

Budgeting For Small Business: A Study Literature Review

*Financial
Planning and
Small Business*

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ABSTRACT

Small and medium-sized enterprises (SMEs) play a critical role in global economic development but often face significant challenges in managing finances, particularly in budgeting. Despite the recognized importance of budgeting in resource allocation, financial forecasting, and decision-making, its implementation in SMEs remains inconsistent, informal, and under-researched. This study presents a systematic literature review (SLR) of 137 peer-reviewed publications from 1984 to 2024 indexed in Scopus, with the aim of mapping research trends, thematic patterns, and conceptual gaps in the field of small business budgeting. Using PRISMA methodology and thematic content analysis, the review identifies five dominant themes: financial planning and control, digital budgeting tools, decision-making processes, SME-specific challenges, and risk management. The findings reveal a shift from traditional budgeting toward technology-driven and behaviorally-informed models, though gaps remain in terms of inclusivity, sustainability, and regional representation. This review contributes to the literature by offering a comprehensive synthesis of budgeting research and proposing future research directions for academics, policymakers, and SME practitioners.

Keywords: small business; budgeting; sme finance; financial planning; digital tools; systematic literature review; prisma; thematic analysis

ABSTRAK

Usaha mikro, kecil, dan menengah (UMKM) memegang peranan penting dalam pembangunan ekonomi global, namun sering menghadapi tantangan signifikan dalam pengelolaan keuangan, khususnya dalam hal penyusunan anggaran. Meskipun anggaran diakui penting untuk alokasi sumber daya, peramalan keuangan, dan pengambilan keputusan, penerapannya dalam UMKM masih bersifat tidak konsisten, informal, dan kurang diteliti secara mendalam. Studi ini menyajikan tinjauan literatur sistematis (Systematic Literature Review/SLR) terhadap 137 publikasi ilmiah yang terindeks di Scopus dari tahun 1984 hingga 2024, dengan tujuan memetakan tren riset, pola tematik, dan kesenjangan konseptual dalam bidang penganggaran pada usaha kecil. Dengan menggunakan metodologi PRISMA dan analisis tematik, kajian ini mengidentifikasi lima tema dominan: perencanaan dan pengendalian keuangan, alat digital untuk penganggaran, proses pengambilan keputusan, tantangan spesifik UMKM, serta manajemen risiko. Hasil kajian menunjukkan adanya pergeseran dari praktik penganggaran tradisional menuju pendekatan yang berbasis teknologi dan perilaku, meskipun masih terdapat celah dalam hal inklusivitas, keberlanjutan, dan representasi wilayah. Kajian ini memberikan kontribusi terhadap pengembangan literatur dengan menyajikan sintesis komprehensif serta agenda riset masa depan bagi akademisi, pembuat kebijakan, dan praktisi UMKM.

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INTRODUCTION

Small and medium-sized enterprises (SMEs) play a crucial role in driving economic growth, employment generation, and innovation across both developed and developing countries. Despite their substantial contribution to GDP and socio-economic development, SMEs often face persistent challenges in financial management—particularly in budgeting. Budgeting is not merely a financial control tool; it is a critical instrument for planning, decision-making, and performance evaluation. In the context of small businesses, budgeting helps owners allocate resources effectively, anticipate financial risks, and sustain operations in the long term.

However, budgeting practices in SMEs are often less formalized than those in large corporations. Limitations such as lack of access to reliable accounting information, low financial literacy, limited use of digital tools, and capacity constraints frequently lead SMEs to adopt intuitive, informal, and undocumented budgeting approaches. On the other hand, the advancement of digital technology and the integration of financial information systems have created new opportunities for SMEs to implement more systematic, data-driven budgeting practices. Innovations such as cloud-based accounting software, automated forecasting tools, and real-time financial dashboards powered by artificial intelligence are increasingly accessible, though adoption rates remain inconsistent.

As academic interest in this topic has grown, numerous studies have emerged exploring budgeting in small business settings—from behavioral perspectives to management accounting and fintech applications. However, most of these studies remain fragmented, localized, or focused on specific technical aspects of budgeting. To date, there has been **no comprehensive systematic literature review (SLR)** that maps the evolution of budgeting research in SMEs across decades, disciplines, and methodological approaches.

The **novelty** of this study lies in its structured **systematic literature review** that draws on high-quality publications indexed in databases such as Scopus. Unlike prior reviews, this article provides a **longitudinal, thematic, and bibliometric synthesis** of the scholarly discourse on budgeting for small businesses. Specifically, this review presents: (1) a bibliographic overview of publication trends, geographical and disciplinary distribution, and document types; (2) a thematic analysis of key findings, challenges, and tools reported in the literature; and (3) a discussion on theoretical and practical implications of budgeting practices in SMEs. To our knowledge, this is the **first review to offer a holistic mapping of budgeting research in small businesses**, combining thematic insights with methodological trends and research gaps. This review serves as a foundation for future research and a reference point for practitioners and policymakers seeking evidence-based budgeting strategies for SMEs.

