



RESEARCH ARTICLE  
Vol.9.Issue.3.2022  
July-September



## INTERNATIONAL JOURNAL OF BUSINESS, MANAGEMENT AND ALLIED SCIENCES (IJBMAS)

*A Peer Reviewed and refereed Journal*

---

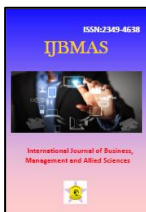
### FINANCIAL PLANNING TOOLS AS AN APPROACH FOR FORECASTING AND DECISION-MAKING IN ECONOMIC INSTITUTIONS “FIELD STUDY ON IRAQI INDUSTRIAL COMPANIES”

**RIYADH HASSON JABBAR**

Lecturer at Imam Al-kadhumi College, Iraq

DOI: 10.33329/ijbmas.9.3.6

---



#### ABSTRACT

This study aimed to identify the role of using the financial planning tools represented by budgets and breakeven point and other related statically methods in improving the future predicting, controlling and making decisions in the Industrial companies in Iraq. A questionnaire was designed and distributed to the sample of the study which consisted of 60 employees in the Iraqi industrial companies' administration, in the accounting departments and in the finance administration in these companies. 54 questionnaires were analyzed statistically by the computer using SPSS. The study concluded that The firms under the sample don't effectively use financial planning information to drive major strategic decisions, and the research sample firms use the budgets only as one of the most important financial planning tools. But with limited role in interpreting and utilizing the financial budgets information in decision making and forecasts. The study also concluded that the firms under sample don't diversify in used tools for financial planning like Breakeven point analysis and other related statistical methods. A few suggestions were given like directing more studies related to the research field (financial planning tools), and upgrading the utilization of financial planning techniques to control the future plans and addressing obstacles to the utilization different financial planning instruments.

**Key words:** Financial planning, Budgets, Breakeven point, Control, Decision Making.

---

#### Introduction

One of the key difficulties confronting organizations today is planning for future. A powerful, and efficient planning for financial activities and utilizing budgets specially the flexible budgets in order to adapt to changing business climate. Organizations that can continuously update its plans and gauges rapidly changes are in a better position to take advantage of opportunities and respond to

---

threats (Stretch, 2009: 90). As the financial planning tools contribute to highlighting the financial position of the institution, as well as highlighting the most important. and maximize the market value.

Planning and budgeting for the future changes are the most effective instruments that can assist companies with evaluation and predicting about the future performance and over the long run, these tools can ultimately enhance to the organizations' strategic decision-making process.

The job of the finance division is to give a monetary assessment of expected sales volumes, macro-economic and internal assumptions Despite the fact that money drives the planning system, it has to originate at a strategic level through the company's mission statement.

Hence, this study came to determine the relationship between the tools used in financial planning by management and decision-making in the economic institution, on the one hand and on the other hand, the role of financial planning tools in achieving the goals of the institution and controlling decision-making. And in order to match the study goals a field study on a sample of institutions was conducted by the researcher.

### **Problem statements and Questions:**

Most of the organizations which are subject to the sample study represented by Iraqi industrial companies view the financial planning tools such as: traditional budgeting and forecasting processes and breach even point analysis as mandatory, time consuming and provides limited value to the companies. The main problem is that companies are not using the data provided through these processes to its full potential and assessing whether organizations are using their financial planning tools like budgeting in predicting and future financial planning as a strategic tool in the overall decision-making process is very important.

### **Research Questions:**

What is the contribution of financial planning tools to making rational financial decisions in the research sample institutions?

Based on the problem, we formulated the following sub-questions:

1. Do the research sample institutions depend on the financial planning process for the future?
2. What is the tool used by the research sample institutions in the financial planning process?
3. Are other scientific and statistical methods (like breakeven point analysis) used as financial planning tools in the research sample institutions?

