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A Study on the Assessment of Resource Planning By Integrating Financial Management

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Abstract

The paper analyses different strategies to enhance resource planning and allocation by combining financial and budgetary management with performance management. The aims of financial management and performance management as part of an integrated resource management framework are explored. The study analyses the interfaces through which the degree of integration of performance management and financial management may be measured. It aims to find the dynamics that occur from the interplay of important factors at particular interfaces between processes. The paper finishes with some short notes regarding various tactics for integration.

Key words: Resource Planning, Financial Management

Introduction

To describe a financial management system, we need to say that it's one that "operates those systems and procedures intended for budgeting and budget execution; maintains an accounting system which records financial decisions, flows, and transactions; and audits all parts of these accounts." Management of performance can mean many different things depending on the administrative system, from the most basic management of employee performance within a centralised administration to the vehicle for establishing and managing the government's highest strategic priorities and turning them into strategic outputs that cascade down to individuals.

The systems for financial management and performance management (including people management) present the tools, incentive systems, and institutional structures through which governments aim to alleviate or avoid these challenges and maximise attainment of goals. As a result, both the financial and performance management systems have four fundamental goals: It's important to figure out what powers are needed to do these things and what information is needed to see if they're being done right. These are all important steps in planning government performance (Miller, 1994).

In a well-functioning resource management system, financial management and performance management procedures will exist, employing complimentary and mutually supportive processes. However, in fact, financial management and performance management systems tend to grow independently as parallel systems that may or may not (or perhaps to varied degrees) be harmonic or even compatible. A resource management system that achieves the goals outlined above may or may not have them aligned (individually or collectively). Processes may or may not be linked to performance management or financial management systems, depending on the system in use such as target setting and control systems (Neuby, 1997).

It is possible to identify a number of separate processes in any system, although this is rare. Even if in the case of financial management, there really is no fully prepared and unanimously recognised view (Rubin, 1992), if we compare the aims of financial management systems and performance management systems, some common ground as well as mutual reinforcement seems to be instantly obvious. Financial management systems strive for aggregate budgetary discipline at a macroeconomic scale and also for more effective service delivery. Echoing these goals, performance management seeks enhanced efficiency at the micro and meso levels. Financial management aims to distribute resources in such a manner as to focus on those activities that are of the greatest political importance. In theory, there should be a relationship between this purpose and performance management's aim of enhancing the performance and reliability of programmes, to the degree that political leaders seek to emphasise programmes that operate effectively and accomplish their objectives.

The Importance of Integration

There is a major technical issue when attempting to use the performance management system's effectiveness metrics. In a number of nations, governments and experts have realised the need to shift from measurements of outputs (typically efficiency indicators) to measures of outcomes of effectiveness (East, 1997). The fundamental impediment to the integration of performance assessment and budgeting is that the requisite outcome metrics are difficult to create for public sector programmes (Gianakis, 1996). Both are required for a well-rounded approach to measuring performance. Measurements of effectiveness and enhanced policy planning may be derived from outcome measures, It can be used as a tool for designing policy as well as an indication of direction in accomplishing public goals rather than as measures of impact (Schick, 1996). Attempts to explicitly relate budgetary allocations to efficacy measurements run into trouble. Despite the fact that this seems like common sense, there are many issues with it.

The integration of financial management and performance management has both technological and behavioral/political challenges. Among the government's most ingrained rituals, the budget process involves influential people and a wide range of political interests, not the least of which are distributional concerns of critical importance. Therefore, to integrate change in these processes with the adoption of performance management schemes may sometimes complicate the process, raise the number of barriers to be overcome, and overall increase the likelihood that a reform effort will fail to accomplish its aims.

Simply putting in place a performance management system is tough enough. Trying to accomplish performance management and budget reform simultaneously and in one process may raise the odds that both will fail. Consensus is required for the adoption of results-based management, but conflicts are higher when performance is linked to resource allocation. (Mayne,1996). As a result, this is not an insurmountable obstacle, but rather a question of managing change and ensuring that although systems evolve on various timetables, they are coordinated such that they do not, at the very least, operate against one another. One may label this the "Trying to accomplish too much at one time" dilemma.