Accordingly, this study aims to: (1) identify major research trends in the literature on SME budgeting; (2) synthesize commonly applied budgeting practices and conceptual frameworks; (3) highlight underexplored areas and knowledge gaps; and (4) propose future research agendas with theoretical and practical significance. This article is structured as follows: Section 2 outlines the review methodology; Section 3 presents the key findings from the selected studies; Section 4 discusses the results and their implications; Section 5 identifies limitations of the review; and Section 6 concludes with future research directions.

LITERATURE REVIEW

Budgeting has long been regarded as a central tool in financial planning and control, particularly in ensuring the sustainability and efficiency of business operations (Horngren,

Datar, & Rajan, 2014). For small and medium-sized enterprises (SMEs), budgeting plays a vital role not only in allocating scarce resources but also in enhancing decision-making, forecasting financial performance, and aligning operational goals with strategic intent (Van der Stede, 2000; Appiah & Arthur, 2020). Despite its acknowledged importance, the adoption and implementation of budgeting practices in small businesses remain highly variable and often informal (Sian & Roberts, 2009; Lavia López & Hiebl, 2015).

Theoretical Perspectives on Budgeting in SMEs

The theoretical discourse on budgeting in SMEs primarily draws from management accounting and financial control literature (Hornngren et al., 2014). Traditional frameworks emphasize budgeting as a rational process aimed at minimizing uncertainty and guiding managerial behavior through structured targets and variance analysis (Van der Stede, 2000; Becker, 2014). However, recent perspectives acknowledge that small firms operate under conditions that diverge significantly from those assumed in large corporate models (Lavia López & Hiebl, 2015; Sian & Roberts, 2009). For example, the resource-based view (RBV) and contingency theory highlight how the budgeting approach must adapt to firm-specific factors such as size, managerial capacity, and environmental turbulence (Appiah & Arthur, 2020; Todorović, Petković, & Janković, 2021).

Emerging behavioral approaches also emphasize the subjective, experiential, and sometimes intuitive nature of budgeting in SMEs (Zorzo, Fávero, & de Oliveira, 2022; Sian & Roberts, 2009). Entrepreneurial cognition, informal routines, and trust-based decision-making are often more influential than formal accounting frameworks, especially in microenterprises or family-run businesses (Becker, 2014; Adams et al., 2021). These insights align with institutional and sociological perspectives that view budgeting as embedded within broader cultural and organizational norms (Lavia López & Hiebl, 2015; Pushkarna & Walcott, 2023).

Empirical Findings on Budgeting Practices in SMEs

Empirical studies have consistently shown that the adoption of budgeting in SMEs is heterogeneous and influenced by multiple internal and external factors (Todorović et al., 2021; Zorzo et al., 2022). Research indicates that while SMEs with formal budgeting systems tend to perform better financially, many still rely on ad hoc or backward-looking approaches due to time, skills, and technology constraints (Appiah & Arthur, 2020; Sian & Roberts, 2009).

The digital transformation of SME finance has introduced new opportunities for improving budgeting processes (Zorzo et al., 2022; Pushkarna & Walcott, 2023). Cloud-based accounting tools, mobile financial apps, and AI-enabled dashboards are increasingly used to automate data entry, generate real-time forecasts, and reduce administrative burdens (Ali et al., 2023; Master, Hamilton, & Dietz, 2022). However, adoption remains uneven, particularly in low- and middle-income countries where digital literacy and infrastructure are limited (Adams et al., 2021; Legaspi, 2020).

Studies also point to contextual influences such as industry type, country regulations, tax systems, and even gender dynamics in budgeting behavior (Bowrin, 2012; Lavia López & Hiebl, 2015). For example, Adams et al. (2021) demonstrate how budget planning in agri-business SMEs in Ghana must account for seasonality and informal financial flows. Meanwhile, institutional pressures—such as credit requirements or donor reporting standards—can either drive or inhibit the formalization of budgeting processes (Becker, 2014; Van der Stede, 2000).

Identified Gaps in the Literature

Despite an increasing volume of research, the literature on SME budgeting still exhibits notable gaps (Lavia López & Hiebl, 2015; Zorzo et al., 2022). First, most studies are concentrated in developed countries, with limited representation from regions such as Latin America, the Middle East, or Central Asia (Adams et al., 2021; Todorović et al., 2021). This raises questions about the transferability of findings across diverse institutional contexts (Becker, 2014; Appiah & Arthur, 2020).

Second, there is a lack of longitudinal studies that track the evolution of budgeting practices over time—particularly in relation to digitalization, market shocks, or

organizational growth (Zorzo et al., 2022; Pushkarna & Walcott, 2023). Moreover, the integration of budgeting with sustainability goals, environmental-social-governance (ESG) metrics, and ethical finance remains underexplored (Sustainability, 2022; Bowrin, 2012). As SMEs become more involved in sustainability agendas and responsible business conduct, future research must consider how budgeting can incorporate non-financial performance indicators and long-term impact considerations (Horngren et al., 2014; Zorzo et al., 2022).

