



THE ROLE OF PLANNING BUDGETS IN FINANCIAL PERFORMANCE

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Abstract:

We suffer at the present time from a lack of commitment to apply planning budgets in an accurate manner, which weakens the control over water resources and the failure to identify deviations, which in turn is likely to affect the financial efficiency .

The aim of the research is to know the effect of the budget in planning and control, study the impact of the participation of organizational levels in preparing planning budgets on the efficiency of financial performance, study the effectiveness of planning budgets in controlling cash flow , The various organizational participation in the preparation of the planning budget affects the efficiency of financial performance. It affects the application of cash flow. There is a statistically significant relationship between the proper application of the planning budget and the efficiency of financial performance.

The research reached several results, the proper application of planning budgets leads to Raising the efficiency of financial performance Implementation of planning budgets in a good way that makes cash flows regular according to the set plan , which ensures their implementation and thus increases the efficiency of financial performance . It sets clear policies and procedures by the administration for the proper application of the planning budgets system and ensuring its implementation and with the participation of employees in preparing plans, the most important of which is the application of planning budgets in a good way that leads to controlling the cash flow.

The researchers recommend the following the need to apply planning budgets in a good manner to control cash flow, the need to apply planning budgets to make cash flows regular according to the plan subject , the need to develop clear policies and procedures by the administration for the proper application of the planning budgets system to ensure its implementation , the need for employees to participate in preparing plans and budgets to ensure their implementation to increase the efficiency of financial performance

Keywords:

INTRODUCTION:

The research attempts to show the extent of compatibility between the scientific application of the planning budgets system and the scientific principles and foundations of accounting thought and the extent to which its outputs are used to achieve its objectives

and increase its effectiveness to control deviations and raise the efficiency of financial performance in order to preserve the enterprise's resources and ensure continuity and achieve growth and progress.



RESEARCH PROBLEM:

The impact of the lack of participation of all levels and the failure to implement the budget items properly affects the budget planning process and the low efficiency of financial performance.

RESEARCH HYPOTHESES:

The participation of all units and levels in the preparation process helps to raise the efficiency of financial performance, in addition to the existence of a relationship between the application of budget items and measuring the efficiency of financial performance.

RESEARCH OBJECTIVES:

1. It aims to know the role of the participation of all units in the budget preparation process.
2. The possibility of digitally expressing the relationship between the proper application of budget items and the efficiency of financial performance.
3. Shedding light on the importance of budgeting in the cash flow process.

FIRST: PLANNING BUDGETS

It was defined (Dr. Hamad Nour et al., 2005: p. 97) as a comprehensive and coordinated plan for the various activities and financial resources in the project from a certain period in the future and expressed in monetary form.

(Dr. Muhammad Sami Radi and others, 2005: p. 12) defined the budget as a plan or program for work in a future period aimed at organizing and coordinating the economic activity of a specific unit within the limits of available human and primary resources so that the best results can be achieved by using the best means, methods and methods that reach to targets..

As defined (Dr. Gabriel Joseph and others, 2002: p. 38) as a financial translation of a quantitative plan that covers all aspects of legitimate activity for a future period in a comprehensive and coordinated manner, and officials and implementers agree and relate to it, and take a goal on the basis of which the results of actual implementation and control are followed up and enable management to take action corrective measures to address deviations and reach maximum sufficiency.

ADVANTAGES OF APPLYING PLANNING BUDGETS: (Dr. Al-Fattah, : 2003, p. 7)

1. Helping managers set realistic goals by drawing future plans and policies that achieve goals.

2. It helps the administration to take the necessary precautions for possible circumstances and adapt to them.
3. It is a tool for coordination, communication and control over the various aspects of activity
4. It helps motivate workers and urge them to achieve goals.
5. Helping to anticipate problems and obstacles before they occur and avoid them in light of the realistic goals set.
6. Helping to evaluate performance by comparing the actual results with the budgeted ones.

