeting methods used are suboptimal and generally fall into the poor category.

Table 5. Frequency Distribution

Description	Budgeting and Its Aspects					Total Performance
	How to Prepare a Budget	Elements of Budgeting	Preparation of Production Budget Based on Sales Estimates	Track Records in Budgeting	Budgeting	
N	29.0	29.0	29.0	29.0	29.0	29.0
Mean	15.7	12.1	7.80	7.50	43.1	9.00
Median	16.0	12.0	9.00	10.0	46.0	9.00
Std. Deviation	3.50	2.20	2.20	3.40	8.80	1.80
Minimum	8.00	7.00	3.00	2.00	24.0	4.00
Maximum	20.0	15.0	10.0	10.0	55.0	15.0

Source: Data processed by the Author

In general, the findings of this analysis reveal that while the operational performance of Padang Restaurant remains fairly stable, the budgeting elements still need focus and enhancement. Budget discrepancies can obstruct enhancements in future performance, thus a more thorough assessment is necessary to boost the efficiency and standard of budget management.

Hypothesis Testing Results

The total number of data processed was twenty-nine (29) Padang Restaurants in Kapanewon Depok, Ngaglik, and Kalasan, Sleman Regency, Special Region of Yogyakarta Province. Because the normality test conditions are not met, then data processing is carried out with nonparametric statistics, namely Spearman's rank. The results of the correlation test between the budget and performance of padang restaurants can be seen in the Table 6.

Table 6. Correlation of Performance with Budget

Correlation	Coefficient	Sig. (2 - tailed)	Description
Budgeting ←→ Performance	0.204	0.288	no significant

Source: Data processed by the Author

Table 6 presents the results of the correlation show a correlation coefficient of 0.204 with a significance level of 0.288 or an Cronbach alpha greater than 0.05. The results of this test found that there was no significant correlation between the budget and the performance of the Padang Restaurant. Thus, the first hypothesis (H1) is not supported.

Table 7. Correlation of Performance with Budgeting Dimensions

Correlation	Coefficient	Sig. (2 - tailed)	Description
How to prepare a Budget ←→ Performance	0.152	0.432	No significant
Elements of Budgeting ←→ Performance	-0.052	0.790	No significant
Preparation of Production Budget Based on Sales Estimates ←→ Performance	0.154	0.426	No significant
Track Records in Budgeting ←→ Performance	0.319	0.092	No significant

Source: Data processed by the Author

The results of the Spearman correlation test for between the four (4) dimensions of budgeting and

performance of Padang Restaurants are presented in the Table 7. The results of the hypothesis test in Table 7, namely the correlation between each dimension of budgeting and performance, were also not supported. The correlation between the way of budgeting and performance (H_{1a}) is not supported, because the correlation coefficient of 0.152 has a significance level of 0.432 ($\alpha > 0.05$). This correlation was positive and weak. The correlation between the budgeting and performance elements (H_{1b}) is not supported, because the correlation coefficient of -0.052 has a significance level of 0.790 ($\alpha > 0.05$). This correlation was negative and weak.The correlation between the preparation of the production budget based on sales and performance estimates (H_{1c}) is not supported, because the correlation coefficient is 0.154, the significance level is 0.426 ($\alpha > 0.05$). This correlation was positive and weak. The correlation between record tracing in budgeting and performance (H_{1d}) was not supported, because the correlation coefficient of 0.319 had a significance level of 0.092 ($\alpha > 0.05$). This correlation was positive and weak. The determination of the correlation strength is based on the opinion of Akoglu (2018).

DISCUSSION

A correlational relationship between budget preparation and MSME performance in the Padang Restaurant business sector was not found. The correlation coefficient of 0.204, which indicates a weak and statistically insignificant relationship because the alpha value = 0.288 ($\alpha > 0.05$). The finding that performance is classified as sufficient is not determined by the increasing importance of budget preparation as planning and control. In other words, the level of importance of budget preparation, which is classified as quite inconclusive, suggesting that performance may be influenced by factors other than budgeting practices. Thus, there are other dominant factors that lead to high performance.

The results of the correlation analysis are then detailed between each dimension of budget preparation and performance. The dimensions of the budgeting process, the elements considered in budgeting, production budgeting based on sales, and tracing records in budgeting also do not correlate with the performance of MSMEs engaged in the Padang Restaurant sector. These findings are seen from the consecutive correlation coefficients for each budgeting dimension with a performance of 0.152; -0.052; 0.154; and 0.319 with a significance order of 0.432; 0.790; 0.426; 0.092 or $\alpha > 0.05$.

