

# Studying the Budgeting System among Non-Governmental Public Organizations by Emphasizing on Budgets of municipalities (Municipalities of Kohgiluyeh and Boyer Ahmad)

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## ABSTRACT

This research aims to study the budgeting system in public non-governmental organizations by emphasizing on municipal budget and its gain scope is the municipalities of provinces of Kohgiluyeh and Boyer Ahmad. Therefore, the relation between current budget variables and budgeting process with variables of performance requirements, budgeting was before planned, coordinated and assessed. This research is application based on its objective and according to the type of data collection methods; it is descriptive and survey type. Statistical population were all experts and specialists in the way of budgeting include 90 person (56%), also involved managers and experts in non-governmental organizations and private of provinces especially mayors include 70 patients (44%) that its total include 160 people and desired sample in this study was calculated based on Cochran relation was 115 persons. The results of research findings were provided for acceptance of three hypotheses and it is investigated in the field of studied topic and also the results indicate the inefficiency of current system budgeting in the municipalities of the Kohgiluyeh province.

**KEYWORDS:** Current budget, Budgeting and Non-governmental public organizations

## 1. INTRODUCTION

Since the resources are always more limited than demands, budgeting is converted to a mechanism for resource allocation. If it is desirable in terms of the lowest cost, the desired objectives should be gain, in this situation, budget may become a tool for realization of performance. Planning, decision making and controlling are the basic functions of managers. One of the common ways of planning, decision-making, control of managements is to use budget. Because, any activity in the organization level requires the resources and cost and without them, any objective cannot be achieve and no management can be applied. By this description, we can say that budget is a tool that through it, all management plans are expressed and it is assessed in a relation with quantitate criterion [5].

From the view of good budgeting, the roles are expected and among them we can infer to accuracy, reliability, speed, timeliness, clear, relevant and comprehensive information. Helping to long-term planning (determining opportunities and threats), efficient allocation of resources, coordinating different parts of organization and integrating them, ability to predict performance can be considered as an effective tool for efficient use of time situations, gain consensus and support enforcement and taking advantage of the experience and past performance are a guide to future, control current performance and determining deviations from forecasts. The performance of budgeting system can be judged on the basis of roles [6]. So, budget is an available management tool for organizations and companies to achieve management goals. And a proper budgeting system can lead to facilitate the decision making, facilitating the planning, better control, desired monitoring and desirable management. Since, the public organizations and executive organizations especially council to conduct their activities to their organizational goals and the possibility of control and evaluate the results require a budget system to provide the financial results of programs and designed activities in a certain period, so it seems necessary in order to coordinate the activities and better decision making, planning and control, monitoring of budget execution, awareness of future plans and financial requirements for operation and activities and systemic to meet all of the above issue. Thus, this study seeks to investigate and control the current budgeting systems in public and non-governmental from the view of planning, coordinating and controlling.

## 2. RESEARCH LITERATURE

### 2.1. Budget and Budgeting

Planning, coordination and effective control is necessary for a successful operation. More use of budget information by management is controlled and decision making is used to reach a planning. One thing that helps to facilitate decision making, control, monitoring and better management is to use budgeting system (funding). If budgeting is set carefully and executively, it can facilitate optimum decision making, better management and better controlling and monitoring on budget execution [1]. Budgeting of late is one of effective techniques and methods for achieving the objectives of organizations. Plan determines the management action and it provides the specific coordination between activities. Of course, the size of budgeting system depends to the extent and degree of complexity of the organizational unit, the amount of revenues and costs [4]. Budgeting is known as allocation of limited resources to the unlimited needs. Total efforts that are spent to determine and allocate resource means "maximum use" of resources and they are usually not

enough and they are economy so-called “rare”. So, to reach “good intentions”, it is necessary to use each of limited resources and in total convert of resource to money, we can say that by minimum cost, maximum use is conducted. Conflict and collision of these two facts mean unlimited needs and limited resources and reach thinker human to reach the “fit” and obtain consent, and this is the first budget and the need of budgeting arises of same problem [9]. A method which becomes usual to complete budget within many countries is the system of planning, programming and budgeting. And by using this system we can relate planning, programming and programming management information, management control with program evaluation. And at the same time, we can emphasize on systematic analysis of each of the elements. In this system, before input budgeting, output budgeting is designed [5]. Purposes and goals of budgeting in macro level (state) which is extended to the organizational level, it can be stated as follows:

- A) budget is a tool to determining and setting the plans for government and organizations;
- B) Budget is a tool for achieve legal authority for activities of governments and organizations;
- C) Budget guidelines for implementing government policy and organizations;
- D) Budget is the strongest tool to control executive by legislature and knowledge and confidence tool of proper and legal consuming of resources and public funds [3].

## **2.2. Traditional Budgeting**

### **2.2.1. The method of conventional budgeting**

Traditional or conventional budget is a budget that funds of each government organization are determined based on seasons and cost. In this method, budgeting, type and nature of expenditures are shown. But, it is not clear that each cost is spent for what aims or to implementing what specific program or activity. In the current budget, estimating cost is done based on certain costs of the year before the end and first half of the current year and changes of workload are not investigated to anticipate the cost, still, the credit adoption creates a limitation on spending in the form of costs. Therefore, if the credits divide to small objects, the budget will be less flexibility, because, credit transfer from one case to another case, within a season or between different seasons of budget, and it is possible to a certain extent and under certain conditions[2].

### **2.2.2. Incremental Budgeting**

This method is in compliance with the method of minor changes of decision making. According to this method, to new decision making, we should refer to decisions which are taken in the desired context and according to existing needs, minor changes are created. Incremental budgeting is developed to avoid problems caused by huge and painful work of annual budgeting. Thus, every year the complex work of budgeting is not done. By accepting last year’s budget, budget planners focus their attention on incremental changes. In this way, last year’s budget is assumed as a base for current costs, and annual increment is considered for it and it depends to trend of price changes, the volume of operations, the adoption of new mandates by state and other factors [2].

### **2.2.3. Planning Budgeting**

Program budget is a budget in which the funds of government agencies are predicted in terms of functions, programs and activities that they should conduct them in fiscal year of budget execution. In other word, in budget a program determines that what objectives and tasks and approved tasks the government and government agencies have in the current year. In other word, in budget a program is determined that government and government agencies have what objectives, tasks in the current budget year. And secondly, to achieve these goals and desired objectives, what programs, operations and activities should be done with how much credit. Berkehd professor says about plan budget: (If, in the current world, we consider budget as the management tool of managers, we should observe classification of expenditures, purpose and goal of spending). In budget, a plan similar to common budget is used from classifications of credits according to the seasons and cost of materials.

But there is a difference that in common budget, all credits of each government agency is predicted in the frame of seasons and material costs [9].

### **2.2.4. Zero-based Budgeting (ZBB)**

As usual, in the process of budget preparing, the costs of last years that are spent are considered as a starting point. The work of people who write or prepare new budget is that what items should be eliminated from budget and what activities should be added ( and on the basis what items), zero-based budgeting is justification of each activity from zero base and for each activity or program, there should be a justification, is it necessary or not? In zero-based budgeting, cost starts from zero, in addition to calculate costs based on current level. With this budget, for each rial which is spent, there should be a reasonable justification [6].

### **2.2.5. Based Budgeting**

According to the definition which is considered by performance-based budgeting, based budgeting is as follows [8]:

It is methods and mechanisms which enhance the relation between allocated funds to executive agencies with outputs and its outcomes through using performance information to allocate resources.” Based budgeting system in the budget formulation or in implementing budget step, this system can be developed in three stages as follows:

1-Presentation operating budget: in these systems, we consider to preparing relevant forms and determining organization services and determining finished price, and a presentation of operating budget will be formed.

2-Output-oriented based budgeting: in this based budgeting, organizations attempt to identify outputs (products and services) and this method considers the activities which lead to produce these outputs. This means that it only considers determining annual objectives and it does not consider long-term targets.

