

Research Article

STUDYING THE FINANCING SYSTEM OF ORGANIZATIONS IN MUNICIPALS OF BUSHEHR PROVINCE

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ABSTRACT

The aim of the current study is reviewing the system of financing in municipals of Bushehr. The method of the research was survey and fieldwork. The research population of the current research is the employees of the funding system in all the municipalities of Bushehr province, among these samples, 100 people were randomly selected using simple random sampling according to Corcoran's formula. They were selected among 30 municipalities 271 people were selected from 271 staffs of finance system. In this research the questionnaires made by the researcher was used in order to evaluate the variables and the reliability coefficient according to Cronbach's alpha is determined 95/0. In order to analyze data, one sample independent t-test is used. Results show that the system of financing municipalities in the Bushehr province lacks proper reporting capabilities to control costs of the programs, plans and annually approved projects.

Keywords: Financing System, Municipalities, Desirable Reporter, Bushehr Province

INTRODUCTION

Municipals, government and affiliated units and public institutes of nongovernmental organizations (NGO's) are considered as big organizations of public sector in Iran. Therefore, by analyzing the financial reports of these institutions we can provide a landscape of financial reports of public sector as one of the essential tools of the elected officials who are appointed in public sector of the big organizations in order to attain and promote their accountability (Babajani, 1999).

With the increasing demand of the citizen's right and their right to know the truth, it has made government officials and politicians in developed countries to equip financial reporting system with the new financial reporting system based on accountability. In communities where the government is elected by direct population's vote, the public accountability of the government has a special place. But it is argued that insufficient attention to economic and financial resources of elected officials in large corporations in Iran and poor growth or decline of citizenship's demand about the right to know the truth and democratic supervision is one of the reasons that made reporting system of public sector in Iran to encounter with considerable deficits. Management of the government in economic states has fundamental impact on fate of the nations because of the fact that our economy is a state economy. Prosperity of the state economy has fruitful results on all facets of the country and economic recession follows a devastating crisis. So the economic affairs are very essential and accountability is more important in economic affairs. Government officials have to report whatever are the people's right to know in economic issues and governmental income. Studying in the above mentioned fields and comparing the current situation in Iran and detecting basic failures in financial reporting in order to achieve suitable and executable systems with considering the conditions, features and regulations in the country is a basic necessity (ibid.).

The term financial reporting system is used for all financial and budget controlling activities and is defined as a set of financial reporting which is extracted from this system (accounting standard committee, 2005). Funding is assessing all or part of the approved credit for certain costs (Aghvami, Babajani, 2001). Various persons with various rights and interests, often divers and conflicting, needs a

Research Article

judge's decision to decide about nonprofit units and financial reform and nonprofit agencies prepare and report a variety of financial reports which basically uses external aspects of the organization (Alivar, 2002). Increasing competitions and technological advances has caused lots of changes in the field of economy. Companies have to change their organization system and management, work procedures, methods and product or services, risk management and relationship with other companies in order to survive and compete with each other and maintain their market share (raw materials providers, colleagues, suppliers and trading partners). Only companies who pay more attention to their customers (internal or external) and also have the feature of decentralized decision making and can reduce the time and cost of the key activities can be successful in the competition. Today, in order to respond quickly to the economic changes, successful companies change their information system and required information for management in order to be able to respond quickly to the needs of their customers and also reducing the production costs and improving their share of the market by preserving the quality of the product in order to have a proper definition of the relative advantage of the organization. Therefore, in the evaluation of the measurement performance criteria and financial and nonfinancial reports there are significant changes in the organization. In fact, reporting has to be changed according to user's need; otherwise, it will lose its efficiency. There is no doubt that this topic becomes very important when we know that the survival of the accounting profession depend on the acceptance of the principal change in line with changes in economic enterprises and global trade (Kozazi, 2003).

Considering the developments in field of business, needs of users of financial reports has been changed basically and new expectations have been raised by the various stakeholders in the organization. However, events such as financial scandals of Enron, has made the necessity of reviewing and developing content and form of the reports in focus of attention of the accounting centers in the world. Following these events and planning these requirements, various recommendations and suggestions and innovations been published by various professional bodies and accounting circles such as Ifec, professional accounting associations, large accounting firms and other institutions and other institutions in new forms and models. The main characteristic of the new reporting has become of interest of the presenters. The important point to realize is that all the models offered emphasize the importance and essence of incusing the nonfinancial indicators in the report (Babajani, 2003).

Now a day, financial reporting has to be changed according to the needs of users; otherwise, they will lose their effectiveness and specificity. There will be no doubt that this issue will be very important when we believe that the survival of the accounting profession from various aspects can present various financial information in form of financial reports. Control is one of the fundamentals of management. Managers can help organizations to evaluate financial reporting. When we talk about financial reporting system of an institute it is the systematic collection of input in the form of data and output in the form of the financial reporting system of the organization makes this issue clearer. System approach and contingency theory creates a new approach on management knowledge, the effect of this thought on management knowledge and its interaction with other science and new technologies, causes the additional development and progress in reporting and financial condition of institutions. Consistent with these fast-paced environmental changes, organizations need to improve, modify, transform and touch learning and plaque over coordination of the elements of organization with different financial systems in order to deliver their reports (Arab Mayzay Yazdi, 2003).

