MUSYTARI
ISSN : 3025-9495

Neraca Manajemen, Ekonomi
Vol. 24 No. 12 Tahun 2025
Prefix DOI : 10.8734/mnmae.v1i2.359

# PRODUCTION BUDGETING PRACTICES IN LOCAL TOFU BUSINESSES: A DESCRIPTIVE STUDY ON CONSISTENCY AND RAW MATERIAL PRICE CHALLENGES

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**Abstract**

This study aims to analyze the production budgeting practices at *Pabrik Tahu Super Afifah* in Palu City and the strategies implemented to cope with fluctuations in soybean prices. A descriptive qualitative approach was employed through interviews, observations, and documentation. The findings indicate that the budgeting process is carried out manually based on the owner's experience, without the support of a formal recording system. Increases in soybean prices have a direct impact on production costs and reduce profit margins. The business owner responds to these conditions by reducing production volume, allocating financial reserves, and seeking more affordable suppliers. Although this budgeting practice allows the business to maintain operational continuity, its effectiveness remains limited. Therefore, the implementation of a data-based recording system is nectahuessary to improve the accuracy of planning and cost control.

**Keywords:** MSMES, Production Budgeting, Soybean Price, Production Costs, Adaptive Strategy.

**Article history**
Received: November 2025
Reviewed: November 2025
Published: November 2025

Plagirism checker no 1451
Doi : prefix doi : 10.8734/musytari.v1i2.359
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**Publish by : musytari**

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## INTRODUCTION

Micro, Small, and Medium Enterprises *(MSMES)* are an important sector in the Indonesian economy. As drivers of both regional and national economic activity, MSMES play a highly strategic role in job creation and in meeting community consumption needs. One of the MSMES subsectors that has shown considerable development is the processed food industry, including tofu production. The tofu industry, which is a labor-intensive segment within the food sector, contributes significantly to the local economy but faces various challenges in managing production costs, particularly those related to fluctuations in raw material prices.

The greatest challenge faced by MSMES actors in the tofu industry is the fluctuation in the price of its main raw material, namely soybeans. Soybean prices, which are highly influenced by external factors such as exchange rates and weather conditions, create uncertainty that business owners must manage effectively. *Pabrik Tahu Super Afifah* in Palu City, which has been operating for more than two decades, serves as a clear example of this challenge. The factory uses a manual, experience-based budgeting method to manage raw material costs, labor, and production overhead, yet the primary challenge remains the unpredictability of soybean prices. When the cost of raw materials increases sharply, business owners must adjust selling prices and production volumes to maintain operational continuity, which often disrupts profit margins.

Production budgeting becomes a crucial aspect in ensuring smooth operational activities when facing these challenges. Siswanti (2021) states that systematic and detailed raw material

budgeting can function as an effective control tool to improve operational efficiency. A more structured budgeting approach is necessary to address the unpredictable fluctuations in raw material prices. This is consistent with the findings of Putri et al. (2025), which show that the application of quantitative methods such as Economic Order Quantity (EOQ) and Activity-Based Costing (ABC) can increase production cost efficiency by up to 10% in tofu MSMES.

Field practices show that many MSMES actors, including *Pabrik Tahu Super Afifah*, still rely on manual budgeting methods. Martha Arniyanti (2024), in her study on *Pabrik Tahu Pak Khoiri*, found that fluctuations in soybean prices can affect the stability of production costs if not managed properly. Her research also highlights the importance of implementing adaptive strategies in raw material management, such as supplier diversification and raw material reserve planning. These findings indicate that managing fluctuations in raw material prices depends not only on accurate budgeting but also on sound financial management.

In the context of raw material management, Adelsiza Zenoni Harianja (2023) states that a structured raw material budget can function as a control tool to detect discrepancies between planned and actual raw material usage, enabling companies to take corrective actions to improve production efficiency. This finding is highly relevant to the challenges faced by MSMES tofu, which continue to rely on experience-based budgeting without the use of technology or data-driven systems.

Fluctuations in soybean prices, which are influenced by external factors such as exchange rates and weather conditions, pose a significant challenge for the tofu industry. When soybean prices rise sharply, business owners often struggle to maintain a balance between costs and profits. Martha Arniyanti (2024) explains that one of the strategies used by tofu producers to cope with this situation is allocating a portion of each sale to cover unexpected expenses. This finding demonstrates that cost management based on careful planning is crucial in responding to uncertainties in raw material prices.

This study aims to examine the production budgeting practices of local tofu businesses in Palu City, with a focus on the consistency of monthly budgeting and the adaptive strategies employed to respond to fluctuations in soybean prices. The study also seeks to identify the potential application of data-based budgeting methods, including quantitative approaches, to enhance efficiency and responsiveness to unpredictable fluctuations in raw material prices.

## THEORETICAL FRAMEWORK

### Basic Concepts of Corporate Budgeting

A budget is a written financial plan that is prepared systematically and quantitatively for a specific period, functioning as a tool for planning, coordination, and control of a company's activities. According to Yanto, Nurfitriana, and Ijma (2022), a corporate budget is a formal system that helps management set objectives, allocate resources, and assess operational performance. A budget not only serves as a guideline for carrying out activities but also acts as a means of evaluating actual results compared to the plans that have been established.