3-outcome-oriented based budget: in this system of based budgeting, organization tries to identify outcomes (long term goals) in addition to identity outputs and activities [6]. In based budgeting, in addition to separate the credits to

tasks, programs and activities and designs and volume of operations and costs of implementations and government agencies are calculated and measured according to scientific methods such as cost accounting and work measurement. Predicted figures in based budgeting should be documented to detailed data analysis, operation and cost accounting [6]. The main purpose of performance-based budgeting is to help rational decisions about allocation and commitment of government resources based on measurable consequences. Some objectives of this budgeting include:

- Providing a proper basis for making decisions about resource allocation
- Centralization of decision-making process on the most important issues and challenges that system faced with.
- Create a link between budget and the results of program
- Providing a basis to more accountability for use of country resource
- ability to effectively oversee operations

Jordan &Hackbart (2005) showed in a study entitled goals and success of implementation of based budgeting that accountability programs are so effective than allocating more budgets is effective in the situation of establishing budgeting system on effective performance basis. In this study, we investigated the budgeting models based on implemented performance and by order of executive and Council of state and the obtained results showed that the coefficients of estimated variables is negative in two models. In other word, based budgeting reduces costs. In a study that Rasoulia and Abrisham conducted (2007) with a title of based budgeting to improve the management system of municipality. And they conducted it through field research if Kashan municipality. The results show that based budgeting adds the capability of cost accounting of services to the accounting services of municipality and it enhances the performance of budgeting system to decision making and planning for managers in municipality, significantly [8].

### 3. RESEARCH METHOD

This desired research is from application type. Also according to intervention variables which are considered in this study such as gap of financial transformation and gap of budget planning and also performance of based budgeting and for this issue that we consider the current situation and ideal condition (gap of implementing based budget), so research method is cross-correlation and from the method perspective is a field-survey research. The statistical sample of research conclude all experts and specialists in the field of budgeting concluded 90 persons (56%), also involved managers and experts in the field of budgeting public organizations and NGOs in particular mayors include 70 persons (44%) and their total number was 160 persons and desired sample in his research was calculated based on Cochran relation about 115 persons. Needed information were collected and analyzed by using SPSS to investigate the research hypothesis and through analysis of performance, the validity of assumptions were tested. In this study, to determine the reliability of test, the Cronbach’s alpha method was used. This amount was calculated based on data obtained from the questionnaire about 81/19%.performing the methods of based budgeting in the municipalities of Kohgiluyeh province can improve the planning level.

To investigate this hypothesis, two sub-hypothesis are as following:

- 1.Implementing current budgeting system in the municipalities of the province Kohgiluyeh can improve the planning level.
2. Implementing current budgeting system in the municipalities of the province Kohgiluyehcan not improve the planning level.

#### The main hypothesis 2

1. Implementing the methods of based budgeting in municipalities of province Kohgiluyeh can improve the level pf coordination between the parts. To investigate this hypothesis, two sub-hypothesis are as following:

- 3.Implementing the current budgeting system in the municipalities of province Kohgiluyeh can promote the level of coordination between parts.
- 4.Implementing the based budgeting system in the municipalities of Kohgiluyeh province can not promote the coordination level between parts.

#### The Third main hypothesis:

Implementing based budgeting in municipalities of provinces Kohgiluyeh and Boyer Ahmad can promote the control. To investigate this hypothesis, two sub-hypothesis are considered as following:

- 5.Implementing current budgeting system in the municipalities of Kohgiluyeh province can promote the control level.
- 6.Implementing based budgeting system in municipalities of Kohgiluyehprovince can not promote the control level.

### 4. Research finding

#### 4.1. Test first hypothesis

H0: Implementing current budgeting system of municipalities of Kohgiluyeh province help to managers to planning;

H1:Implementing current budgeting system of municipalities of Kohgiluyeh province does not help to manager in planning.