Improvement of the financial report of the governmental organizations needs more planning by using basics of the system in order to plan resources and facilities of the financial organizations, implementing these plans and subsequently it requires controlling the current situation of the organization and comparing them with the optimal conditions of financial reporting and in order to evaluate the financial reporting system, getting feedback from the undertaken actions according to the principles and elements of public management of the governmental organizations makes this improvement cycle more complete and more reliable against the expectation of the people of the community. With the development of decision making science, following the problem-solving process of financial reporting in governmental

Research Article

organizations, it is needed to precisely evaluate the entry data and information, data processing methods used in governmental organization systems of the financial system (budget) by the management of the public organizations. The listed items which give the consequences of the proper system continuously based on the feedback process which internally controls the financial system, seems to give a better picture of the financial reporting of a public organization (Ibid.)

From the eleventh to fourteen century AD European cities were gradually separated from the states and became independent and associations were established in them to manage their affairs. Therefore, urban governments were formed based on decentralization. Moreover, in many European countries the activities of the churches and organizations which were responsible for the public welfare were decreased. Consequently, rules came out from the monopoly of the governments and people's interference in the public affairs increased. Finally "municipality" formed in the modern sense. Generally, municipalities are considered as a part of the local organizations. Municipality is the organization which is within the city limits in order to fulfill the citizen's welfare and development needs which has a local aspect. Also municipality's responsibility is to create a number of urban structures which is part of the local people's need. The main goal of the formation of the municipality is that local affairs be managed by the local people's participation and with the minimal governmental interference (Ghahari, 1985)

Background of the municipality goes back to "constitutional revolution". The Iranian constitutional revolution is the embodiment of the votes and demands of the people to participate in determining their own destiny in such a way that it had a significant impact on all affairs of the city including management and administration of the urban. But the initial activities of the municipals go back to the period after the constitutional revolution, because in constitutional government, the National Assembly and the government was obliged to enforce the demands of the people. Therefore, formation of the municipal as an organization which made it possible for citizen's to govern their own affairs and respond to their own needs was a great step to fulfill the people's need. Thus, the first National Assembly in 1286 AD, the "Baladieh Act" was approved by the House. Baladieh Act was developed by using the municipal laws developed in Belgium and France. But its implementation was two years after its impartment to the municipals. The act was to some extent implemented in some provincial capitals, cities and towns. From 1286 to 1300 AD the Baladieh was established in just nine cities: Kerman, Tabriz, Shiraz, Dezful, Mashhad, Maraghe, Maku, and Astara. Then, in 1304 AD Baladieh was established in 6 other cities like Anzali, Ahar, Zanjan, Khoy, Bushehr, and Abadan (Shakiba, 2005).

Accountability is the obligation of the parties which in its implementation, people have compelling reasons and explanations to do their responsibilities which they have been responsible for and offer necessary reports. Accountability in municipals has two responsibilities and it is important for all users of the financial reports one of them is performing an specific act related to the activity scope of municipals and the other one is responding and providing legitimate reasons that is required to perform the responsibilities but the obligation to meet the reporting is the responsibility of the accounting. The essential elements of the process of reporting and accountability in municipals are raised from a relationship between authorities of the municipality organization and users of financial information in the form of financial reporting information (Babajani, 1999).

Accountability in democratic societies is based on the belief that people have right to know the fact as well as the public have right to receive the realities from their representatives by public debates openly (Ibid.).

Babajani (2008) evaluated the accountability of the financial system of the government. In societies where government is elected from public vote, the elected government is responsible to respond to their citizen's about the actions that they perform. Accountability requires government to provide reasonable reasons for items such as providing funds, increase in financial resources, goals for which these financial resources are used for and how these financial resources be used. Regarding the fact that fulfilling accounting responsibility in such societies is done by public statements, therefore, governmental accounting and financial reporting system of the government is one of the main means to convey financial

Research Article

information and helps the government to meet its duty properly and correctly. Existence of several obstacles in structural-legal, social, political, cultural and educational aspects have caused the financial system governmental financial reporting in Iran not to have the essential progress and not to fulfill the goals of governmental financial reporting responsibility especially governmental accountability. The researcher concludes that the accounting and financial reporting system in Islamic Republic of Iran doesn't have the necessary compatibility to perform the accountability responsibility in fields of approved Budget Control, identifying and reflecting the annual venue and actual cost, reflecting the fixed assets and general long-term debts and reflecting condition and results of operation in the annual financial reports.