METHODS

This study employs a systematic literature review (SLR) approach to synthesize academic research on budgeting in small business contexts. The methodology follows the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) guidelines to ensure rigor, transparency, and replicability. The primary objective of this review is to map the current state of scholarly knowledge on small business budgeting by addressing four key research questions: (1) What are the major trends and patterns in publications on small business budgeting? (2) What themes, methodologies, and contexts dominate the literature? (3) What are the common challenges, tools, and outcomes associated with budgeting in SMEs? and (4) What theoretical and practical gaps remain underexplored?

To maintain relevance and consistency, predefined inclusion and exclusion criteria were applied. Articles were included if they were peer-reviewed journal publications, conference papers, or review articles that explicitly addressed budgeting or financial planning in the context of small businesses, SMEs, or microenterprises. Only articles written in English, Polish, or Portuguese and published between 1984 and 2023 were considered. Studies were excluded if they focused exclusively on large enterprises, public sector budgeting, or non-business contexts. Editorials, letters, book reviews, and non-academic sources were also excluded, as were duplicate or inaccessible full texts.

The literature search was conducted using the Scopus database, known for its broad multidisciplinary coverage and indexing of peer-reviewed content. The search strategy combined keywords such as “budgeting” or “financial planning” with “small business,” “SME,” or “microenterprise,” using Boolean operators. The search was not restricted by discipline to capture the breadth of research across accounting, management, entrepreneurship, and information systems. After applying the relevant filters, a total of 137 records were retrieved.

The selection process followed a three-phase procedure in line with PRISMA standards. First, during the identification stage, all titles and abstracts were exported to a spreadsheet and screened for duplication. Next, in the screening phase, titles and abstracts were reviewed for relevance based on the inclusion criteria. In the final eligibility phase, full texts of potentially relevant studies were reviewed to ensure alignment with the research scope. After these steps, 137 documents were included in the final analysis, comprising 98 journal articles, 19 conference papers, and a small number of review-type publications.

For each selected study, data were extracted on authorship, year of publication, publication source, document type, geographical focus, research methodology, and key findings related to budgeting practices. The analysis combined descriptive statistical techniques (e.g., frequency of publications by year, type, and journal) with qualitative thematic analysis to identify recurrent topics, tools, and challenges discussed in the literature. The results of this analysis are presented in the following section, structured around emerging thematic clusters and supported by summary tables and figures.

RESULTS

Descriptive Statistics of the Reviewed Studies

This systematic literature review analyzed a total of **137 scholarly publications** focused on budgeting in the context of small businesses, spanning from 1984 to 2024. The earliest relevant publication was recorded in 1984, with a generally low volume of

literature in the 1980s and 1990s. A notable increase in publication frequency began around 2005, with **significant growth observed after 2020**. The most productive years were **2020 and 2024**, each with **12 publications**, followed by 2021 (11 articles) and 2023 (9 articles). This upward trend reflects growing scholarly interest in small business budgeting, especially in light of digital transformation and post-pandemic economic recovery.

In terms of document types, the majority of the publications were **peer-reviewed journal articles** (98 articles), accounting for more than 70% of the total. This indicates a strong academic foundation for the topic. The dataset also included **17 conference papers**, **8 book chapters**, **7 review articles**, and a small number of books, short surveys, and conference reviews. The diversity of document types illustrates the interdisciplinary nature of budgeting research, which spans fields such as management, accounting, economics, and public finance.

With regard to publication sources, the top journals contributing to this topic include *Qualitative Research in Accounting and Management* (3 articles), followed by several journals each contributing two publications: *Sustainability (Switzerland)*, *Accounting Perspectives*, *Public Budgeting and Finance*, *International Journal of Supply Chain Management*, *Lecture Notes in Networks and Systems*, *Cogent Economics and Finance*, *Journal of Construction Engineering and Management*, *Journal of the International Academy for Case Studies*, and *Journal of Risk Finance*. The presence of both finance-oriented and multidisciplinary journals suggests that budgeting for small businesses is a research topic of broad interest, cutting across sectors and research traditions.

Although this review did not include a systematic analysis of the geographical origin of the studies due to missing affiliation data, the language distribution shows that **English dominates** as the medium of scholarly communication, followed by a few publications in **Portuguese and Polish**. This linguistic distribution further supports the global relevance of the topic, although it may also reflect regional imbalances in academic access and visibility.

In summary, the descriptive statistics reveal a steady and increasing scholarly engagement with budgeting in small business contexts over the past four decades. The rise in publication output in recent years suggests that the topic is gaining momentum, likely driven by financial innovation, digitalization, and the shifting economic landscape affecting SMEs worldwide.