**Table 1.**Obtained results from the binomial test

Answers classification	value	number	Observed ratio	Test ratio	Significant level
Group 1	≤ 3	5	0.04	0.60	0.000
Group 2	> 3	110	0.96		
total		115	1.00		

As it can be seen from the results of binomial test in table (1), the numerical value of tester or significant level of test was calculated 0.000. On this basis, significant level of binomial test was lower than the considered permissible error 0.05, so the null hypothesis is rejected and one hypothesis is accepted.

#### 4.2. Test of second Hypothesis

H0: current budgeting system in the municipalities of province Kohgiluyeh assist to management in term of coordination;

H1: Current budgeting system in the municipalities of province Kohgiluyeh does not assist to manager in term of coordination.

**Table 2.** The obtained results of binomial test

Answers classification	value	number	Observed ratio	Test ratio	Significant level
Group 1	≤ 3	7	0.04	0/6	0.000
Group 2	> 3	108	0.96		
total		115	1.00		

As it can be seen from the results of binomial test in table 2, the numerical value of tester or significant level of test was calculated as 0.000. On this basis, the significant level of binomial test is lower than allowed error level and zero hypotheses is rejected.

#### 4.3. The third Hypothesis

H0: Implementing current budgeting system in municipalities of Kohgiluyeh province can help to management to control the process;

H1: Implementing current budgeting system in municipalities of Kohgiluyeh province can not help to management to control the process;

**Table 3.** Obtained results of binomial test

Answers classification	value	number	Observed ratio	Test ratio	Significant level
Group 1	≤ 3	9	0.08	0/6	0.000
Group 2	> 3	106	0.92		
total		115	1.00		

As it can be seen from the results of binomial test that are in table 4-10, the numerical value of tester of significant level of 0.000 and this value is lower than considered error level of 0.05 and this is a confirmation of accepting hypothesis 1 and rejecting hypothesis zero.

**Table 4.** Obtained results of the binomial test

Answers classification	value	number	Observed ratio	Test ratio	Significant level
Group 1	≤ 3	9	0.08	0/6	0.000
Group 2	> 3	106	0.92		
total		115	1.00		

As it can be seen from the results of binomial test which can be seen in table (4), the numerical value of tester of significant level was calculated to 0.000. and this amount is less than allowed error level 0.05 and this is a confirmation on accepting hypothesis one and rejecting hypothesis zero.

#### 4.4. The fourth Hypothesis

H0: Implementing based budgeting system in Kohgiluyeh province cannot help to manager in the field of planning.

H1: Implementing based budgeting system in Kohgiluyeh province can help to manager in the field of planning.

**Table 5.** The results of binomial test

Answers classification	value	number	Observed ratio	Test ratio	Significant level
Group 1	≤ 3	109	0.95	0/6	0.000
Group 2	> 3	6	0.05		
total		115	1.00		

As it can be seen from the results of binomial test in table (5), the numerical value of tester or significant level of testing fourth hypothesis was calculated to 0.000. on this basis, the significant level of binomial level is lower than allowed error level 0.05. this means rejecting hypothesis zero and accepting or confirming research hypothesis.

#### 4.5. Fifth Hypothesis

H0: Implementing based budgeting system in the municipalities of Kohgiluyeh province will not help to management in the field of coordination;

**Table 6.** The results of binomial test

Answers classification	value	number	Observed ratio	Test ratio	Significant level
Group 1	≤ 3	7	0.04	0/6	0.000
Group 2	> 3	108	0.096		
total		115	1.00		

As it can be seen from the results of binomial test in table (6), the numerical value of tester value or significant level was calculated 0.000 on this basis, significant level of binomial test was lower than considered 0.05 level. And this shows the confirmation of hypothesis H1 and rejection hypothesis H0.

