The Study of Barriers to Deployment of Operational Budgeting in the Khatamolnia University of Behbahan

**1**Rahimimoghadam, **2**Karamollah Daneshfard, **3**Mehrdad Moradi Hamid

**1**Department of Management, College of Graduate Studies, Science and Research Branch of Kohgiluyeh and Boyer-ahmad, Islamic Azad University, Yasouj, Iran.

**2**Associate Professor at Department of Management, Tehran Science and Research Branch, Islamic Azad University, Tehran, Iran

**3**Department of Management, College of Graduate Studies, Science and Research Branch of Kohgiluyeh and Boyer-ahmad, Islamic Azad University, Yasouj, Iran.

**A B S T R A C T**

The ways of budgeting reforming and its source distribution are considered as one of the essentials to amend the economic structure of universities. One of the strategies to reform the budgeting framework is to utilize the way of operational budgeting in the industrial university of Behbahan. This budgeting has been performed in the industrial university of Behbahan, since 2003, in this descriptive study, the desired data were gathered in the form of questionnaire to investigate the obstacles in six fields of human resources, financial management system, financial information system, organizational structure, performance evaluation system and legal requirements of the current year of 2013. Fifteen executive staffs were questioned for operating the budgeting plan. The resulted data were analyzed by means of the statistic software of SPSS – 19 and the statistical tests of CheDo Carel Pearson, Pearson Correlation Coefficient, the T examination, the Variance Analysis and Entropy Index. This study concluded, by using the CheDo that the variable of financial information system, among the six variables, was considered as an obstacle to operate the budgeting in university. By categorizing the questions of this variable, it is shown that the factor for the lack of organized system of financial accounting to implement the operational budgeting is recognized the main cause of investigating the barriers to the deployment of operational budgeting. The other five factors, irrespective of their lack of meaningful significance, were found to be of negative effect for the correlational coefficient test, since they are of the same sample and surveying community. That is to say, all of these variables lead to the obstacles of budgeting.

**© 2013 AENSI Publisher All rights reserved.**

**Introduction**

Budgeting is considered as an effective tool for the correct management of government and public sector. In addition to the rational use and the optimized allocation of resources, managers and decision-makers' awareness of the explicit macro and micro levels of budgeting provides a suitable context for the growth and efficiency in the governmental institutions and organizations. Besides, such awareness prevents the squander of public assets and results in the equitable and optimal distribution of national resources. Budgeting methods are changing in terms of the needs of societies and changing economic conditions and administrative procedures. Therefore, previous methods are continuously being reformed (Hassan Abadi and Saraf Najad, 2008). The operational budgeting system or performance based budgeting began since 1960 in several countries such USA, Canada, Chile, England, South Korea, Malaysia, Australia, Ghana, and Brazil. In this decade, more emphasis was put on linking expenditures to outcomes and products. In the 1970s, the program evaluation and effectiveness was considered seriously. Besides, the punishment and reward system was established in 1988 and managers’ accountability was prepared and introduced since 2003. Since the beginning of operational budgeting, a number of barriers have been experienced by performing countries and they have overcome a major part of such barriers (Behbudian, 2011). Among the major obstacles facing these countries are the lack of cooperation among the staff, disunity of specific objectives and results, the lack of appropriate performance indexes, the need for reforming accounting and auditing system, the lack of authority and power, the ineffectiveness of competent mangers, the unemployment of incentive factors, and the lack of accurate and reliable information (Saeedi and Mazidi 2006). The focus has shifted in Iran from planning budgeting to operational budgeting for a couple of
years in laws and regulations and planning and budgeting procedures as well. The reform of the budgeting system and the establishment of a purposeful link between resources and operational planning for the formulation of strategic the policies of the Third Development Plan (Strategic Policy 15) have been taken into account. Subsequently, based on Paragraph "b" of Note 23 of the 2012 Budget Act and in Paragraph "r" of Note 1 of the 2013 Budget Act, the Management and Planning Organization is required to take the required actions in line with the reformation of the budgeting system to operationalize the budgeting process, to correct earnings and expenditures estimation procedure in all executive institutions. Besides, the organization is responsible to distribute credits and funds based on the needs of institutions and activities performed. In addition, Paragraph "b" of Note 23 of the 2012 Budget Act and articles 49, 88, 138, and 144 of the Fourth Development Plan are focusing on the implementation of operational budgeting for the rationalization of the government size; the gradual reduction of the spending credits, the improvement of public services, the enhancement of the private sector participation, the development of employment, and public spending (Abbassi, 2008). Operational budgeting requires fundamental changes in management information system, accounting system and generally in the way public institutions are managed (Samizadeh, 2008). Therefore, in order to identify obstacles facing the operational budgeting, various indicators were identified and categorized in six areas (independent variables) including human resources, financial management system, financial information system, organizational structure, performance evaluation system, and legal requirements.