Thematic Categories and Key Findings

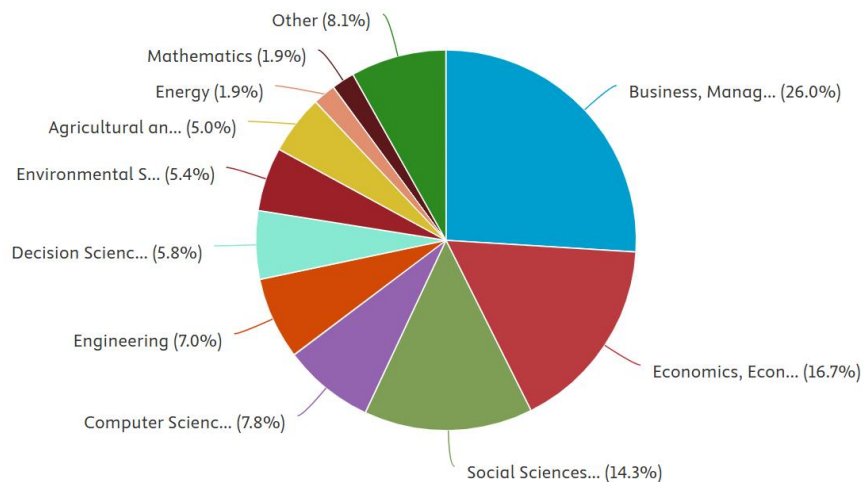
The thematic analysis of the reviewed articles reveals five dominant themes in the literature on small business budgeting. These themes were identified based on keyword occurrences in the titles of the publications.

The results are as follows:

1. **Financial Planning and Control (42 articles):** This was the most prominent theme, appearing in 42 articles. Studies under this category focus on budgeting as a core component of financial management. Key discussions include the use of budgets for cost control, financial forecasting, allocation of resources, and performance evaluation in small enterprises. Many papers in this category also explore the relationship between budgeting practices and overall financial sustainability of SMEs.
2. **Technology and Digital Tools (31 articles):** A growing number of studies (31) address the integration of digital technology in budgeting processes. These include the use of cloud accounting systems, mobile apps, automation tools, and AI-enabled platforms that assist small businesses in managing their budgets more efficiently. This theme reflects the increasing digitization of financial functions, particularly in response to challenges like limited human capital and the need for real-time decision support.
3. **Performance and Decision-Making (29 articles):** Budgeting as a decision-making and strategic planning tool was highlighted in 29 studies. These articles emphasize how budgeting informs short- and long-term business decisions, enhances internal planning

processes, and supports performance management. Some studies also analyze budgeting as a behavioral tool that influences managerial discipline and accountability.

4. **Entrepreneurship and SME Challenges (23 articles):** This theme captures studies that situate budgeting within the broader context of entrepreneurship and SME management. These 23 articles discuss how small business owners develop budgeting skills, the informal nature of budgeting in microenterprises, and challenges faced due to lack of expertise or financial literacy. Many papers also touch on cultural, institutional, or regulatory barriers specific to SME environments.
5. **Risk and Uncertainty (5 articles):** A smaller subset of the literature (5 articles) explores budgeting in contexts of financial risk, uncertainty, and crisis management—particularly during events like the COVID-19 pandemic. These studies highlight how small businesses adapt their budgeting practices in response to external shocks and the importance of scenario planning and contingency budgeting.



Source: SCOPUS, 2025

Figure 1: Documents by Subject Area

Insights from Thematic Trends

The distribution of themes suggests that the academic discourse on budgeting for small businesses has evolved beyond traditional financial planning. While financial control remains the core concern, there is significant interest in the role of technology, the behavioral dimensions of decision-making, and the structural limitations faced by SMEs. Notably, themes like risk management and sustainability remain underexplored, indicating potential gaps for future research.

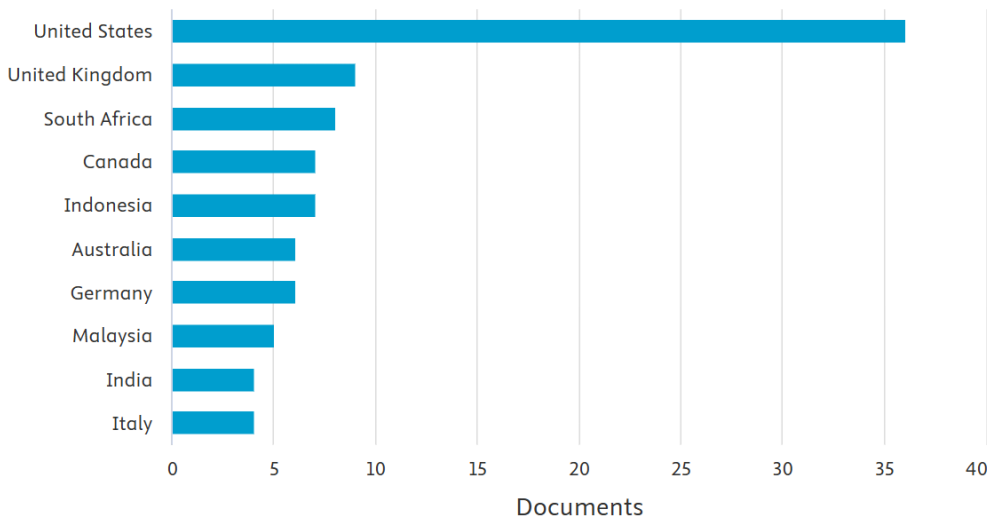
Geographical Distribution of Research Output

An analysis of the geographical distribution of the reviewed literature reveals a clear concentration of scholarly output in a few dominant countries. As shown in the bar chart, the **United States** leads by a significant margin, contributing the highest number of documents on budgeting in small businesses, with over 35 publications. This dominant position may reflect the country's mature research infrastructure, strong academic interest in financial management for SMEs, and the availability of large datasets for empirical study.