Mardani (2002) studied the difficulties of implementation of the audited financial statements of nonprofit institutions (municipalities of Kurdistan and West Azarbayjan) from the point of view of the accountants in accounting institutes who are considered as one of the community members and on the other hand who are considered as official accountants. This research begins with the question: (despite the preparation and agreements between the ministry of civil affairs and certified public accountants, what obstacles do the independent auditors who have issued reports have faced while implementing the municipal's financial statement audit?)

In this study, researchers used a questionnaire to collect information from the statistical community, and then used the statistical methods to either accept or refuse hypothesis. Finally they reached the conclusion that hypothesis proposed by the researcher was refused by using statistical tests.

Ghorbani (2003) conducted a research aimed to evaluate the usefulness of the preparation and reporting the evaluation of management of internal governments control over financial reporting (internal control reporting) and external distributions by public share companies in Iran. In this regard, the comments of two main groups of users including investors and auditors has been tested and evaluated. Followed by the crisis in recent years in the market of advanced countries, new models were proposed and audits are required to express their opinion about it, which in fact the main objective of this report is to contribute to build confidence in investors regarding the correctness of financial reports. This study suggests 2 hypotheses; the first hypothesis is the report of the management evaluation which are considered useful from the perspective of investors and the second hypothesis is the report of the management evaluation which is considered useful from the perspective of audits, in this research by using questioners and data gathering devices, and with the help of five-point Likert type scale transformed to qualitative data and considering how questions were presented, these questions were posed, evaluated and measured. Finally statistical analysis of the results show that the external management evaluation reports of internal control over financial reporting in Iran's financial reporting was considered useful from the perspective of investors and auditors. According to what we have said, this question will come to mind that whether the financial system in municipals of Bushehr province have a good ability to control costs of programs, plans, and annual adopted projects?

RESEARCH METHOD

The research method was survey and fieldwork. The research population of the current research is the employees of the funding system in all the municipalities in Bushehr province, among these samples, 100 people were randomly selected using simple random sampling according to Corcoran's formula. They were selected among 30 municipalities 271 people were selected from 271 staffs of finance system. In this research the questionnaires made by the researcher was used in order to evaluate the variables and the reliability coefficient according to Cronbach's alpha is determined 95/0. In order to analyze data, one sample independent t-test is used. Results show that the system of financing municipalities in the Bushehr province lacks proper reporting capabilities to control costs of the programs, plans and annually approved projects.

Questioners about optimal reporting capability of financial system of the municipals:

Information measurement instruments are methods by which researcher is able to gather, record and track his required information. Only by selecting a proper method of measurement a researcher will be able to

Research Article

gather data related to the issue of research and secondly, he can extract and classify them and thirdly detailed analytical analysis is possible for him. Attitudes measurement is qualitative affairs which demand special tools for measurement. Social scientists have tried to measure attitudes, desires, inclinations and desires and designed and developed a range of tools to design and invent tools which are known as range and the most important of them is Bugardus, Likert and Gutman range (Khaki, 2007). In this study, Likert five-term questionnaire is used. This range consists of five options; the investigator will gives a number of options to the accountable in order to show his attitudes towards them. The range trends from very high to very low tendency. The reliability of this scale is more than ninety percent which is very satisfying. Because the options were qualitative they became quantitative to test the hypothesis. The reliability of tools of a research which is known as reliability means if a measurement tool which is made for measuring the industrial variable, in similar term or at other location be used, similar results be obtained from it. In other words, the reliable or valid tool is a tool which has the feature of reproducibility and is measured with the same results every time (Anjomani, 2005).

Whatever the alpha is closer to 100%, it indicates more validity and the smaller amount shows the less reliability of the questionnaire. The result of the questionnaire indicated that the alpha value is equal to 95/0. Result of the above calculation shows that the questionnaire is affected by the internal consistency. Thus, the research instrument has high reliability and has the ability to measure the variables.

FINDING

In the current study, data were analyzed by using inferential statistics (t-test is used for independent samples) to investigate the optimal financial reporting system of the municipals.

Table 1: Assessment of the appropriate reporting system of the municipals

variables	Test Value = 3					
	t	Degree of freedom	Sig.	Mean	95% confidence level	
					Lower limit	Upper limit
Ability to control costs, programs, plans and projects of the annually approved projects	9.64	99	0.0001	0.17	1.34	1.52

As a result of this test shows, significant level is equal to 0001/0 and is lower than 05.0. as long as low and high level are positive , so we can conclude by 95% reliability that financial system of municipalities of Bushehr lacks the ability to control program costs, plans and annually approved projects.

CONCLUSION

Results obtained from the current study shows that the financing system used in municipals of Bushehr cannot control the plans and annually approved projects well. More precisely speaking, according to the questions posed above, we can assert that the system used in financing system of municipals in Bushehr is significantly different from features expected from am good and standard system.

The result of the independent sample t-test shows that the hypothesis has been confirmed based on the research topic. In other words, the system of financing municipalities in the province lacks the optimal ability to control costs, programs, plans and annually approved projects.

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