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### Financial planning and its impact on the general budget in government organizations (an applied study)

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#### Abstract

The general budget is the future financial plan or an estimated statement of the state's expenditures and revenues that it uses to implement its various activities, in addition to directing the economy in order to achieve the goals. As a result of the expansion of the scope of programs and activities of government institutions, attention should be paid to the numbers of the general budget through sound planning in order to be able to keep pace with growth and progress and invest them in the designated areas and achieve the desired development goals. In return, the best services should be obtained and social welfare achieved. This has led the relevant authorities to know the aspects of spending when implementing the budget, in order to achieve transparency and optimal use of resources and hold individuals responsible for any negligence or waste accountable. Therefore, the problem of the research lies in focusing on the factors that have an actual impact on the financial planning process for current expenditures when preparing budgets in government institutions. The research aims to focus on the financial aspects and identify the factors affecting the planning process for current expenditures when preparing the federal general budget of the state in order to achieve the required goals without wasting money in ill-considered ways. One of the most important results of the research is that the research sample depends on the validity of spending on the circulars of the Ministry of Finance / Budget and follows The institution in its activity is a decentralized government system where it is linked to the Ministry of Finance and the Ministry of that institution and has a current account in its name and in the name of each formation it has in a bank. Also, one of the most important recommendations is that the accounts affiliated with the institution must take the original approvals for the changes that may occur after the distribution of the sub-budgets to avoid violations that may occur in the future.

**Keywords:** Financial planning, general budget, expenditures and revenues.

#### Introduction

Financial planning is a vital and crucial component of the success of any company, especially startups that face a unique set of challenges and opportunities. The startups are fresh in the market and they may possess new and creative concepts, but they require proper financial management to get them to the next level. Below is an introduction to financial planning in startups and how it can contribute towards sustainability. It is the one that aims at finding out the financial objectives of the firm and coming up with ways of realizing them. It works as a guide that enables organisations to properly allocate resources towards the achievement of specific financial objectives. In startups, financial planning is very crucial since it guides the company from the onset and gives the right direction on how to grow and become sustainable. Budgeting is also another important factor in determining the financial goals of the startup. It makes it imperative for startups to define where they want to be, when and how they want to get there and with what resources. This could include directing funds towards research and development, marketing, or expanding the customer base. By setting priorities, startups can also optimize the use of their resources effectively and achieve the highest return on their investment. The general budget is the annual plan that the government sets according to the resources that will be available to it and directed towards the various aspects of spending. In light of that plan, the amount of the government agreement and the

methods of financing it are determined. The budget classification is one of the most important basic building blocks of the budget management system, as it has a direct impact on the extent of the transparency and clarity of the budget.

### The Research Problem:

There are many factors that have an actual impact on the financial planning process for current expenditures when preparing budgets in government institutions, including the required strategy for the state and the impact of economic conditions (inflation) on the federal general budget, as well as the efficiency of those responsible for setting financial estimates. Therefore, it is necessary to focus on them and failure to take them into account will affect the financial planning process for the state's general budget, which will negatively affect the quality of the service provided.

### The Importance of The Research

The importance of the research lies in the interest in the financial aspects and identifying the factors affecting the planning process for current expenditures when preparing the federal general budget of the state in order to achieve the required goals without wasting money in ill-considered ways.

### Objectives Of the Research

1. Identify the stages that the process of preparing the state's general budget goes through.
2. Shedding light on the factors affecting the process of planning current expenditures in the state's general budget.
3. Knowing the objectives of the state's general budget.
4. Developing and enhancing the capabilities of the people responsible for the financial planning process when preparing the state's general budget through the use of modern and scientific methods.

### Research Hypothesis

The research is based on a hypothesis which states:

1. Focus on the financial planning process and pay attention to it through the ratio of actual implementation to the plan.
2. Follow the necessary steps for the financial planning process.

