

Constraints that Limit the Use of the Estimated Budgets in Supporting for the Two Functions of Planning and Control at the Level of Local Units: An Applied Study on the Municipalities of Kingdom of Saudi Arabia

Wafy Saud Al-Shammari and Alia Abdel Hamid Aaref
Faculty of Economic and Political Science, Cairo University, Giza, Egypt

Abstract: The current study aims to explore constraints that limit the use of estimated budgets in supporting for the two functions of planning and control in municipalities of Riyadh Region of Saudi Arabia. To achieve these objectives, the approach of the case study has been adopted by the researcher. Also, the study has used the questionnaire as a data collection tool and Statistical Package for the Social Science (SPSS) for data analysis. The study concludes that respondents agree to eighteen obstacles that limit the effectiveness of budgets as a tool for planning and control in Riyadh's municipalities in Saudi Arabia. The most important of these obstacles are: the lack of awareness of the importance of estimated budgets and the methods of budget preparation, the absence of a good system to stimulate the participants in the preparation of estimated budgets, the lack of necessary information and statistics and the absence of laws and governmental regulations. Based on the previous results, the study has reached some recommendations, the most important of which are: firstly, raising awareness of preparing estimated budgets and their importance among the employees. Secondly, the necessity of legislation for some laws and governmental regulations that facilitate the preparation of estimated budgets in the municipalities of Riyadh Region in Saudi Arabia. Thirdly, the existence of different methods to stimulate the employees in Riyadh's municipalities is a necessary matter.

Key words: Estimated budgets, municipalities of Riyadh, constraints of estimated budgets, SPSS, regulations, estimated budgets

INTRODUCTION

Budgets are one of the most important financial planning methods used by both public and private organizations. By using such budgets, organizations are able to control their various operations by developing a future vision for all tasks that will be done by organizations. There is an increasing interest in local units and Riyadh's municipalities. In fact, estimated budgets are not only a financial statement but also they have become a plan that reflects the funding of administrative activities that are to be implemented during the year.

However, there are some constraints that limit the use of the estimated budgets in supporting for the two functions of planning and control in the Kingdom of Saudi Arabia which need to be identified. Frequencies, percentages, arithmetic averages and deviations will be calculated to find out these constraints.

The study problem: The interest in estimated budgets is an interest in the financial function of the organization. This function is indispensable in the management of the organization. It is based on preparing periodic estimated budgets. Although, municipalities in Saudi Arabia prepare

their budgets annually, the extent of using these budgets as a means of planning and control is still vague due to the lack of knowledge of the main constraints that limit the effectiveness of the estimated budgets.

In this context, the research problem revolves around the following question: what are the obstacles that limit the effectiveness of budgets as a tool for planning and control in the municipalities of Riyadh in Saudi Arabia?

The objectives of the study: The study aims to identify the obstacles that limit the effectiveness of budgets as a tool for planning and control in the municipalities of the Riyadh Region in Saudi Arabia.

The importance of the study: There is a scarcity of the studies that deal with the obstacles that limit the effectiveness of budgets as a tool for planning and control in the municipalities of the Riyadh Region in Saudi Arabia as far as the researcher knows. The practical importance of the study is to develop some recommendations to help reduce constraints that limit the effectiveness of the budgets as a tool for planning and control in the municipalities of the Riyadh Region of Saudi Arabia.

Literature review: The study of Eid and Suleiman (2007): “the extent of effectiveness of budgets as a tool for planning and control in Gaza strip’s municipalities” explores the use of budgets as a tool for planning and control in the municipalities of Gaza strip and evaluates the effectiveness of using these budgets and the extent of the availability of the necessary components for this use. The researcher has relied on a questionnaire distributed to respondents in all the 25 municipalities in Gaza strip. The study concludes that most of the basic components necessary for the use of budgets as a tool for planning and control in the municipalities of Gaza strip have been found, expect for the participation of the administrative levels. Thus, most of the proposed components of the use of budgets which are the perception of top management, the scientific level, the administrative structure and the diversity of the used methods are real and existent components in the practical reality. These components are the base for using budgets as a tool for planning and control in the municipalities of the Gaza strip. The study recommends: firstly, qualified and specialized employees are needed to implement the estimated budgets. Secondly, technological progress, information revolution and the capabilities of the computer must be exploited in the preparation of budgets. Thirdly, a financial and statistical database should be provided where it is beneficial in the process of planning, coordination, control and budgets estimation successfully. Fourthly, all departments and administrative levels must participate in preparing budgets. Fifthly, specialized training courses in the area of budgets for official and decision makers in the municipalities must be held.

The study of Abdel Fattah *et al.* (2014) concludes that there is an interest in the importance of the budget in the two functions of planning and control, adopting the scientific methods in the preparation of the estimated budget and increasing the awareness of employees of the importance of budgets and their roles in rationalizing expenditure. The study aims to rationalize expenditures in local councils and improve their ability to implement service and productive projects to serve the local community members and raise the level and gain satisfaction of citizens. Consequently, the burden on the state and its budget will be reduced. A questionnaire has been designed and distributed among administrative employees who relate to the process of budget preparation and its implementation in municipal councils. The SPSS has been used for statistical analysis.