### **Research Hypothesis:**

To answer the study problem and the sub-questions, the following hypotheses were formulated:

1. The research sample institutions do not depend on the process of financial planning for the future.
2. The research sample Institutions do not use the budget as one of the most important financial planning tools.
3. Scientific and other statistical methods and methods like breakeven analysis are not relied upon as financial planning tools in preparing planning in the research sample institutions.

### **Research importance:**

The current study importance comes from revealing the nature of the relationship between the study variables represented in many theoretical and applied considerations, as follows:

- Determining effective contribution of financial planning tools to produce sound financial decisions taken by institutions.
- Determining how important is the use of financial planning tools to make effective administrative decisions as the core of the administrative process.
- Providing some recommendations that help managers in addressing the variances using financial planning tools.

### Research Objectives

The fundamental goal of the article is evaluating organizations utilizing of financial planning tools for future forecasting as a strategic tool to make decisions, and investigating the factors affecting the success company in providing a quality financial plans and budgets.

Following objectives are stated to achieve the main objective:

- To examine current organizations reality towards planning, anticipating and financial plan preparation.
- To examine the different variables impacting financial plan and estimate precision and quality.
- To decide the role and effect of financial planning data and tools in the essential decision-making of enterprises.

### Literature Rewire

Gupta et al. (2021) endeavored in his paper is to discuss and analyze the tools of financial planning of the singular investors, and different variables influencing Wealthsurance establishment plan and it is impact on their strategic decisions.

Agarwal et al. (2015) look at the connection between financial planning tools and investments decisions for individuals over the year of 2015. He additionally utilizes multivariate examination to track down his outcome. He finds in his review that the likelihood of finding genuine solutions concerning financial planning is higher for male respondents than female. Ramakrishnan (2012) looks at the connection between financial planning tools and individual speculation decisions over the year of 2012. He additionally utilizes multivariate investigation to track down his outcome. He infers that the financial planning is fundamental instruction for people as well as for organizations and the economy. Azarenkova et al. (2017) the paper explores issues, concerning financial plans preparation. Techniques and models of financial plan preparation are examined. The study concluded that the Effective financial planning is essential tool of achieving of the main goals of the organizations represented by profit maximization. And the rising unpredictability of outside climate requires administrative elements to speed navigation and direct budgets preparation to decrease the effect of exogenous and endogenous factors on the financial activities of organizations.

Dow (2009) Dow Examine the connection between financial decision-making & individual investment over the period of 2009. Utilizing information from the questionnaire, He likewise utilizes multivariate investigation to track down his outcome. He observes that revealed contributing skylines are significant. the paper identifies which variables will make a difference in determining financial planning. The researchers concluded that the 140 socioeconomic variables that are significant for financial decision-making.

### Research Methodology

The researcher follows both qualitative and quantitative approaches (Collis & Hussey, 2003). Based on the nature of the subject, and in order to answer the problem and try to test the hypotheses, the descriptive approach was relied on in the theoretical study by dealing with previous studies and theoretical literature in order to address the various concepts and elements related to financial

decisions, as well as financial planning tools and financial planning in the economic institution, while in the field side the descriptive analytical method is used in order to analyze the answers of the sample members about the use of the budgets as one of the financial planning tools and its role in making decisions. Each of the descriptive statistics methods for demographic data was relied upon in order to describe and analyze the answers and on the inferential statistics method in order to test hypotheses and analyze the relationship between study variables.

### Measuring Instrument

The study uses the questionnaire as a tool to collect primary data from study sample and a scale of 5 points (Likert) will be used to measure the answers of the responders.

### Sample of Research

The study is limited to Iraqi firms in the industry sector. Where the same principles can be applied for the companies in other sectors.

### Structure of the Questionnaire

The Survey was created from the literature review where the nature of this research topic dictated the use of survey as a tool to collect primary data of the study.

The Survey is divided into two sections. First includes questions about the biographic information of respondents (age, job titles, experience, qualifications). Section sections includes questions research formulated to test the study hypotheses.