A historical viewpoint also offers reasons for concern. The current excitement for some variation of performance budgeting in a number of nations is not the first time governments have sought to link budgeting and performance management systems more closely together (Jones and McCaffrey, 1997). The basic thought seems to be that these structures were too ambitious, too cumbersome, and too far away from the deeply ingrained habits of political decision-making to consider taking firm root, even though they did the job better in certain departments and for some programmes than others, and those who did left a beneficial residue of information and statistical capacity (Monnier, 1992). Have the many examples of failed or unconnected projects been simply accidents or oversights, or are there genuinely certain risks or penalties related to integration.

According to some opponents, there will always be times when the demands of the political process around budgeting and the requirements of management practises describing performance improvement are at odds. According to the idea, in order to continue this programme, politicians must allure themselves to ambiguous and general value systems, as well as develop or maintain sufficiently wide coalitions of support (Le Loup et al., 1998).

Assessment procedures

At least three features of accounting systems determine the possibilities for integration with performance management. First, there is the identification of the accounting entities (Likierman, 1998; Straw, 1998). A good way to summarise this is to ask if the organisations that report on performance are the same ones that account for money. Second, how much of a performance management system is based on data that is incomplete in terms of costs? (all the costs are not budgeted for directly). The point here is simple. A company's stated performance might be skewed if it is partially funded by another organization's budget. Furthermore, when an organisation or legal services are provided by a centralised controller with a special fund, certain aspects of its performance become difficult to evaluate – and unthinkable in almost all price/quality analyses. Third, there is the linked matter of whether accounting is handled in cash or accrual terms (Jones, 1998).

Financial management consists of four main stages: budget-making, budget execution, accounting, and audit. Target-setting methods, performance measurement systems, and mechanisms for monitoring and reporting make up the three main components of performance management. Even though this is a rudimentary division, it already yields a field with a slew of distinct cell types to examine. It is possible to break down budget implementation into several sub-categories, including cash flow control, stock control, debt collection, risk management controls, and so on. As a result, this level of detail isn't acceptable or realistic for a work this long or about this subject.

Many professional observers have claimed that various forms of budgeting stimulate and discourage certain sorts of conduct, both among the budget setters and budget implementers. It is clear to observe that certain kinds are more receptive to the incorporation of performance information than others. There are advantages and disadvantages to each budget category (Gianakis, 1996). Particular issues may occur if projects have extensive timetables for delivering their impacts, e.g., certain environmental improvement efforts, fundamental research programmes, or sophisticated military weapons development. To some degree, the same challenges exist when plans are focused on "eternal goals", such as lowering crime or eradicating poverty, factors which are unlikely to move drastically within the span of a few months. In such conditions, creating and re-setting performance objectives annually may not make a great deal of sense. A more general difficulty is that many government operations cannot be administered properly if their funding is strictly split into parts of just one financial year at a time, as these programmes are an extreme example of. High expenditure during the last month of the financial year is the best-known indication of the dysfunctional impacts of rigid annularity (Blondal, 2001).

Conclusions

Indicator questions were drawn from previous sections of the article, as should be obvious. In addition, they recognise the complexity previously assigned to distinctions in the degrees and sorts of choices with which lawmakers, executive officials, and management of different companies may each be engaged. This is an important question because the first major question concerns budgeting at the aggregate spending policy level, as well as inter- and intra-sectoral allocations and subsidiarity issues. The second important issue, by contrast, is concentrated further on the budget implementation stage – programme objectives management as well as operational management. The level of integration at certain interfaces and variables should be more important to look at than the level at others.

This list of questions is only a jumping-off point for additional exploration and conversation. Further examination may propose more questions, or sharpen current ones, or show that some adjustment in the schedule of questions is desirable according to the unique conditions and institutions of each jurisdiction. This work represents an adventure into an unexplored area and it would be very helpful if this preliminary map could be verified as full or completely credible by the readership. Selectivity is the evident preference of the current analysis as an alternate method. The first step would be to create a map of the current situation and determine the readiness of each interface. Next, it'd look for places where critical factors were favourable, or at least not too detrimental, and focus resources for improvement there. It would endeavour to develop the foundations in terms of "achievement" accounting and budgeting systems, before laying too much weight on efforts at complex integrated judgement.

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