### literature Review

#### First : What is financial planning:

Financial planning is a basic process for managing financial matters and reducing potential financial pressures that may negatively affect it. It is also known as a series of plans for obtaining money and how to use it. It includes identifying financial needs, investments, and growth over a specific period of time. Financial planning is essential for the success of the company, as without it the company may operate randomly, leading to greater losses. Therefore, financial planning is considered a guide (Anwar Adel, 2019: 33)

#### Second: The importance of financial planning:

The practice of finance planning is very vital and important in the achievement of financial sustainability and growth. Here are some key points that illustrate the importance of financial planning: Here are some key points that illustrate

the importance of financial planning: (Sharfa Sharif, 2020: 35)

1. **Balancing funds:** It is also seen that the financial planning assists to keep up the flow of funds both internally and externally in a more balanced way. It makes sure that there is adequate cash available to pay for all the liabilities and also to fund the opportunities for growth.
2. **Availability of resources:** Financial planning is beneficial to companies because it makes it possible for financial resources to be available to fund companies that use financial planning, as it makes it possible for capital resources to be allocated in a proper manner.
3. **Managing market fluctuations:** This paper has established that financial planning minimizes the risks that may be occasioned by market volatility. In relation to market trends and possible risks which can be identified, contingency measures can then be developed and strategies modified.
4. **Mitigating unexpected situations:** The financial planning can assist companies in preventing some circumstances which may hamper their financial development. With contingency funds and risk management, organizational risks such as economic fluctuations, or emergencies are well managed.
5. **Making informed decisions:** Financial planning helps to make good decisions because it entails a broad financial plan. It assists firms in decision making by providing a means through which they can appraise investment proposals, determine the viability of new projects, and set priority of financial objectives. This enables companies to make right decisions and remain relevant in a competitive environment.

#### Third: Factors affecting financial planning:

Some of the factors that could influence the financial planning include and therefore it is necessary to consider them in order to avoid their impacts. Human resources are one of those factors that are involved in the process of financial planning. There is a need to recruit and select qualified human capital with experience in economic and financial areas. Such professionals should be knowledgeable of the financial markets and the techniques used in the markets. (Abdullah Al-Siddiq, 2017: 48), (Anwar Adel Al-Khafash, 2019: 34) <sup>[3]</sup>.

1. **Savings vs. Investment:** The amount of savings and the rate of investment play a crucial role in financial planning. Savings are a key factor in the financial plan, while investment contributes to additional profits. Therefore, increasing savings and investment enhances financial goals.
2. **Global Issues:** Global issues such as economic crises and international events can affect the financial plan. The economic challenges facing the country and the world must be taken into account, as these issues can negatively affect financial plans.
3. **Inflation Rate:** The inflation rate is an important external factor that greatly affects financial planning. Inflation refers to the general increase in prices over time, which leads to a decrease in the purchasing power of money. A high inflation rate can pose challenges and

have negative effects on financial plans.

#### Fourthly: What is the General Budget

The concept of the general budget according to the development that occurred in the economic and social aspects of the state. The federal general budget of the state has gained special importance as a result of the interest in the economic aspects and the development of its approaches and methods, so the general budget has become the main financial plan for the purpose of implementing economic and social development programs (Al-Khatib, 2010: 23) <sup>[2]</sup>. The general budget has importance in the life of the state from the political and economic point of view. From the political point of view, it is a reflection of the government's work program during a limited period of time and it translates the state's political plan into numbers. As for the economic and social point of view, by amending the distribution of national income among the different social classes, it cuts off a part of the income of some individuals to be a general revenue that it redistributes to another social class in the form of a new income (zinal,2023:21) <sup>[14]</sup>. Therefore, the general budget is the main tool in achieving general performance and the means used by the legislative authority to know the efficiency of its apparatuses, whether legislative or executive, and the extent of their contribution to achieving economic and social development. (Saloum, 2007: 21) <sup>[8, 10]</sup>