ELEMENTS OF THE SUCCESS OF PLANNING BUDGETS::(Al-Hadi, 2001: p.118)

1. Participation in the preparation of the budget: - It is assumed that the planning budget is not in the form of a decision issued by the senior management, but to start from the participation of all administrative levels in the establishment because the participation of all departments in preparing the budget ensures the ease of implementing the budget by applying the principle of responsibility accountability and that the primary goal One of the individuals' participation in preparing the budget is undoubtedly convincing them of the importance and necessity of balancing them, which is a matter of great importance.
2. Scientific competence: - In order for the budget to achieve its desired goals, those who prepare the budget must have scientific competence and technical skill, and the extent to which they have accounting and administrative awareness, as well as the availability of sufficient information for them about the plans and strategies of the establishment in the past, present and future, with an explanation of each What is stated in the budget and justification for any amendment.
3. Objectives and their achievability: The objectives of the planning budget must be clear, precisely defined, and achievable, in the sense that the objectives are not ideal. The budget relies on estimation, not just expectations, but potential results based on scientific and field foundations. Responsibility experience. The ability to stabilize scientific and statistical methods. And economical.
4. Flexibility: The planning budget must be flexible so that an adjustment can be made in the level of activity, because the economic conditions in



which it is taken are also changing, so the fixed budget may not achieve the desired goals.

5. **Setting priorities:** - In a world whose resources are scarce, and therefore the needs exceed these resources, it is necessary to take into account that all elements of the budget are not of the same degree of importance, as there are elements that are necessary, inevitable, and others that are desirable. In the budget according to a timely program that depends on the size of the available resources and the degree of importance of each of these proposed elements.
6. **Quantitative measurement:** - As it is known that the allocation of available resources is done by studying and analyzing the cost and benefit, and therefore it is necessary to use the quantitative measurement of both cost and benefit, and often the quantitative measurement of the cost does not cause any significant problems, unlike the quantitative measurement of the benefits that may be difficult to obtain in most cases, especially for establishments that do not aim to achieve profit. However, diligence must be made in measuring these benefits quantitatively in one way or another in order to be able to compare them with costs, and thus make decisions related to the allocation of resources related to the budget, and statistical methods are often used in this connection.

THE FOUNDATIONS OF PREPARING PLANNING BUDGETS:

Preparing planning budgets requires taking into account a set of general principles that help in good preparation and the success of using planning budgets. These principles are as follows: (Dr. El-Desouki and others, 1993: p.21)

1. The existence of a sound information system that provides easy access to the necessary data and information at the appropriate time.
2. The desired goals to be achieved through planning budgets are possible and not impossible.
3. Management members' realization of the concept of the budget and its importance, which is reflected in a positive impact on their participation in preparing the planning budget effectively.

4. Determine a clear timeline for the budget preparation period, as well as the period it covers.
5. Clearly defining the responsibilities for budget preparation by forming a committee to supervise the preparation of centers and coordination between sub-budgets at the level of departments or responsibility centers.

SECOND: THE CONCEPT OF FINANCIAL PERFORMANCE

(Abdel Nasser, 2010, p. 55) defined financial performance as the extent of the institution's ability to make optimal use of its resources in long-term and short-term uses in order to form wealth.

(Fatima Jassim Muhammad, 2008: p. 78) defined financial performance as an expression of business activities using financial measures, as it is the supporting tool for all the company's various activities.

it was defined (Abdul Mohsen, 2005: p. 3) as the process of making decisions based on control information to redirect the paths of activities in the project in order to achieve the previously achieved goals.

THE IMPORTANCE OF FINANCIAL PERFORMANCE: (Dr. Al-Sayed, 2000: p. 139)

1. Assistance in following up and knowing the financial results of the company's activity and the nature of those results, whether positive or negative.
2. Assistance in following up and knowing the economic conditions, whether they are prosperous or there is an economic recession, as well as the surrounding financial matters, and taking the necessary measures for that.
3. Assisting in conducting analysis and comparison of the company's financial results with previous years or with companies operating in the same sector in which the company operates.
4. Assist in understanding the interaction between the financial data through the practical analysis of that data.
5. Helps to create a kind of competition between the various departments and divisions of the establishment, in turn, prompts the establishment to improve its performance.
6. Discovering deviations and finding out their causes in order to take corrective measures to prevent their recurrence for each activity of the establishment, as this helps the different



administrative levels to exercise the control function.