The **United Kingdom** ranks second, followed by **South Africa**, **Canada**, and **Indonesia**, each contributing a moderate number of studies. The presence of South Africa and Indonesia in the top five suggests growing academic engagement with SME financial issues in emerging economies. Countries such as **Australia**, **Germany**, **Malaysia**, **India**, and **Italy** also appear in the top 12, albeit with fewer publications. This indicates that research interest in small business budgeting is geographically diverse, encompassing both developed and developing economies.

Documents by country or territory

Compare the document counts for up to 15 countries/territories.



Source: SCOPUS, 2025

Figure 2: Documents by Country

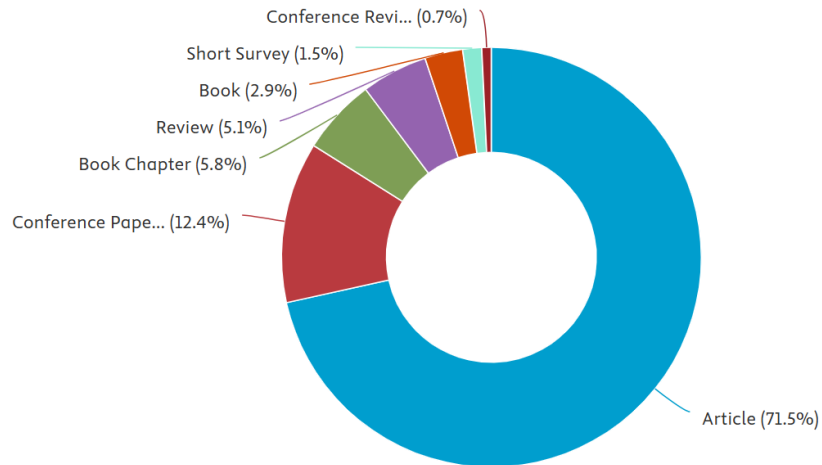
However, the clear dominance of English-speaking and Western countries suggests a potential regional bias in the existing literature, with limited representation from Latin America, Central Asia, or the Middle East. This geographical imbalance underscores the need for more inclusive research efforts that capture the unique budgeting challenges faced by SMEs in underrepresented regions. Such expansion would enhance the global relevance and applicability of budgeting strategies for small businesses.

The regional imbalance in the literature on SME budgeting—dominated by studies from developed countries such as the United States and the United Kingdom—poses significant consequences for the validity of the review's findings. This dominance creates a generalization bias, where policy recommendations and budgeting practices tend to reflect the economic, institutional, and technological contexts of high-income countries, which may not align with the realities faced by SMEs in developing nations. As a result, budgeting models derived from this literature may be inapplicable or even counterproductive when implemented in environments characterized by limited digital infrastructure, low financial literacy, and high economic uncertainty. This imbalance also weakens the capacity of policymakers in developing countries to design evidence-based interventions that are relevant to their local context. Therefore, expanding the geographical representation of research is essential to ensure that budgeting strategies and policy frameworks are more inclusive, context-sensitive, and impactful for SME sustainability across diverse regions

Document Types

The distribution of document types in the reviewed literature reveals the dominance of peer-reviewed journal articles as the primary medium for disseminating research on small business budgeting. As shown in the figure, **articles constitute the majority share, accounting for 71.5%** of the total documents analyzed. This reflects the maturity and scholarly rigor of the field, with most studies published through formal academic outlets. In addition to journal articles, **conference papers make up 12.4%** of the corpus. This suggests active scholarly dialogue through academic conferences, which often serve as platforms for preliminary findings, emerging frameworks, or region-specific case studies. Other document types include **book chapters (5.8%), review articles (5.1%), and books (2.9%)**, all of which contribute to the conceptual and interdisciplinary richness of the field.