#### Fifth: The Objectives of the State's General Budget

1. Planning: The general budget is considered the plan for the next fiscal year and should be appropriate to the trends in the economic, social and political fields. The preparation of the federal general budget for the next state depends on studying the results of implementing the previous general budget. The planning budget is linked to the planning process, as planning includes determining the goals to be achieved and determining the means to implement those goals.
2. Coordination: That is, budgets can be used to coordinate between the various departments within the economic units.
3. Motivation: That is, it has a role in encouraging managers and employees to improve performance in order to achieve the main goals.
4. Communications: The budget is a tool for communicating information related to the plans and policies agreed upon according to the different administrative levels.
5. Control: There is a close link between control and the set goals, so it is responsible for achieving those goals in the best possible way. Here, it includes all the rules and procedures that govern the spending of government institutions.
6. A tool for performance evaluation: The plans included in the budget are established standards for performance, and then they are evaluated and what has been implemented is judged and deviations are identified, whether positive or negative.

#### Sixth: Stages of Preparing and Implementing the Budget

Since the beginning of the Iraqi state, the general budget has been prepared by the executive authority, and the legislative authority did not dispute it in the preparation process, because the Iraqi state began from where the matter was

settled in France, Britain and Egypt (Al-Lawzi and Murad, 2000: 15) <sup>[12]</sup>. The process of preparing it in Iraq at the present time must take into account internal and external factors, i.e. the surrounding work environment. The external factors are represented by Iraq's obligations to the international community through the Supporting Arrangements Agreement (S.B.A.) and the International Compact Document. As for the internal factors, they are represented by the needs of the Iraqi economy, the national vision (National Development Strategy) and the size of the financial resources available in Iraq. From here, the external and internal factors share a common space so that the reform process has a planning nature in the medium term. This requires all ministries to develop their plans and strategies in requesting financial allocations and take into account the above factors (Saloum and Al-Mahaini, 2007: 101) <sup>[8, 10]</sup>. This is what was emphasized in Article 3 of the Iraqi Public Accounting Principles Law No. 28 of 1940: ((Ministries and departments must prepare their expenditures and revenues and deposit them with the Ministry of Finance before the end of July of each year. The Minister of Finance, after auditing and making the amendments he deems necessary in view of the financial situation of the treasury, must approve them. He must also prepare the general budget of the state and submit it to the Council of Ministers to take the necessary legislative measures))

The stage of preparing and preparing the general budget in Iraq goes through several stages, some of which have been determined by virtue of many constitutional texts and legal articles, such as: -

- a. Determining the work of government units should be done before starting the process of preparing the budget, because the endless time constraints will make this determination a difficult task to accomplish during the preparation of the budget (Finney, 2000: 48) <sup>[9]</sup>.
- b. The Minister of Finance issues a report on preparing the budget during the month of May of each year, in which he determines the priorities of financial policy and the planned limit for the cost of public spending. The above report is issued after consultation with the Ministry of Planning and Development Cooperation and the Central Bank of Iraq based on studies related to the economic situation.
- c. For Iraq, especially oil prices, the workforce, and others. This is what is stipulated in Articles (110, 80, 62) of the Constitution of the Republic of Iraq for the year 2005 (Salem, 2011: 525).
- d. Upon completion of the approval of the general budget preparation report and the determination of the financial policy objectives, Article 3 of Section 6 of the Financial Management Law No. 94 of 2004 stipulates that the Minister of Finance, in consultation with the Minister of Planning and Development Cooperation, shall circulate internal regulations on the financial policy objectives for spending units for the purpose of preparing their budget during the month of June ((i.e. issuing instructions related to the budget and attaching forms to the instructions in digital form in order to determine the total level of expenditures. These instructions are not binding, but are subject to the discretionary powers of each body or ministry in light

of what its capabilities permit, such as building the self-capacities of ministries, departments, bodies and public companies to enable them to provide basic services to citizens, as well as adhering to the timetable for discussing the estimated budgets and how to set the estimates. The form is filled out and submitted to relevant studies such as economic feasibility studies for investment budget projects) (Al-Dawudi, 2013: 122)<sup>[13]</sup>.