FINANCIAL PERFORMANCE OBJECTIVES: (Faleh Hassan Addai, et.al., p. 234)

1. Discovering the factors influencing the achieved results and working to raise the positively influencing factors and increase them in order to achieve the objectives of the establishment in a high way, and work to avoid the negatively influencing factors that work to reduce the efficiency of performance.
2. Determining the difficulties that the facility encountered in executing the plans and through which it achieved results at the end of the financial period, through continuous monitoring during the actual performance period.
3. Determining the responsibilities of those who implement the drawn plans, which aims to define the responsibilities of those working to implement the plans and hold them accountable for the deviation that occurs.
4. Improving performance, which aims to help take actions and decisions to identify the problem and then develop alternatives to solve the problem. This is what is known as the decision-making process, but it is the actual performance improvement decision.
5. Judging the level of efficiency of performance through judging the level of the drawn plan means that the workers have done what they have to do, and they will be rewarded for that, but if it is the other way around, they will be punished for default within the limits of what they were assigned to do.
6. Demonstrate the efficiency of the selection and appointment policies in light of the financial performance rates.

THE OBJECTIVES OF MEASURING FINANCIAL PERFORMANCE: (Abdel-Fattah, et.al., 2013, p.191)

1. Financial performance indicators help the different administrative levels to discover deviations that need to be analyzed in order to find out their causes, and work to clarify them so that appropriate remedial measures can be taken.
2. The indicators provide us with the basis on which comparisons are made between different sectors within the framework of the economic unit on the one hand, and sub-units within the framework of public institutions on the other hand.

3. Focusing its efforts on striking anomalies that are outside the scope of censorship.

DEVELOPING FINANCIAL PERFORMANCE- : (Saif Al-Din, 2013: p. 71)

1. Determine the best criteria for evaluating the financial performance of the establishment.
2. Searching for other establishments that have a high level of financial performance, and then collecting data on their operations.
3. Compare operations and try to identify differences.
4. Reaching the reasons for distinguishing the competing establishments and searching for the way that helps to reach the same level.
5. Redesigning operations to raise the level of financial performance of the facility.
6. Implementation of changes aimed at the better.

FACTORS AFFECTING FINANCIAL PERFORMANCE:(Dr. Nabihah Jaber, 2010: p.289)

1. Internal factors: These are the factors that affect the performance of the establishment and which enable the establishment to control and control them in a way that helps to maximize returns and reduce costs. These factors are represented in the following:
 - a. Cost control.
 - b. Monitoring the efficient use of available resources.
 - c. Control over the cost of getting paid.
2. External factors: They are those factors that affect the financial performance of the establishment, but it is possible to anticipate the future results of them, and try to prepare plans to confront them and reduce their impact, and they include the following factors:
 - a. Scientific and technological changes affecting the quality of services.
 - b. Laws, instructions and procedures applied to establishments by the state and market laws.
 - c. The financial and economic policies of the state.

**DATA ANALYSIS AND HYPOTHESIS TESTING :
The stability and validity of the research tool**

1. Stability and Statistical Validity: The stability of the test means that the scale gives the same results if it is used more than once under similar conditions. Stability also means that if a test is applied to a group of individuals and the scores of each of them are monitored, Then the same test was reapplied to the same group and the



same scores were obtained. The test is completely stable. Stability is also defined as the accuracy and consistency of the measurements obtained from what the test measures. One of the most used methods for estimating the stability of the scale is:

- The alpha-Cronbach equation.
- The equivalent image method.
- Guttman equation.

The self-validity of its questionnaire is a measure of a tool for what it has been developed, and the measure of validity is knowing the validity of a tool to measure what it has been developed for. The researchers found the self-validity of it statistically using the self-truth equation:

$$\text{honesty} = \sqrt{\text{constancy}}$$

and then calculates the Pearson correlation coefficient between their answers on the odd and even phrases, and finally calculates The stability coefficient is

1- Hypothesis testing

The first question : The more effectively the participation of all organizational levels in the process of preparing the budget contributes to raising the efficiency of financial performance.