Documents by type

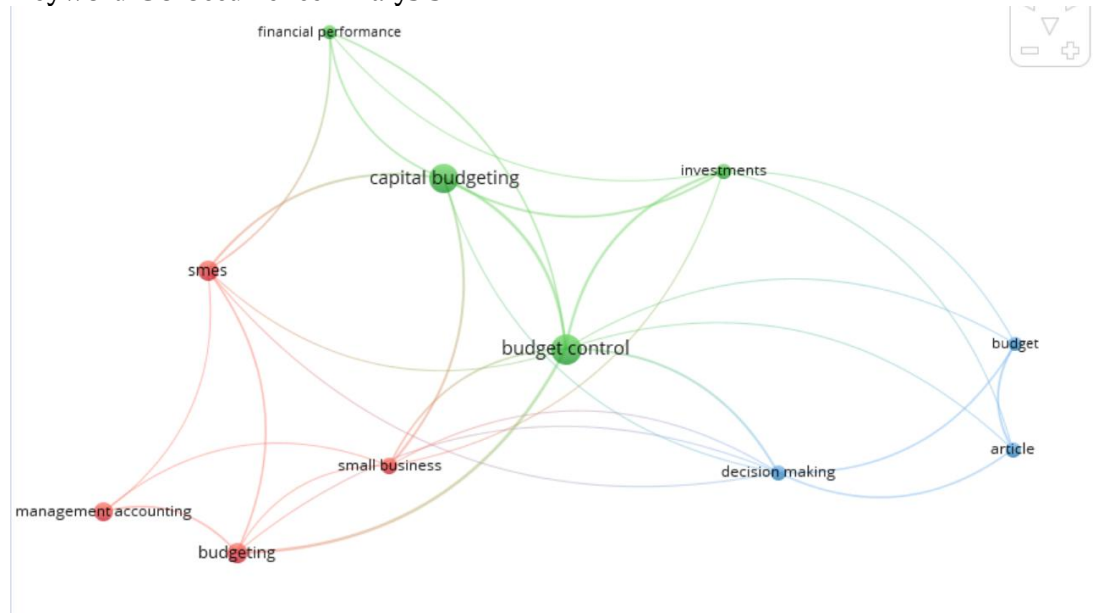


Source: SCOPUS, 2025

Figur 3: Documents by Type

Less common formats such as **short surveys (1.5%)** and **conference reviews (0.7%)** are also present, albeit minimally. These typically offer brief insights, methodological reflections, or literature summaries rather than original empirical findings. Overall, the dominance of journal articles reinforces the strong academic foundation of budgeting research in small business contexts. Meanwhile, the presence of diverse publication types reflects the interdisciplinary and evolving nature of the field, with contributions from finance, accounting, entrepreneurship, and management studies.

Keyword Co-occurrence Analysis



Source: VOS-Viewer

Figure 4: Analysis of Document by Keyword Co-Occurrence

To further identify the intellectual structure and thematic relationships in the literature on small business budgeting, a keyword co-occurrence network was developed using bibliometric mapping techniques. The visualization reveals the semantic connections among frequently used keywords, allowing us to uncover distinct research clusters and central topics in the field.

The co-occurrence map displays three major thematic clusters, each represented by a distinct color. The **red cluster** centers on the keywords *SMEs*, *budgeting*, *small business*, and

management accounting. This cluster highlights the core concern of the literature with budgeting practices as they apply specifically to small business contexts. The interconnectedness between *SMEs* and *management accounting* suggests a focus on how small firms adopt, adapt, or struggle with formal budgeting systems, often due to constraints in resources and expertise.

The **green cluster** is dominated by keywords such as *budget control*, *capital budgeting*, *financial performance*, and *investments*. This indicates a strong research interest in the outcomes and strategic use of budgeting, especially in terms of managing capital and evaluating financial returns. The prominence of *budget control* as a central node within this cluster reflects its critical role in linking planning tools to financial performance outcomes.

Meanwhile, the **blue cluster** includes keywords such as *decision making*, *budget*, and *article*. This grouping suggests a more conceptual or theoretical focus, wherein budgeting is framed as a tool for managerial decision-making processes. The links between this cluster and others point to interdisciplinary overlaps—particularly the role of budgeting in shaping both operational controls and strategic business decisions.

Overall, the network structure illustrates that *budget control* serves as a pivotal term across clusters, connecting the practical concerns of capital investment and financial monitoring with broader discussions on decision-making and SME governance. The visualization reinforces earlier thematic findings by showing that budgeting in small businesses is not treated in isolation but is deeply embedded in conversations about accounting systems, financial strategy, and managerial decision-making.

DISCUSSION

The results of this review highlight several important insights into the current state of research on budgeting for small businesses. First, the increasing volume of publications in recent years reflects growing academic and practical interest in how small enterprises manage financial planning and control. This trend coincides with wider economic and technological changes, including heightened financial uncertainty, digital transformation, and increasing access to affordable financial tools for SMEs. The upward trajectory of research output suggests that budgeting is no longer viewed as merely an operational necessity but as a strategic capability within small business management.

Thematically, the literature shows a strong orientation toward traditional budgeting functions—particularly financial planning, cost control, and capital allocation. The prominence of terms such as *budget control* and *capital budgeting* indicates that much of the literature focuses on how budgeting contributes to operational efficiency and financial performance. This emphasis aligns with classical management accounting theory, which frames budgeting as a means of reducing uncertainty and aligning organizational behavior with financial goals (Horngren et al., 2014).