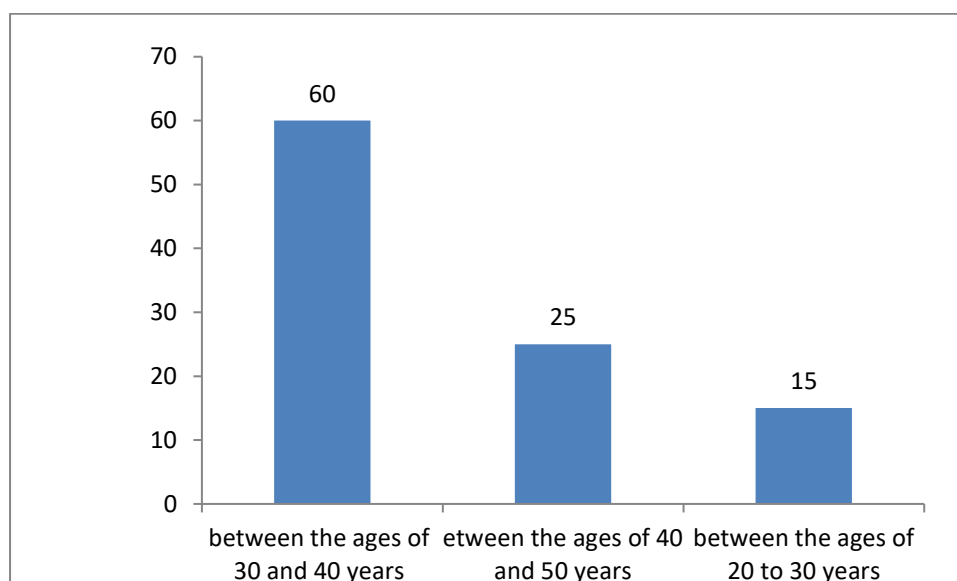
### Empirical Findings and Presentation of Results

In this part of the applied study, the results of the statistical tests related to each of the descriptive statistics of the demographic variables and the results of testing the study hypotheses will be presented.

#### Age

Following figure no.1 shows the distribution of respondents as per their present age in years. A high rate (60%) of the respondents is between the ages of 30 - 40 years of age while 25% are between the ages of 40 - 50 years. The rest of respondents are between the ages of 20 - 30 years.

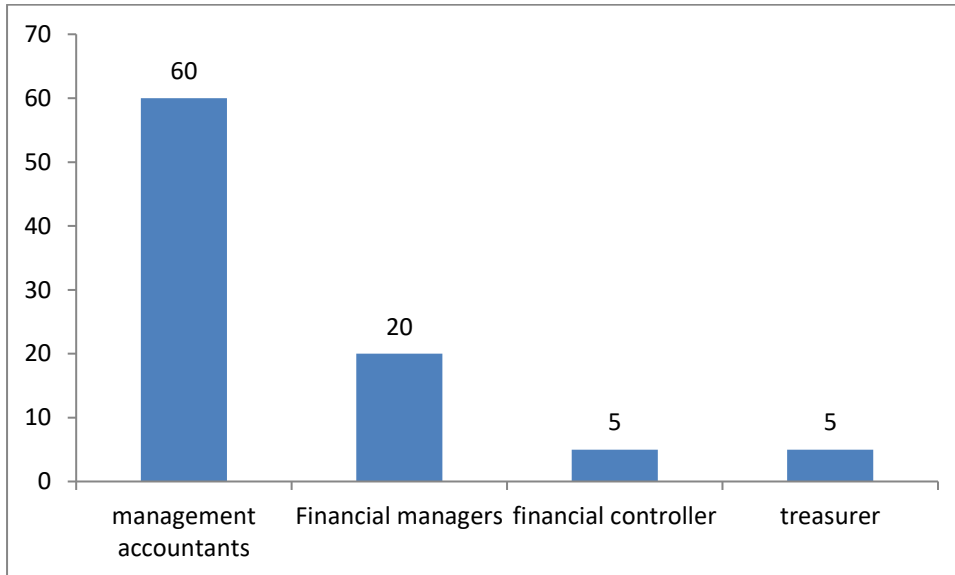
**Figure 1: Age**



**Job**

Following figure no.2 shows the study sample distribution based on work field for respondents as indicated by their work titles or positions held in the organization. Out of a complete respondent, 60% demonstrated that they were the management accountants. Financial managers 20%, financial controller and financier shared 5% of the populace.