### The practical side

#### Firstly :About the Research Sample:

The research sample was approved from 2016 to 2020 in one of the Iraqi universities by taking the research sample and the actual job grades of the university and occupied are 1400 officially approved grades consisting of a number of colleges and departments such as the College of Administration and Economics, the College of Education, the College of Science, and the College of Engineering. After that, the College of Medicine was added recently with

the approval of the Ministry of Education and Scientific Research:

Tasks of the Budget Division in the Financial Affairs Department: The division's tasks begin first by reviewing the approved budget sent by the Ministry of Finance to the university, then it studies the distribution of allocations between the university presidency and the colleges according to actual need. After distributing the allocations, the divisions monitor the actual monthly expenditures unified with the planned and approved allocations and spending, in order to avoid any violations of some items. It is also necessary not to enter into obligations for which there is no allocation in the budget except after coordination and completion of legal procedures, as well as following up on the process of strengthening the balances within the institution.

#### Secondly: Information on the allocation, financing and disbursement amounts for the period 2016-2020

**Table 1:** The ratio of financing to specialization

Year	2016	2017	2018	2019	2020
Funding sources	31947584163	32322088648	29909539198	30783892391	25947584163
Allocations	33936274111	34283205269	32324334531	31582182322	28582282322
Funding to allocation ratio	%94	%94	%92	%97	%90

Source: Prepared by researchers based on interviews in the Finance Department for the research sample

#### It is noted from Table (1) the following

The financing to allocation ratio in 2016 was 94%, in 2017 the financing ratio was 94%, in 2018 it was 92%, in 2019 the financing ratio was 97%, and in 2020 the financing ratio was 90%. This indicates that the allocation ratio is in a

partial stability ratio, the reasons for which are due to the Ministry of Finance due to its reliance on the cash liquidity available to it monthly as well as reliance on the actual expenditure for each month.

**Table 2:** Expense to financing ratio

Year	2016	2017	2018	2019	2020
Expense	25189608855	24189608833	26490405511	24220386812	26684202161
Funding sources	25189608866	25678389244	26909539122	25322088641	26947484161
Expense to Financing Ratio	%99	%95	%98	%94	%99

Source: Prepared by researchers based on interviews in the Finance Department for the research sample

It is noted from Table (2) that the ratio of expenditure to financing in 2016 reached 99%, in 2017 it reached 95%, in 2015 it reached 98%, in 2019 it reached 94%, and in 2020 it reached 99%.

#### Thirdly: Research Sample Revenues and Expenses:

The revenues obtained by the government institution are represented as in the table below, which shows the implementation ratio between the revenues for the period from 2016-2020.

**Table 3:** Implementation ratio for total actual revenues for the years (2016, 2017, 2018, 2019, 2020):

account name	Plan 2016	Actual 2016	Rate %	Plan 2017	Actual 2017	Rate %	Plan 2018	Actual 2018	Rate %
Income tax revenue	20000000	50000000	250	50000000	40000000	80	40000000	45000000	112
Revenue fees and charges	30000000	20000000	66	20000000	25000000	125	25000000	24000000	96
Tax revenue	10000000	50000000	500	50000000	54000000	108	55000000	54000000	98
Other revenues	30000000	10000000	33	10000000	9000000	90	8000000	9000000	112
Total revenue	81000000	85000000	105	85000000	128000000	150	128000000	132000000	103

account name	Plan 2019	Actual 2019	Rate %	Plan 2020	Actual 2020	Rate %
Income tax revenue	45000000	45000000	100	50000000	42000000	84
Revenue fees and charges	22500000	24000000	107	30000000	24000000	80
Tax revenue	52500000	54000000	103	60000000	53000000	88
Other revenues	9000000	8000000	88	8000000	8000000	100
Total revenue	129000000	131000000	102	148000000	127000000	86

Source: Prepared by researchers based on information from the Financial Affairs Department



We note from Table (3) the following: The implementation rate of the total actual revenues compared to the estimated revenues in 2016 was (105%), and there is also a disparity in the percentages of the types of revenues, as the percentages ranged from 33% Other revenues to 250% Income tax revenue. In 2017, the percentage of actual revenues to the total planned amounted to 150%, and the percentages ranged in the type of revenues from 80% Income tax revenue to 125% Revenue fees and charges. In 2018, the actual revenues to the planned amounted to 103%, and there is also a disparity in the collection of types of revenues between 96% Revenue fees and charges to 112%