However, the literature also reveals emerging streams that expand the scope of budgeting beyond financial metrics. For instance, the growing interest in **technology-driven budgeting** reflects a shift toward digitalized, real-time, and AI-supported financial practices. These developments are especially relevant for SMEs, which often lack in-house expertise and benefit from automated, user-friendly systems. The integration of digital tools into budgeting practices not only enhances efficiency but also opens new avenues for predictive analytics, scenario planning, and strategic decision-making.

Another noteworthy trend is the behavioral and contextual perspective observed in studies focusing on **entrepreneurial decision-making**, informal budgeting practices, and the influence of institutional environments. These studies offer important theoretical contributions by situating budgeting within the cognitive, cultural, and regulatory realities faced by small firms. For instance, in many developing economies, budgeting is influenced less by accounting standards and more by local business norms, cash-flow unpredictability, and relational financing (Lavia López & Hiebl, 2015). These contextual dynamics are often absent in prescriptive financial models, indicating a need for theory-building that integrates SME realities with budgeting frameworks.

Despite these developments, the review also reveals critical gaps in the literature. First, empirical research on budgeting practices in microenterprises and informal businesses remains scarce. These businesses, although dominant in many economies, are underrepresented in budgeting literature—likely due to data access challenges and publication bias. Second, while technological integration is a rising theme, few studies offer longitudinal assessments of how digital tools transform budgeting practices over time. Furthermore, sustainability, gender, and environmental concerns are rarely addressed in connection with budgeting, despite their growing relevance in SME governance.

Geographically, the field remains dominated by publications from Western, English-speaking countries. Although some emerging economies like Indonesia and South Africa are gaining visibility, there is limited representation from Latin America, the Middle East, and Central Asia. This imbalance may restrict the global applicability of current budgeting models, which tend to assume formalized structures and institutional support not always present in less-developed contexts.

In summary, the literature on small business budgeting is expanding both in volume and thematic diversity. It is evolving from a purely technical topic into a multidisciplinary domain that incorporates strategy, behavior, and technology. However, to mature further, the field must address gaps related to inclusivity (both sectoral and regional), practical implementation, and the integration of sustainability and digital ethics into budgeting frameworks. Future research should aim to balance rigor with contextual sensitivity, offering both robust theories and actionable insights for SME owners, policymakers, and financial educators.

Challenges in Implementing Budgeting in Small Business

While budgeting is widely recognized as a fundamental component of financial management, its implementation in small business environments faces numerous challenges. These challenges stem from structural limitations, behavioral factors, and contextual constraints that differentiate SMEs from larger corporations.

One of the most pervasive obstacles is the **limited financial literacy and accounting knowledge** among small business owners. Unlike larger firms that can afford dedicated finance departments, many SMEs rely on the owner-manager, who may lack formal training in budgeting techniques or financial analysis. This often results in informal, intuitive budgeting approaches that lack accuracy, consistency, and strategic alignment (Sian & Roberts, 2009).

A second challenge lies in the **lack of access to financial tools and technology**. Although digital financial solutions are increasingly available, their adoption among small businesses remains uneven due to cost, technical barriers, or lack of awareness. Many SMEs still depend on manual bookkeeping or basic spreadsheets, limiting their ability to perform dynamic forecasting, variance analysis, or scenario planning. This challenge is particularly acute in developing countries where technological infrastructure and digital inclusion are not yet widespread.

In addition to internal constraints, **time and resource limitations** frequently prevent SMEs from engaging in structured budgeting processes. Budget preparation is often perceived as time-consuming and non-essential, especially in fast-paced or cash-strapped businesses where survival takes precedence over planning. Consequently, many small businesses operate without annual budgets, or update them infrequently and reactively, undermining the usefulness of budgeting as a planning and control tool.

Another layer of complexity is added by **external uncertainty and market volatility**, which make it difficult for small businesses to project future revenues or expenses accurately. Events such as the COVID-19 pandemic have shown how sudden shocks can render budgets obsolete, prompting SMEs to favor flexible, short-term tactics over formalized financial planning.

Moreover, **behavioral and cultural factors** also play a role. In some contexts, there may be a reluctance to use formal budgeting due to mistrust of numerical data, preference

for intuition, or lack of accountability structures within the firm. For family-owned businesses, budgeting may even be viewed as rigid or incompatible with personalized management styles.

Lastly, **regulatory and institutional barriers**—such as complex tax systems, lack of training support, and absence of financial education in entrepreneurship programs—can hinder the institutionalization of budgeting practices among SMEs. Without incentives or clear guidance, small businesses are unlikely to adopt budgeting practices voluntarily or effectively.

These challenges underscore the need for context-sensitive budgeting frameworks that accommodate the realities of small business environments. Rather than replicating corporate models, budgeting tools for SMEs should be simple, scalable, and supported by targeted training and digital infrastructure. Future research and policy design should aim to bridge this gap by creating accessible, low-cost solutions that enhance financial planning without overburdening limited SME capacities.