Budgeting and the dimensions of each budgeting (budgeting, elements considered in budgeting, production budgeting with sales considerations, and budget tracking) that do not correlate with performance show an interesting phenomenon. Budgeting that has paid attention to every important dimension in budgeting still does not support the achievement of high performance of MSMEs in the Padang Restaurant sector. The correlation between budgeting and budgeting dimensions with performance that is not found does not mean that budgeting is an unimportant factor. According to Maduekwe & Kamala (2016), failure in budgeting is the main reason for the failure of MSMEs. Budgeting in MSMEs for the Padang Restaurant business sector plays a greater role in carrying out the planning and control function (Hansen & Mowen, 2007; Kemp & Dunbar, 2003; Maduekwe & Kamala, 2016). Budgeting as control is defined as having the function of supervising a certain amount of money by tracking the actual results compared to the estimates and taking action as a solution to significant deviations (Kemp & Dunbar, 2003).

The results of this study provide a new nuance that differs from the consensus in the financial management literature. While the majority of previous studies (e.g., Yuwana & Aripratiwi, 2025) position budgeting as a vital instrument for driving performance, the findings from the Padang Restaurant MSME in Sleman demonstrate an anomaly. This confirms that budgeting effectiveness is situational; in business units that rely heavily on daily fluctuations and customer interactions,

the role of budget formality tends to be diminished by more dynamic operational variables.

Maduekwe & Kamala (2016) stated that MSMEs can utilize the budget effectively if supported by top management and competent employees. Yuwana & Ariprativi (2025) added that budgeting practices in MSMEs are still at a simple stage and most of them have not been formally documented. However, simple budgeting has been proven to have a positive impact in helping to control costs, maintain cash flow, and estimate working capital needs. The main obstacles faced by MSMEs are limited accounting knowledge, lack of access to training, and limited human resources. Therefore, increasing accounting literacy and external support in the form of training and mentoring are needed to improve budgeting practices and strengthen the financial performance of MSMEs in a sustainable manner (Yuwana & Ariprativi, 2025).

The effectiveness of the management system in Micro, Small, and Medium Enterprises (MSMEs) is not universally applicable but reflects the principles of Contingency Theory (Lawrence & Lorsch, 1967). Operational success largely depends on how well the organizational structure and human capital capabilities align with the unpredictable external environment (Garengo & Sharma, 2014). As a result, MSMEs must implement adaptive management strategies to maintain structural flexibility amid fluctuating market conditions. In terms of management, the integration of formal budgeting with psychological elements, such as mental budgeting, has emerged as a key factor affecting revenue performance.

The findings of the research contribute to novelty, especially in the preparation of budgets in MSMEs. Novelty is shown from the dimensions in budget preparation, which consist of the way the budget is prepared, the elements considered in budgeting, the preparation of production budgets based on sales, and the preparation of budgets based on tracing previous records. Such a process has not run optimally in MSMEs, especially the Padang Restaurant business.

CONCLUSION AND SUGGESTION

The findings of the research on MSMEs in the Padang Restaurant business show that there is no correlation between budgeting and performance. The level of sales and profits that are considered sufficient, as well as the increase in the number of employees, which are also classified as a measure of MSME performance are not caused by budgeting that has been well prepared. The performance findings that are classified as quite are likely influenced by other factors, particularly customer satisfaction. When examined in detail, the findings of the research are reviewed from every aspect of budgeting, namely the way of budgeting, elements in budgeting, the preparation of production budgets based on sales, and the preparation of budgets based on the tracing of budgets that have not been maximized, which also do not contribute to performance improvement.

The implications of the findings of this study are: first, micro, small, and medium enterprises (MSMEs) in the culinary industry should conduct budgeting carefully, considering factors like production cost projections, sales goals, and historical information. Second, budgets developed through an appropriate methodology can function as a tool for business management. Improving MSME performance requires greater attention to customer satisfaction.

This study is limited by a small sample size and a scope restricted to a single MSME sector, which may constrain the generalizability of the findings. Additionally, the research did not independently verify respondent answers.

Future studies are encouraged to expand the number of participants and include a broader range of MSME sectors. To validate respondent data more rigorously, subsequent research should adopt a mixed-methods approach. This strategy would enable deeper exploration and targeted resolution

of budgeting issues, ultimately improving performance in the MSME sector. Furthermore, MSMEs need to be educated on how budgets can be used for "growth strategies," not just to record expenses.

AUTHOR'S CONTRIBUTION

CP contributed to drafting the proposal, conducting sampling, and preparing research letters to be sent to respondents; processing data; analyzing data and discussing the findings; writing the article; and handling correspondence. SWP developed the research instruments; obtained permits for the research sites; collected and processed data; analyzed data and discussed the findings; wrote the article; and prepared a research report for internal use at Universitas Sanata Dharma.

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CONFLICT OF INTEREST STATEMENT

The author hereby declares that this research is free from any conflict of interest.

RESEARCH ETHIC STATEMENT

This study did not require ethical approval from an ethics committee because the respondents voluntarily participated by completing the questionnaire. Their identities were also kept confidential to protect the respondents' privacy and the integrity of this study. This study is also free from any issues of plagiarism.

AI USAGE STATEMENT

This study did not use AI.

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