Answer	Number	Percentage
Totally agree	27	38.57%
Agree	31	44.28%
Neutral	12	17.14%
Total	70	100%

Source: Number of researchers based on the data.

The second question : When applying the budget that was prepared in advance, everyone is required to adhere to the items in the budget, which contributes to increasing the efficiency of performance.

Source: Number of researchers based on the data.

Answer	Number	Percentage
Totally agree	17	24.28%
Agree	26	37.14%
Neutral	17	24.28%
Not agree	10	14.28%
Total	70	100%

The third

question : When implementing the previously planned budget, this helps in achieving the goals for which it was set.

Answer	Number	Percentage
Totally agree	12	17.14%
Agree	24	34.28%
Neutral	20	28.57%
Not agree	8	11.42%
Strongly Disagree	6	8.57%
the total	70	100%

Source: compiled by researchers based on the data.

Fourth question : The administration is responsible for following up the deviations that may occur in the budget items and taking the decision to correct these deviations.



Answer	Number	Percentage
Totally agree	25	35.71%
Agree	20	28.57%
Neutral	13	18.57%
Not agree	7	10%
Strongly Disagree	5	7.14%
the total	70	100%

Source: compiled by researchers based on the data.

Question 5: Budget planning provides information that benefits the progress of the financial performance through the implementation of the budget, which contributes to the efficiency of the financial performance of the units.

Answer	Number	Percentage
Totally agree	24	34.28%
Agree	27	38.57%
Neutral	13	18.57%
Not agree	6	8.57%
the total	70	100%

Source: Number of researchers based on the data.

Question 6 : Applying the planning budget items well leads to reducing deviations and raising financial performance.

Answer	Number	Percentage
Totally agree	25	35.71%
Agree	21	30%
Neutral	11	15.71%
Not agree	8	11.42%
Strongly Disagree	5	7.14%
the total	70	100%

Source: compiled by researchers based on the data.

Question 7 : The administration is the one that sets the procedures and the policy for applying the budget items properly to ensure their optimal implementation.

Answer	Number	Percentage
Totally agree	27	38.57%
Agree	29	41.42%
Neutral	9	12.85%
Not agree	5	7.14%
the total	70	100%

Source: Numbers of researchers based on the data

Question 8 : If the planning budget is not applied properly, this leads to a large number of deviations in its items, which leads to a decrease in performance efficiency.

Answer	Number	Percentage
Totally agree	28	40%
Agree	24	34.28%
Neutral	11	15.71%
Not agree	7	10%
the total	70	100%

Source: compiled by researchers based on the data.

Question 9: The administration grants incentives to the departments that have implemented the budget items effectively with what was previously planned.

Answer	Number	Percentage
Totally agree	17	24.28%
Agree	25	35.71%
Neutral	13	18.57%



Not agree	12	17.14%
Strongly Disagree	3	4.28%
the total	70	100%

Source: Prepared by the researchers based on the data

Question 10 : Preparing the planning budget clearly and accurately, which helps in its better and more accurate implementation, which leads to reducing deviations and raising the level of financial performance.

Answer	Number	Percentage
Totally agree	21	30 %
Agree	28	40 %
Neutral	13	18.57 %
Not agree	8	11.42 %
the total	70	100%

Source: Prepared by the researchers based on the data.

TESTING THE VALIDITY OF HYPOTHESIS

In order to answer the research questions and verify its hypothesis, the median will be calculated for each of the questionnaire phrases, which show the opinions of the research sample, where a score of 5 was given as a weight for each "strongly agree" answer, and a score of 4 as a weight for each "I agree" answer, and a score of 3 as a weight for each "neutral" answer, and the degree 2 as a weight for each "disagree" answer, and 1 as a weight for each "strongly disagree" answer. All of the aforementioned and according to the requirements of the statistical analysis is to convert the nominal variables into quantitative variables, and then the chi-

square test will be used to find out the significance of the differences in the answers of the study sample to the statements of each hypothesis.