The study of Eman Al-Haneni and Belal Badran has reached several points of findings, the most important of which are: firstly, most corporations under consideration

do not make estimated budgets, although, respondents convinced that making these budgets lead to the improvement of the function of planning. Secondly, the study also shows that the estimated budgets improve the functions of control as it contributes to reducing the occurrence of administrative crises. Based on the previous findings, the study has recommended the following: firstly, farther financial and accounting studies related to the agricultural sector should be made. Secondly, the use of estimated budgets in planning, control and decision-making in the agricultural corporations in Jordan must be promoted. A questionnaire has been designed as a data collection tool. The respondents of the study numbered (70). Also, SPSS has been used for data analysis.

The study of Waleed Zakria Siam aims to determine the extent to which estimated budgets were used in planning, control and decision-making in the Jordanian pharmaceutical companies. To achieve the objectives of the study, a questionnaire has been designed and distributed to the financial managers of the different departments of the organization. The study’s findings are: firstly, the estimated budgets contributed to the assistance of management in the performance of its administrative functions. Secondly, the study also proved that there are many obstacles that limit the optimal use of the estimated budgets, the most important of which is the absence of confidence in the estimated budget’s predicted figures.

The study of Salem Hales aims to identify the extent to which the budget was used as a planning and control tool of Palestinian civil society institutions. The number of (100) institutions have been selected from which data have been collected via. a questionnaire list. The results of the study indicate that most Palestinian civil society organizations have long-term plans and prepare budgets to achieve the objectives of the institution in general and to use the budget as an effective resource allocation tool.

The study of Al-Zu’bi (2004) aims to identify the role of budgets in planning, controlling and evaluating the performance of the municipalities in Jordan. It also aims to evaluate the efficiency of the municipal units in planning their activities and evaluating their effectiveness. The study concludes that the budgets were not based on the rules of the scientific administration and the current budgets are not the optimal method through which expenditures can be reduced and decisions can be rationalized in a way that achieves the objectives of the budget at minimal costs. The study has recommended that the government must assist municipalities in preparing their plans and programs and evaluating their performance.

The study of Al-Dosari (2014) aims to explore to what extent Saudi Arabia's electoral experiment has succeeded and to what extent this experiment has contributed to the development of municipal units in the Riyadh Region. The number of the sample is 186 respondents. The study has adopted the descriptive approach. Also, the coefficient of correlation has been used in data analysis. The study has reached many results, the most important of which are: firstly, the participation of citizens led to the increase of the administrative and supervisory performance of municipal units. Secondly, the study revealed the presence of obstacles that may limit the participation of citizens in the municipal elections such as the delay of the implementation of some projects. Thirdly, the study also found that a positive relationship between the degree of participation of citizens in the municipal unit's performance. The study recommended updating and developing the systems of municipality according to economic and social development and the need to increase the powers of the municipal councils, enabling them to perform their tasks efficiently and effectively.

The study of (Soued Al-Rhily, 1431 H) aims to monitor the experience of the first municipal councils for the period (1426-1430 H) and to identify the achievements under the power granted to them. The study was applied to the municipal councils in the Riyadh Region which numbered 48 and 445 members. The study has used the descriptive analytical method. The study has concluded the following: the general administration of municipal councils in the Ministry of Municipal and Rural Affairs determines the criteria of the performance evaluation for the municipal councils in Riyadh. The general satisfaction of the citizens ranked last. There is control over the performance of the municipal councils in Riyadh and the first source of this control is the Ministry of Municipal and Rural Affairs while the last source is the population and local voters. The study has recommended that municipal systems must be modernized according to economic, administrative, social and political developments.

The study of Mohamed Nasr Muhanna aims at dealing with some aspects of the local administration in Saudi Arabia. The study has found that the experience of the local administration in Saudi Arabia is one of the best local Arab experiences as the Saudi State devote all its efforts to serve the Saudi citizens and places the huge budgets for his education, care and rehabilitation of citizens to take its normal place in the labor market. In addition, the state encourages local national efforts in particular, to hold local posts. The study also has

revealed that the Saudi Government have developed its laws and legislations related to the local administration. The study has recommended that the Saudi Government must consider the best ways to develop the local administration in Saudi Arabia and it must activate the experience of administrative decentralization in municipalities in Saudi Arabia.

According to Sami bin Sulaiman bin Ali Al-Nasir, 1426 H, municipalities is the body that undertakes with the chairman of the council, the powers of the municipality and exercise the power of reporting and control. This municipality seeks to meet the needs of citizens easily. Atkinson and Mark (2004) define the budget as: "A quantitative expression of the inflows and outflows that illustrate the operating plan of the institution to achieve its financial objectives. Al-Nasser (2003), defines planning as: "the vision of the future or the prediction of it. This requires a deep reflection and careful consideration of what can or should happen in the future. Griffin (2001) defines control as: "Verifying that what is achieved is actually identical to what was decided in the approved plan, both with respect to objectives, policies and procedures and with regard to planning budgets, work programs and timetables.