Strategies for Implementing Budgeting for Small Business

Given the multiple challenges faced by small businesses in adopting formal budgeting practices, it is essential to identify practical strategies that enhance implementation without overwhelming limited resources. The literature suggests several effective approaches that can help small enterprises integrate budgeting into their financial routines in a manageable, scalable, and context-appropriate manner.

One of the most widely recommended strategies is the **use of simplified and modular budgeting tools**. Rather than adopting complex, corporate-style financial systems, SMEs can benefit from streamlined templates that focus on cash flow projection, expense tracking, and sales forecasting. Budgeting models tailored for small enterprises should prioritize usability and time efficiency, ensuring that business owners with little formal training can understand and apply them with ease.

Another effective strategy is the **adoption of digital tools and mobile-based budgeting applications**. Cloud-based accounting software such as QuickBooks, Xero, or even mobile apps like Wave and Zoho Books offer affordable and user-friendly platforms for financial management. These tools often include automated reports, real-time dashboards, and alerts that assist in monitoring budget adherence and forecasting cash needs. The integration of such technology not only reduces the administrative burden but also improves accuracy and transparency.

A third key strategy involves **financial literacy training and capacity-building programs** for entrepreneurs and SME managers. Government agencies, business associations, and microfinance institutions can play an important role in designing and delivering practical workshops, mentoring, and online courses focused on financial planning. These initiatives should emphasize the role of budgeting in strategic decision-making, rather than treating it as a mere bookkeeping exercise.

Embedding budgeting within broader business planning processes is another critical strategy. Rather than viewing budgeting as an isolated task, small businesses are more likely to adopt and sustain budgeting practices when they are linked to sales targets, inventory management, procurement planning, and performance evaluation. For example, aligning budget goals with marketing plans or seasonal sales cycles can help improve relevance and uptake.

Collaboration also plays a vital role. **Involving multiple stakeholders within the business**, such as family members, co-founders, or key employees, in budgeting discussions encourages transparency and shared accountability. This participatory approach increases buy-in and allows for more realistic budget assumptions based on team input.

Finally, **external support and incentives** can facilitate budgeting adoption. Access to low-cost advisory services, integration of budgeting tools in loan application processes, and financial incentives (e.g., tax benefits) for businesses that implement structured

budgeting may increase motivation and institutionalization of financial discipline among SMEs.

In summary, successful budgeting implementation in small businesses requires a combination of simplicity, digital innovation, education, and integration with core business activities. These strategies should be context-sensitive and adaptable to the diversity of SME operating environments, particularly in emerging and developing economies. When effectively applied, these approaches can transform budgeting from a burdensome administrative task into a powerful strategic tool for sustainability and growth.

CONCLUSION

This systematic literature review reveals that budgeting remains a central, though evolving, theme in small business financial management. Over the past four decades, the academic conversation has expanded from traditional concerns with cost control and capital budgeting to broader themes involving technology integration, strategic planning, and behavioral aspects of entrepreneurship. The majority of studies still focus on budgeting as a tool for financial planning and performance evaluation, but recent trends highlight the growing influence of digital platforms and the need for adaptive, simplified, and context-relevant budgeting models.

The findings also underscore the structural and behavioral challenges small businesses face when implementing formal budgeting systems, including limited financial literacy, resource constraints, and contextual uncertainty. In response, several practical strategies have emerged—ranging from the adoption of cloud-based tools and mobile apps to capacity-building programs and participatory budgeting processes. However, the field still lacks inclusive representation across geographic regions and informal business segments, which are critical for capturing the full diversity of SME realities.

Limitations

Although this study provides a comprehensive overview of budgeting literature in the context of small businesses, it is not without limitations. First, the review is limited to documents indexed in the **Scopus** database, which, while reputable, may exclude relevant publications from regional or non-indexed journals, particularly in emerging economies. Second, the analysis primarily relied on bibliometric metadata (e.g., titles, abstracts, keywords), which may not fully capture the depth and nuance of each study's findings. Additionally, the review focused predominantly on English-language publications, potentially underrepresenting research published in other languages. The keyword-based thematic classification, while informative, may oversimplify complex interdisciplinary insights and contextual variations across regions and industries.

Future Research Directions

Based on the review findings and identified gaps, several promising avenues for future research are proposed. First, more **contextual and comparative studies** are needed to understand how cultural, institutional, and sectoral differences shape budgeting practices in small businesses, especially in underrepresented regions such as Latin America, the Middle East, and Central Asia. Second, researchers should explore **longitudinal impacts of digital tools on budgeting behavior and performance**, particularly in post-pandemic recovery and crisis resilience settings. Third, there is a need to examine **budgeting in informal and micro-enterprises**, which are often excluded from formal financial analysis yet form the backbone of many developing economies. Finally, future research could investigate how **sustainability, ESG (environmental, social, and governance) concerns, and ethical finance** can be embedded into budgeting frameworks for small businesses, aligning financial planning with broader development goals.

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