Sutikno and Se Tin (2011) add that a budget is a quantitatively expressed plan concerning an organization’s future activities. A budget serves as the foundation for the execution of managerial functions such as planning, organizing, directing, and controlling (Daft, 2003, as cited in Sutikno & Se Tin, 2011). A budget also enables coordination among different parts of the organization so that all activities can operate in alignment toward the same objectives.

### Production Budget as a Management Control Tool

The production budget is an important component of the operational budget, used to determine the quantity of goods that must be produced during a specific period in order to meet the sales plan and maintain an efficient level of inventory. Yanto et al. (2022) explain that a production budget functions to plan the requirements for raw materials, labor, and production facilities so that operational activities can be carried out effectively and efficiently.

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According to Mulyadi (2001, as cited in Sutikno & Se Tin, 2011), the production budget functions as a cost-control tool because management can compare actual costs with budgeted costs. When discrepancies occur, the company can take corrective actions to reduce waste. The budget serves not only as a work plan but also as a management control instrument that helps maintain operational efficiency.

Anthony and Govindarajan (2011, as cited in Sutikno & Se Tin, 2011) state that the budget is a primary management control tool because it provides a basis for measuring performance and evaluating production effectiveness. In local tofu businesses, the production budget serves to assess the alignment between targeted production volumes and actual capacity when facing changes in raw material prices such as soybeans.

**Factors Influencing the Preparation of Production Budgets**

Munandar (2001, as cited in Sutikno & Se Tin, 2011) states that the preparation of a budget is influenced by both internal and external factors. Internal factors include historical sales data, production capacity, availability of labor, and management policies in determining production volumes. External factors include market conditions, the level of competition, government policies, fluctuations in raw material prices, and overall economic conditions.

Yanto et al. (2022) emphasize that the effectiveness of a budget is influenced by the level of coordination among departments and the company's ability to project economic conditions. Unrealistic economic assumptions may cause budget outcomes to deviate from actual conditions. Budget preparation needs to be carried out in a participatory manner so that each part of the organization contributes accurate data and projections.

**The Relationship Between the Production Budget and Production Efficiency and Effectiveness**

According to Hansen and Mowen (2015, as cited in Yanto et al., 2022), the budget plays an important role in ensuring the efficiency and effectiveness of production activities. Efficiency is achieved when a company is able to generate maximum output with minimal input, while effectiveness relates to the achievement of predetermined production targets.

Sutikno and Se Tin (2011) state that the production budget is used to assess the alignment between the implementation of production activities and the plan. The comparison between actual results and the budget provides information on cost variances that form the basis for corrective actions. This statement indicates that the budget functions as a planning, evaluation, and control tool in production management.

**The Relevance of the Production Budget for MSMES (Micro, Small, and Medium Enterprises)**

In the context of MSMES (Micro, Small, and Medium Enterprises), budgeting functions are typically carried out in a simple and manual manner. Nevertheless, budgeting principles remain relevant in helping small business owners manage production costs, especially when facing fluctuations in raw material prices. Yanto et al. (2022) state that a structured budget can serve as an effective control tool for MSMES to prevent waste and maintain business continuity.

Sutikno and Se Tin (2011) emphasize that the role of the budget as a managerial tool is very important in the context of small enterprises, as it can enhance efficiency awareness and discipline in the use of resources. In local tofu businesses in Palu City, consistent preparation of the production budget enables business owners to adjust their production strategies in response to changes in soybean prices without compromising product quality and production continuity.

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## RESEARCH METHOD

This study employs a descriptive qualitative approach because its focus is to gain an in-depth understanding of production budgeting practices and the adaptation strategies used by business owners in responding to fluctuations in soybean prices. This approach was chosen because it aligns with the research objective, which emphasizes meaning and experience rather than quantitative measurement.

The selection of informants was carried out using a purposive sampling technique. The main informant in this study was the owner of *Pabrik Tahu Super Afifah* in Palu City, who was chosen because they possess direct knowledge regarding the production process, budget preparation, and decision-making related to raw material procurement. In micro enterprises, the business owner serves as the primary decision-maker; therefore, a single informant is considered sufficient to obtain relevant information.

Data were collected through semi-structured interviews to provide flexibility in exploring the topics, non-participatory observation of production activities and raw material management, and documentation in the form of purchase records, expense notes, and transaction receipts used by the business owner.

## RESULTS AND DISCUSSION

### Production Budgeting Practices at Pabrik Tahu Super Afifah

The findings indicate that the preparation of the production budget at *Pabrik Tahu Super Afifah* is carried out manually and is based on the owner's experience. The determination of raw material quantities, labor needs, and supporting costs such as electricity and water is set daily without the use of formulas or standardized calculations. The owner estimates requirements based on previous purchasing patterns and operational intuition developed through years of experience.