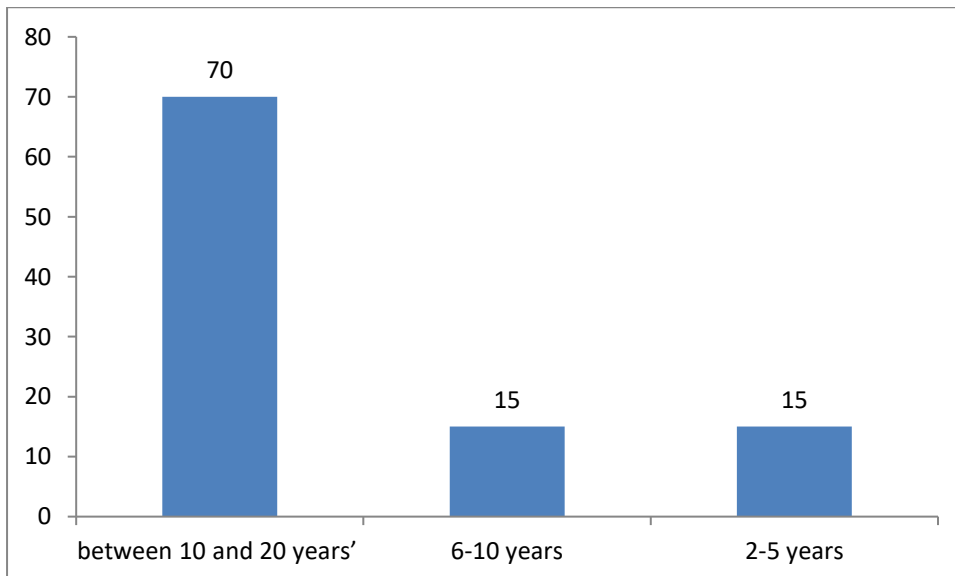
**Figure 2: Job**



**Experience**

Following figure no.3 shows the number of year's business experience the Figure no. 3 shows that based on the number of year's business experience most of respondents about (70%) have between 10 - 20 years' work experience involvement with the finance work positions.

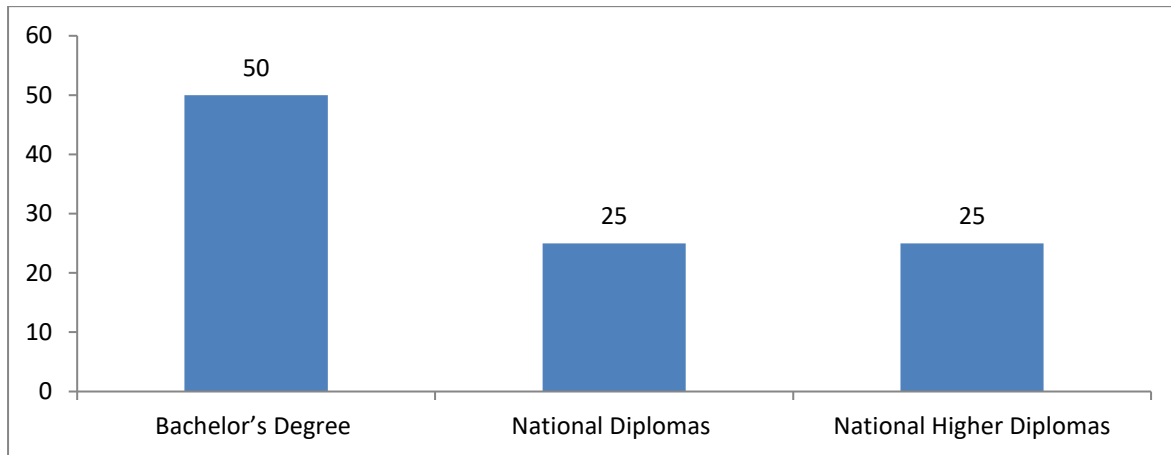
**Figure 3: Experience**



**Academic Qualifications**

Following figure no.3 shows the distribution of sample academic qualifications and 50% of sample have achieved a Bachelor's Degree where 25% have National Haier Diplomas. And also, National Diplomas are held by 25% of the sample.