Research Methodology:

A cross-sectional descriptive method was used to perform the present study. The main instrument of data collection in this study was a questionnaire that used a five point Likert scale to examine variables under study such as human resources (7 items), financial management system (7 items), financial information system (7 items), organizational structure (8 items), performance evaluation system (8 items), and legal requirements (7 items). The population under study included 15 staff executives of operational budgeting planning, financial managers and experts at Industrial University of Behbehan. As the number of the population members was limited, all of them were included in the research sample so the population and the sample were actually the same. To determine the validity of the questionnaire, it was distributed among 15 financial managers, analysts, and professionals. Then based on their opinions, 44 questions were included in the final version of the questionnaire. The Cronbach's test was used to assess the reliability of the questionnaire whose value was equal to 0.97. Descriptive and inferential statistical methods were used to perform the data analysis. Besides, the Karl Pearson chi-square test and Pearson correlation coefficient, and entropy measure were used to rank the variables. Since variables were measured using interval and ordinal scales, the Pearson correlation coefficient was used to determine the correlation between variables. Finally, SPSS Software Packed was employed to analyze the data (Samizadeh, 2008).

Results:

Of all the participants who filled in the questionnaire, 66.7% were experts, 13.3% supervising experts, and the remaining 20% were managers and supervisors. Besides, 80% of the participants were male and 20% were female; of whom 60% were married and 40% were single. With regard to the respondents’ level of education, 53.3% had a B.A degree, and the remaining 46.7% had an associate or master's degree which shows that the participants were well educated. In addition, 66.7% of the participants had a degree in economics and accounting and the rest had a degree in other majors. The results of the data analysis indicated factors such as human resources, financial management system, financial information system, organizational structure, performance evaluation system, and legal barriers are correlated with to the non-establishment of the operational budgeting at university. In other words, these six factors are considered as barriers to the establishment of the operational budgeting at university (Table 1 and Table 2). According to financial experts and managers, the most important barrier to operational budgeting is financial information system. Performance evaluation system, organizational structure, financial management, human resources, and legal barriers occupy the next position. Besides, human resources are considered as the sixth barrier to operational budgeting.

As can be seen in the table, the correlation coefficient between the operational budgeting and the human resources index is - 0.02 which indicates the higher the effects of human resources as a barrier the lower is operational budgeting. Since the number of participants in the sample and the population was the same the value of correlation coefficient (r = -0.02) indicates there is a reverse relationship between the two factors. Similarly, there is a reverse relationship between the five other factors and the operational budgeting.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Estimated $X^2$</th>
<th>df</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Index</td>
<td>27.697</td>
<td>24</td>
<td>0.273</td>
</tr>
<tr>
<td>Financial Management</td>
<td>35.617</td>
<td>24</td>
<td>0.06</td>
</tr>
<tr>
<td>Financial Information System</td>
<td>38.88</td>
<td>24</td>
<td>0.02</td>
</tr>
<tr>
<td>Organizational Structure</td>
<td>25.85</td>
<td>28</td>
<td>0.581</td>
</tr>
</tbody>
</table>

Table 1: Correlation between variables under study and operational budgeting.
As shown in the table, human resources were correlated with financial management, financial information system, organizational structure, and performance evaluation system. Besides, there was a correlation between financial management and other variables. Financial information system was correlated with performance evaluation system and legal requirements. The same correlation was observed between organizational structure and performance evaluation system as the two variables were correlated. Finally, the performance evaluation system was correlated with legal requirements (Table 3).

Discussion and Conclusions:

The results of rating through entropy indicated that according to financial experts and managers, the most important barrier to operational budgeting is financial information system. Performance evaluation system, organizational structure, human resources, and legal barriers occupy the next position. The results of different studies suggested that organizational barriers, human resource factors, technical, procedural, environmental and structural factors are barriers to operational budgeting within organizations (Hassan Abadi and Saraf Najjar, 2008). In addition, operational budgeting requirements and problems have been studied in different organizations including the Iranian Red Crescent Society, Iranian Army, and the Environmental Protection Agency. The lack of sufficient education to acquire skills needed to implement budgeting is the most important problem in terms of human resources followed by the weakness of motivational systems and incentive and punitive schemes as the second important factor. Finally, the last important factor negatively influencing operational budgeting was managers and employees’ resistance against developments in the budgeting system. The greatest obstacle to the implementation of operational budgeting in terms of financial management indices is the lack of committees to reform the expenditure structures. The lack of an accurate system of controlling expenditures was ranked as the second important hindrance to implement operational budgeting, which results from managerial weaknesses and structural reformation. Concerning the financial information system as on of the most important indices and prerequisites of implementing operational budgeting, the inexistence of an integrated accounting system was found to be the highest rated factor negatively affecting operational budgeting. Besides, the unemployment of accrual accounting and finished price systems in order to accurately estimate the cost of business activities occupied the second position. Unawareness of resources and inputs to implement and measure all activities in general occupied next positions. In addition, the distrust in financial data was ranked as the last factor interfering in operational budgeting which is indicative of the relative reliability of financial reporting and their reasonable precision.

Acknowledgment

This article is extracted from my thesis under the tile of “The Study of Barriers to Deployment of Operational Budgeting in the khatamolanbia University of Behbahan”. Hereby, I extend my sincere
appreciation to Science and Research Branch, Islamic Azad University-Kohkiluyeh and Boyerahmad for the efforts and supports they provided to me.

References