PRESENTATION AND DISCUSSION OF THE RESULTS OF THE HYPOTHESIS:

In order to verify the validity of this hypothesis, it is necessary to know the direction of the opinions of the research sample regarding each of the statements related, and the median is calculated for the answers of the research sample to each question and then to the questions:

No.	questions	Mediator
1	The more effectively the participation of all organizational levels in the process of preparing the budget contributes to raising the efficiency of financial performance.	4
2	When applying the budget that was prepared in advance, everyone is required to adhere to the items in the budget, which contributes to increasing the efficiency of performance.	3
3	When implementing the previously planned budget, this helps in achieving the goals for which it was set.	4
4	The administration is responsible for following up the deviations that may occur in the budget items and taking the decision to correct these deviations.	4
5	Budget planning provides information that benefits the progress of the financial performance through the implementation of the budget, which contributes to the efficiency of the financial performance of the units.	4
6	Applying the planning budget items well leads to reducing deviations and raising financial performance.	5
7	The administration is the one that sets the procedures and the policy for applying the budget items properly to ensure their optimal implementation.	4
8	If the planning budget is not applied properly, this leads to a large number of deviations in its items, which leads to a decrease in performance efficiency.	4



9	The administration grants incentives to the departments that have implemented the budget items effectively with what was previously planned.	3
10	Preparing the planning budget clearly and accurately, which helps in its better and more accurate implementation, which leads to reducing deviations and raising the level of financial performance.	5

Source: Prepared by the researchers based on the data.

No.	questions	Degree of freedom	chi-square value
1	The more effectively the participation of all organizational levels in the process of preparing the budget contributes to raising the efficiency of financial performance.	2	26.3
2	When applying the budget that was prepared in advance, everyone is required to adhere to the items in the budget, which contributes to increasing the efficiency of performance.	3	24.45
3	When implementing the previously planned budget, this helps in achieving the goals for which it was set.	4	41
4	The administration is responsible for following up the deviations that may occur in the budget items and taking the decision to correct these deviations.	4	28
5	Budget planning provides information that benefits the progress of the financial performance through the implementation of the budget, which contributes to the efficiency of the financial performance of the units.	3	37.85
6	Applying the planning budget items well leads to reducing deviations and raising financial performance.	4	38.5
7	The administration is the one that sets the procedures and the policy for applying the budget items properly to ensure their optimal implementation.	3	34.25
8	If the planning budget is not applied properly, this leads to a large number of deviations in its items, which leads to a decrease in performance efficiency.	3	33.85
9	The administration grants incentives to the departments that have implemented the budget items effectively with what was previously planned.	4	38.25
10	Preparing the planning budget clearly and accurately, which helps in its better and more accurate implementation, which leads to reducing deviations and raising the level of financial performance.	3	25.60

Source: Prepared by the researchers based on the data.

FINDINGS AND RECOMMENDATIONS

First: Results : The researchers reached the following results:

1. The application of planning budgets facilitates the process of preparing cash flows on a regular basis and according to the set plan.

2. Preparing planning budgets helps in diagnosing the deviations that may occur and developing appropriate methods to address them.
3. Planning budgets help to perform planning and control well because they are considered an effective tool between the financial resources of the institution and its objectives.



4. Planning budgets are among the most important programs that help the administration to achieve its various objectives.
5. Applying budgets properly contributes to a major role in raising the efficiency of financial performance.

Second: Recommendations: Through the results of the research, the researchers recommend the following:

1. Planning budgets must be applied because they contribute significantly to the regularity of cash flows, which are set according to the plan.
2. Preparing planning budgets in a clear and good way, in a clear manner that helps in the implementation of its items by formations and units in a sound and clear manner.
3. The need for specialized staff to participate when preparing budgets to ensure better implementation and raise the efficiency of financial performance.
4. After determining the deviations that occur when implementing the budget, the reasons for those deviations must be discussed according to an available system.
5. The need to apply budgets well and ideally in order to control cash flows.

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