**4.6. Sixth Hypothesis**

H0: Implementing based budgeting system in municipality of Kohgiluyeh province can not help to control;

H1: Implementing based budgeting system in municipality of Kohgiluyeh province can help to control;

**Table 7.** The results of binomial test

Answers classification	value	number	Observed ratio	Test ratio	Significant level
Group 1	≤ 3	108	0.94	0/6	0.000
Group 2	> 3	7	0.06		
total		115	1.00		

As it can be seen from the results of binomial test in table (7), the numerical value of tester or significant level was 0.000. On this basis, the significant level of binomial test is lower than desired allowed error level 0.05, so hypothesis H0 will not be accepted.

**5. RESULTS**

**5.1. First sub-hypothesis**

As it was showed from the results of test, the numerical value of tester or significant level of teste was calculated to 000.0. On this basis, the significant level of binomial test is lower than allowed error level means 0.05 and equality of these two groups are not approved and ratio of more than average group is much higher than less equal to average. And this shows the rejection of hypothesis H0 and acceptance of hypothesis H1.

**5.2. The second sub-hypothesis:**

The findings of this hypothesis test were considered that by computing binomial test, the value of tester criterion or significant level of hypothesis test is equal to 0.000 which is lower than considered error level 0.05 and it does not confirm the equality of two response group. In this hypothesis, unlike the first sub-hypothesis, the ratio of less equal to average group is more than the group of higher than average. But numerical value of tester shows the H1 hypothesis acceptance and rejection of H0 hypothesis means that based budgeting system has required performance in the field of planning level.

**5.3. The third sub-hypothesis**

As it can be seen from the results of binomial test, the numerical value of tester or significant level was calculated as 0.000. on this basis, significant level of binomial test is lower than desired allowed error level 0.05 and equality of two response groups related to second hypothesis will not be approved and ratio of higher than average group is so higher than the group of less higher. And these results showed the rejection of H0 hypothesis.

**5.4. The fourth sub-hypothesis**

It was observed that calculating binomial test, the numerical value of tester or significant level of tester or significant level of test was calculated as 0.000. On this basis, the significant level of binomial test is lower than allowed error level 0.05 and equality of two response groups cannot be approved and the ratio of less equal to average group is much higher than more than average group, so it shows the rejection of hypothesis H0 and acceptance of hypothesis H1.

**5.5. The fifth sub-hypothesis**

As it can be seen from the results of binomial test, numerical value of tester or significant level was calculated as 0.000 that this value is lower than allowed error level 0.05 and equality of two groups cannot be verified and ratio of higher than average group is higher than the group of lower equal to average, so, it rejects the hypothesis H0.

**5.6. Sixth sub hypothesis**

It was observed that numerical value of tester of significant level of test was calculated 0.000. On this basis, the significant level of binomial tests is less than allowed error level 0.05. The equality of two responding group are not approved and the ratio of lower than average group is much higher than the group of higher than average. Rejection of hypothesis H0 and acceptance of hypothesis H1 mean than based budgeting system in the municipalities of Kohgiluyeh province has necessary efficiency in order to promote control level, so the sixth hypothesis cannot be confirmed.

**6. Suggestions**

In order to develop policies and detailed methods and also provide necessary descriptive forms for applying management in operating cost programs and documented organization procedures can be used. These guidelines should be explained to usable levels and so:

- A) Encourage the employees to activity and offering constructive suggestions.
- B) Attract the people’s attention to useful analytical tasks
- C) Facilitate the rapid development of projects and re-revision
- D) An investment program gives the best results only when the best suggested projects are considered and all reasonable solutions for each of projects should be collected and maintained to investigating and classifying.
- E) Some projects did not materialize, while other projects within budget year are added to capital expenditures. So, budget should have necessary flexibility against the changeable needs.
- F) investment budgeting is not considered as a license for funds commitment, but merely this possibility should be provided all designs of business units should be integrated and all related projects should be considered and evaluated in one place and together.

G) For budgeting, other periodic budgeted activity of organization should be coordinated such as cost budget and cash budget.

H) The annual budget should be matched with objectives and long-term plans and operating plans of organization.

I) Budgeting should pass multiple management levels to reach the final approval level. So, to avoid of misperceptions and probably misunderstanding, the content of approved budget should be described explicitly and clearly and be available for managers of different levels.

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