The study of Al-Rahili (2009) aims to clarify the importance of using planning budgets in the processes of planning, control and evaluating the performance in Jordanian industrial companies as well as the extent of the commitment of these companies to use these budgets and the importance of participation of all departments in their preparation. Data collection tool was the questionnaire lists. The study has proved that a very high percentage of companies benefit from the results of the budgets to address the current performance deviations. The study has recommended the following: the behavioral aspects must be taken into consideration when preparing the planning budgets. All members of the departments who undertake the preparation of the planning budgets, must be involved. The internal constraints facing the company when preparing budgets should be reduced.

MATERIALS AND METHODS

The study has adopted the approach of case study which is a study of estimated budgets in the municipalities of Riyadh. A questionnaire has been used to collect data. Also, the study has used SPSS program for statistical analysis.

Sample and the study community: The study community consists of all employees in the financial affairs in the municipalities of the Riyadh Region of Saudi Arabia which

Table 1: Answers of the study's respondents to the terms of the constraints that limit the effectiveness of the estimated budgets in the municipalities of the Riyadh Region in Saudi Arabia

Series	Terms	Arithmetic mean	SD	Rank
2	Lack of awareness of budgets in some municipalities' departments	4.090	0.927	1
19	Lack of a good system to stimulate participations in the reality of preparing budgets	4.020	1.079	2
6	Lack of cadres with experience in preparing budgets	3.890	1.018	3
7	Lack of necessary information and statistics	3.860	1.003	4
9	Law and regulations	0.978	1.001	5
3	The belief that the budget is a punitive measure	3.800	1.001	6
1	Non-realistic budget estimates	3.780	0.964	7
10	Lack of support to implement and apply estimated budgets	3.150	1.045	8
5	Lack of proper standards for the preparation of budgets	3.740	0.957	9
14	Lack of scientifically and practically qualified administration to prepare budgets	3.690	1.127	10
17	Lack of an effective supervisory system on the works of municipalities	3.680	1.128	11
18	Lack of techniques and equipment to assist in preparing budgets	3.670	1.124	12
15	It is not possible to be guided by the estimated budgets for previous years	3.670	1.138	13
12	Not-making sure from the reality of available information and statistics	3.660	1.028	14
8	Not involving all departments within municipalities in preparing budgets	3.590	1.110	15
13	Lack of focus on the balance between revenues and expenditures	3.570	1.097	16
11	Lack of any administrative accountability for any department within municipalities	3.560	1.063	17
16	Lack of clear future plans for municipalities	3.520	1.090	18
4	Many members of the municipalities are not convinced of the estimated budgets	3.220	1.127	19
	General average	3.72	0.761	-

numbered (47) municipalities and applied to (210) items. The method of complete census has been used to collect data.

The field study: To identify the obstacles that limit the effectiveness of budgets as a tool for planning and control in the Saudi municipalities, arithmetic averages, standard deviations and the rank for respondents have been calculated and the results are shown in the following Table 1:

RESULTS AND DISCUSSION

Search findings

As for the answer of the main question: What are constraints that limit the effectiveness of the estimated budgets in the municipalities of the Riyadh Region of Saudi Arabia? The results of the study have showed that the study's respondents agree to the constraints that limit the effectiveness of budgets as a tool for planning and control in the municipalities of the Riyadh Region. These constraints are the following:

- Lack of awareness among the study's respondents regarding the estimated budgets
- The absence of staff motivation when preparing the estimated budgets
- Lack of experienced staff to prepare the estimated budgets
- Lack of necessary information on how to prepare the estimated budgets
- The governmental laws and regulations do not serve the practice and application of the estimated budgets
- No convincing of the members of municipalities of using the estimated budgets

CONCLUSION

In reality, one of the most obstacles to the effectiveness of the estimated budgets is the lack of awareness of some Departments of the Municipalities of the Riyadh Region of the estimated budgets.

RECOMMENDATIONS

Based on the previous results, the study recommends the following: a good system to motivate employees in the municipalities of the Riyadh Region to prepare the estimated budgets must be applied. Awareness among employees in Riyadh's municipalities of the importance and benefits of the estimated budgets should be raised.

The individuals who are responsible for preparing the estimated budgets should be rehabilitated and trained. Information leading employees to know how to prepare the estimated budgets should be disseminated. Some laws that are in line with the importance of the estimated budgets should be amended.

Providing modern techniques that help to prepare and implement the estimated budgets. Promoting the conviction of the officials of the importance of the estimated budgets in planning and control.

SUGGESTIONS

The researcher suggests the following studies: comparative studies about the constraints of the preparation of the estimated budgets in European countries. Studies about constraints that face the estimated budgets in European countries. Studies about

other constraints that have not been taken into account in the current study. Comparative studies about the constraints of the preparation of the estimated budgets between Arab countries and European countries.

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