Income tax revenue. In 2019, the actual revenues to the planned amounted to 102%, and there is also a disparity in the collection of types of revenues between 88% Revenue fees and charges other revenues to 107% Revenue fees and charges, and in 2020, the actual revenues reached 86% of the planned revenues, as well as a disparity in the collection of types of revenues between 84% Income tax revenue to 100% Other revenues.

#### Fourt: Expenditures (Current Budget Expenditures) Research Sample

**Table 4:** Planned expenditures for the years (2016, 2017, 2018, 2019, 2020)

Expenses	Plan 2016	Plan 2017	Plan 2018	Plan 2019	Plan 2020
Employee Compensation	20000000000	18000000000	19000000000	25000000000	18000000000
Service supplies	15000000000	13000000000	12000000000	11000000000	10000000000
Commodity requirements	30000000000	28000000000	20000000000	13000000000	11000000000
Asset maintenance	15000000000	12000000000	10000000000	8000000000	65000000000
Non-financial assets	20000000000	15000000000	10000000000	7000000000	5000000000

Source: Prepared by researchers based on information from the Financial Affairs Department

**Table 5:** Analysis of the actual implementation rate with planning for expenditures for the years (2016, 2017, 2018, 2019, 2020)

Expenses	Plan 2016	Actual 2016	Rate %	Plan 2017	Actual 2017	Rate %	Plan 2018	Actual 2018	Rate %
Employee Compensation	20000000000	18000000000	90	18000000000	19000000000	105	19000000000	20000000000	105
Service supplies	15000000000	13000000000	86	13000000000	12000000000	92	12000000000	11000000000	90
Commodity requirements	30000000000	28000000000	93	28000000000	20000000000	71	20000000000	13000000000	65
Asset maintenance	15000000000	12000000000	80	12000000000	10000000000	83	10000000000	8000000000	80
Non-financial assets	20000000000	15000000000	75	15000000000	10000000000	66	10000000000	7000000000	70
Total expenses	260000000000	233000000000	89	233000000000	232000000000	99	232000000000	349000000000	150

Expenses	Plan 2019	Actual 2019	Rate %	Plan 2020	Actual 2020	Rate %
Employee Compensation	250000000000	150000000000	60	180000000000	140000000000	77
Service supplies	110000000000	100000000000	90	100000000000	80000000000	80
Commodity requirements	130000000000	110000000000	84	110000000000	80000000000	72
Asset maintenance	80000000000	65000000000	81	65000000000	50000000000	77
Non-financial assets	70000000000	50000000000	71	50000000000	30000000000	60
Total expenses	406000000000	340000000000	83	370000000000	281000000000	76

Source: Prepared by researchers based on information from the Financial Affairs Department

It is noted from Table (5) the following: Expenditures of the research sample for the above years, noting that the planning budget was approved in the year of the State General Budget Law, the implementation rate for the total actual expenditures compared to the estimated expenditures in 2016 amounted to (89%), and there is also a disparity in the percentages of the types of expenditures, as the percentages ranged from 7533% Non-financial assets to 93% Commodity requirements, while in 2017 the percentage of actual expenditures to the total planned amounted to 99% and the percentages ranged in the type of expenditures from 66% Non-financial assets to 105% Employee Compensation, while in 2018 the actual expenditures to the planned amounted to 150%, and there is also a disparity in the collection of the types of expenditures between 65% Commodity requirements to 105% Employee Compensation, while in 2019 the actual expenditures to the planned amounted to 83%, and there is also a disparity in

the collection of the types of expenditures between 60% Employee Compensation to 90% Service supplies In 2020, the actual expenditures amounted to 76% of the planned expenditures, and there was a disparity in the collection of types of expenditures between 60% Non-financial assets and 80% Service supplies.

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