This practice shows that budgeting functions more as an operational tool rather than an instrument for planning and cost control. From a management accounting perspective, this reflects the characteristics of informal budgeting namely, a budgeting process that is not systematically documented and relies heavily on the subjective experience of decision-makers (Hansen & Mowen, 2015).

These findings are consistent with Yanto et al. (2022), who explain that MSMES in the food sector tend to use simple budgeting methods due to limited resources and low accounting literacy. In contrast to the findings of Siswanti (2021), which emphasize that formal record-keeping supports cost evaluation, this business does not yet have a system that allows comparisons between planned and actual costs.

### Strategies for Managing Fluctuations in Soybean Prices

The increase in soybean prices has a significant impact on production costs, especially since the selling price of tofu is relatively inelastic due to market sensitivity. To respond to this situation, the business owner implements adaptive strategies such as reducing production volume, setting aside reserve funds, adjusting raw material purchases based on actual needs, and seeking alternative suppliers offering lower prices.

These adaptive strategies demonstrate a cost flexibility approach, namely the adjustment of purchasing and production decisions in response to raw material price uncertainty (Sutikno & Se Tin, 2011). This finding aligns with Harianja (2023), which shows that MSMES in the food sector rely more on operational flexibility than on quantitative method-based approaches. Arniyanti (2024) also notes that tofu producers who adjust their production activities are better able to maintain profit margins compared to those who maintain a fixed production volume.

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**The Effectiveness of Budgeting on Business Efficiency and Sustainability**

Budgeting at *Pabrik Tahu Super Afifah* has not been effective due to the lack of regular financial record-keeping. All data are recorded manually without monthly reports, making it impossible to evaluate the gap between planned and actual budgets. This condition hampers cost control and financial performance assessment.

Without a formal system, the business owner still maintains efficiency by conserving raw materials, managing labor, and avoiding energy waste. Discipline serves as the main foundation for cost control. This finding supports Siswanti (2021), who stated that simple budgeting can be effective when implemented with discipline and consistency.

The owner needs to implement simple data-based record-keeping to enhance long-term efficiency, such as digital tables or structured bookkeeping. Applying methods for calculating optimal raw material purchases, such as EOQ, can help reduce costs without lowering production. Research by Putri, Rahmawati, and Santoso (2025) shows that data-based budgeting can reduce production costs by up to 10 percent in small tofu industries.

Entrepreneurial mindset is also a key factor for business sustainability. The owner demonstrates perseverance, responsibility, and the ability to adapt to market changes. This finding aligns with Kuncoro (2021), who emphasized that the success of MSMES depends on the entrepreneur's ability to make fast and accurate decisions according to market conditions.
The effectiveness of budgeting at *Pabrik Tahu Super Afifah* is influenced not only by formal record-keeping but also by the owner's experience, operational discipline, and adaptability to market changes. These findings indicate that in traditional MSMES, budgeting tends to be functional and focuses on business sustainability rather than planning accuracy. With the implementation of a simple data-based record-keeping system, this practice has the potential to become more measurable and support long-term efficiency.

## CONCLUSION

This study shows that production budgeting at *Pabrik Tahu Super Afifah* in Palu City is conducted manually and simply, based on the business owner's experience. The budget covers raw material needs, labor, and additional costs without a modern record-keeping system. Budgeting still functions as a tool for daily cost control and to maintain smooth production.

Fluctuations in soybean prices present a major challenge in budget preparation, as they directly affect production costs and business profits. The business owner responds to price changes by reducing production volume, setting aside reserve funds, and seeking suppliers offering lower prices. These adaptive strategies demonstrate the owner's ability to adjust to market conditions and sustain the business.

The effectiveness of budgeting at this factory is not yet optimal due to the lack of regular record-keeping. The owner's discipline, experience, and responsibility help maintain efficiency and business stability. To improve long-term effectiveness, the business needs to implement data-based financial record-keeping to make planning and cost control more accurate.

Simple budgeting that is implemented with discipline and adaptability still supports business sustainability. The implementation of a better record-keeping system has the potential to enhance efficiency, stability, and resilience against raw material price fluctuations.

## RECOMMENDATIONS

1. The business owner is advised to implement a simple data-based financial record-keeping system, such as using digital tables or daily recording applications. This system will help record raw material costs, labor, and other expenses regularly, making budget planning more accurate.
2. Production budget evaluations should be conducted periodically to identify the gap between planned and actual expenditures. The business owner can assess whether the use of raw materials and operational costs is efficient or still needs to be reduced.

3. Training in financial management and production planning is important for MSMES actors so they understand how to prepare, implement, and evaluate budgets systematically. This knowledge can help reduce waste and increase business profits.
4. Local governments and MSMES support institutions are expected to provide guidance and training in simple accounting, enabling business owners to manage finances effectively and be prepared for raw material price fluctuations.
5. Future researchers are recommended to study the implementation of technology- or digital-based budgeting systems in the food MSMES sector to evaluate their impact on efficiency and business profitability. The findings can provide practical contributions to the development of MSMES budgeting systems in Indonesia.

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