Figure 4 Academic Qualifications



**Hypothesis H01: The research sample institutions don't depend on the financial planning process for the future.**

The following questions related to the first hypothesis were provided in the survey:

No.	Questions	Mean	Standard deviations
Q1.1	The financial planning methods used by the company help in forecasting the future needs for funds or resources needed to achieve goals.	3.014	0.77
Q2.1	The financial planning methods used by the company's management help in setting goals of Company for the next period.	2.66	0.96
Q3.1	The financial planning methods used help in expressing the company's goals to measurable data.	2.89	0.65
Q4.1	The financial planning methods used help the company's management in avoiding the problems and difficulties that the company may face during the financial period	2.05	0.71
Q5.1	Financial planning methods distribute available resources and funds efficiently between different departments and divisions within the company.	3.015	0.94
Q6.1	The company utilizes a special software application for developing financial plan and analysis it?	2.63	0.95
Average		2.709	0.889

Test Value = 3							
Std.	Mean	95% Confidence Interval of the Difference		Mean Difference	Sig. (2-tailed)	df	T
		Upper	Lower				
0.8891	2.709	0.51	0.29	0.40	0.000	53	1.66

Since the calculated T is lower than the schedule T (1.96), this means that the null hypothesis is accepted, and the mean of the answers was 2.709 which is less than the standard mean 3, which means that The

research sample institutions don't depend on the financial planning process for the future. And the sig value of the test reached 0.00, which is less than 5%. This indicates that this test is significant.

**Hypothesis H<sub>02</sub>: The research sample Institutions do not use the budget as one of the most important financial planning tools.**

The following questions related to the second hypothesis were provided in the survey:

No.	Questions	Mean	Standard deviations
Q1.2	The company prepares an annual budget.	4.69	0.66
Q2.2	The company complete and approve the annual budget on time.	4.51	0.80
Q3.2	All required and important areas are involved in the annual budgeting process.	3.88	0.71
Q4.2	There are specialized departments in organization that are participating in the annual budgeting process.	3.60	0.92
Q5.2	The organization re-estimate or updates the yearly budget, in view of most recent actuals and updated suspicions.	2.12	0.87
Q6.2	The results of the estimated budgets considered as one of the financial planning tools in making financial decisions.	3.58	0.70
<b>Average</b>		<b>3.73</b>	<b>0.440</b>

Test Value = 3							
Std.	Mean	95% Confidence Interval of the Difference		Mean Difference	Sig. (2-tailed)	df	T
		Upper	Lower				
0.440	3.73	0.61	0.41	0.40	0.000	53	7.12

From the above table it is clear that calculated T is greater than the schedule T (1.96), that means we can reject the null hypothesis, and it is clear that the mean of the answers was 3.73 which is more than the standard mean 3, this can be interpreted that research sample organizations use the budget as one of the most important financial planning tools. Also, the sig worth of the test came to 0.00, which is under 5%. This demonstrates that this test is significant.

**Hypothesis H<sub>03</sub>: Scientific and other statistical methods and methods like breakeven analysis are not relied upon as financial planning tools in preparing planning in the research sample institutions.**

The following questions related to the third hypothesis were provided in the survey:

No.	Questions	Mean	Standard deviations
Q1.3	The company calculating the Breakeven point for each period.	3.002	0.55
Q2.3	The organization utilizes the Breakeven point analysis and other statistical methods in estimating the future sales.	2.41	0.74
Q3.3	All required and important data are involved in the Breakeven point analysis.	2.59	0.91
Q4.3	There are specialized staff in your organization who are qualified to make Breakeven point analysis.	2.65	0.94
Q5.3	The company re-forecast or updates the annual coats and sales, based on latest Breakeven point analysis.	1.98	0.99
Q6.3	The results of the calculating and analysis of Breakeven point analysis as one of the financial planning tools in making financial decisions.	2.03	0.74
<b>Average</b>		<b>2.44</b>	<b>0.6105</b>

Test Value = 3							
Std.	Mean	95% Confidence Interval of the Difference		Mean Difference	Sig. (2-tailed)	df	T
		Upper	Lower				
0.6105	2.44	0.38	0.11	0.40	0.000	53	1.015

Since the calculated T is lower than the schedule T (1.96), this means that the null hypothesis is accepted, and the mean of the answers was 2.44 which is less than the standard mean 3, which means that the research sample institutions don't depend on Scientific and other statistical methods and methods like breakeven analysis as financial planning tools for decision making.

### Concluding & Recommendations

After conducting the necessary statistical analysis of the questionnaires, the following results were reached:

- The Survey were filled by experience participants because the majority of respondents about (70%) have between 10 - 20 years' business experience in the finance field.
- The companies under the study sample don't effectively use financial planning information to maintain the important strategic decisions.
- The research sample companies use the budgets only as one of the most important financial planning tools.
- The finance department for the companies under the study sample has an integral role in their financial planning process through preparing budgets only but with limited role in interpreting and utilizing the financial budgets information in decision making and forecasts.
- The firms under sample don't diversify in used tools for financial planning like Breakeven point analysis and other related statistical methods.



Based on the findings, the researcher recommends the following:

- Conducting more financial and accounting studies related to the topic, such as the impact of the application of the budgeting system to the performance of companies by affecting profits or Sales.
- Enhancing the use of financial budgets in planning, control and decision-making processes, due to the increase in the efficiency of resource distribution and in achieving The Company's objectives.
- Addressing obstacles to the use of various financial planning tools through the following:
  - i. Holding training courses related to raising awareness by official bodies and professional organizations.
  - ii. Stakeholders and managers of companies should recognize the importance of financial planning tools for controlling and taking Decisions.

### References

- [1]. Agarwal, S., Gene, A., Ben, I. D, Souphala, C &Evanoff, D. D. (2015). Financial Literacy and Financial Planning: The Evidence from India. *Journal of Housing Economics*, 27, 4–21. doi:10.1016/j.jhe.2015.02.003.
- [2]. Collis, J. & Hussey, R., 2003. *Business Research*. Second Edition. Palgrave: MacMillan.
- [3]. Dow, James, P. (2009) Age, Investing Horizon and Asset Allocation, *Journal of Economics and Finance* 33, 422-436.
- [4]. Galyna Azarenkova, Tetyana Pasko, Olena Golovko and Yuliia Kovalchuk .(2017)Financial planning and improving of its methods. *Accounting and Financial Control*, 1(1), 39-47. doi:https://doi.org/10.25161/afc.1(1).2017.05.
- [5]. Ramakrishnan, R. (2012). Financial Literacy and Financial Inclusion. Paper presented in SKOCH Summit 2012, Mumbai, India. Retrieved from <http://www.skoch.in/images/29/RRamakrishnan.pdf>.
- [6]. Stretch, J., 2009. Rolling out a new era in strategic planning. *The WITS Business School Journal*, 2 (18), pp. 89-90.
- [7]. Sumeet Gupta, Ruchi Tyagi, Anurag Sharma .(2021) human wealthsurance: analytical study on financial planning of community investors during covid-19. *International Journal of Management (IJM)* Volume 12, Issue 1, January 2021, pp.1453-1473, Article ID: IJM\_12\_01\_128 Available online at <http://www.iaeme.com/IJM/issues.asp?JType=IJM&VType=12&IType=1> ISSN Print: 0976-6502 and ISSN Online: 0976-6510 DOI: 10.34218/IJM.12.1.2021.128.