

Budget Management in Public Hospitals

Case Study : Turkey

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Abstract:

Businesses often do not pay enough attention to the financial information and activities they have done when profit rates are high. Today, it is known that some enterprises do not have budget and no budget management. However, when faced with a crisis or when faced with financial problems, income, expenses, cash flows and budgets are important. In order to ensure the continuity of an enterprise, financial information should always be given importance and the status of the business should be evaluated continuously. Due to the importance of financial information, it is imperative to ensure the continuity of the enterprises in order to ensure that the economy of the country is strong and stable. In order to ensure their continuity, the companies need to use their funds more carefully. For this reason, budget works are important in enterprises.

One of the indispensable elements of human life is health. Individuals enjoy their lives when there is no problem in their health. In this study, budget management of enterprises, budgeting of hospitals, budgeting in hospitals and what should be paid attention.

Keywords: Budget, Budget Management, Business Administration, Hospital

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Introduction

The sustainability problem of the enterprises that is on the agenda from the past to the present has been examined in many platforms, and the solutions for the enterprises to be long-lasting and stable have been investigated. The new order of the business world means to understand the opportunities and risks brought by the current trends in terms of companies and when necessary, to reorganize their operations, services and products, business models and all these processes accordingly.

In this sense, preparing the operating budgets in accordance with the same standards as the actual data is crucial to pre evaluate the comparable situation and the financial condition of the entity and to take measures in advance.

In order to ensure the continuity of the enterprises, it is an undeniable fact that they will be one step ahead if the necessary importance is given to the budget management. Budget management is important in order to provide better quality services in enterprises.

Businesses are established to make profit. Their profit-making is related to how businesses manage their business activities. The fact that businesses are strong in the competition and successful in the market conditions is related to the decisions taken by the managers. In the case of decision, management reporting and the budgets of enterprises come to mind. Operational budgets play a guiding role in planning activities. It is observed that business management plans its activities with the help of budget, uses financial resources in a more effective way, utilizes the data to a high extent in order to minimize the cost, and it takes investment decisions in a healthier way.

In Turkey, State Hospitals are the institutions where health care is provided directly by the state. Therefore, state hospitals have an important place in the health care system of Turkey. In the study, first of all, the definition of budget and budgeting is explained and then budget management in enterprises is addressed. Afterwards, budgeting studies in hospitals and the purpose of budgeting are explained in a more specialized manner.

1. Budget Management in Business

1.1. Business Budget Overview

1.1.1. Definition of Budget and Budgeting

The budget is the business plan which describes the financial provision of the works that are planned to be realized within a certain period of time in the enterprise or any part of it and (that) gives regular feedback to managers. In other words, they are the plans that provide managers with information on how to obtain resources and spend them and focusing on the optimal use of limited resources. In this framework, the main purpose of the budgets is to ensure continuous and regular information flow to the managers in order to ensure the optimum utilization of the operating resources. Budget is a concept that businesses give importance to in all respects. The reason for this is that the main economic problem of the enterprises is the elimination of unlimited requirements with limited resources. The confrontation of the needs and the resources to meet them creates a problem of “choice” and “equalization”. Equalization of resources and requirements and choosing among the requirements is the problem that is the area of concern for all companies which are conscious and unconscious (Gökçen et al., 2014: 180).

Nowadays, it is among the most important duties of management to actualize the “planning, organization, orientation, harmonization, and auditing functions” that make up the management process in enterprises in a way that can reach the objectives of the enterprise. Today, with the development of the economy and technical conditions, the complexity of the management process increases, and this in turn leads to the development of methods and techniques related to management, and the eventuation of different concepts. One of these is the operating budget concept.

The operating budget is derived from the concept of budget. The budget, which is used as a chart of accounts, which extensively calculates the expenses and revenues, initially of the state, then of the private sector in a specific period, is an activity plan which is expressed as the amount in general and covers the estimation of expenditures, profits and costs in an accounting period. The operating budget is a numerical and formal expression of the policies, objectives and targets set for the future working periods through the top managers in the enterprises. In short, it is the expression of the planned activities of the enterprises. Budgeting concept is also frequently used with operating budget. Budgeting is the general name given to the techniques and methods required for budgeting which, beforehand, show the works to be done in a certain period of time in the future and in a numerical manner. As a result of budgeting actions, operating budget occurs (Karacan, 2008: 5).

1.1.2. Types of Budget

Budgets of businesses are classified in different forms. The budgets of different functions constitute the main budget of the enterprises. Budgets are classified according to different purposes (Kaygusuz and Dokur, 2009: 44). In recent years, due to the developments in the concept of budgeting, different budgeting activities such as activity-based budgeting (budgeting the activities that must be fulfilled in order to meet the planned output for the next operating period and the amount and costs of the resources to be consumed for the activities) have gone forward. There are two main types of budgeting in the main budget. These are (Tekbaş et al., 2015: 15);

- Functional budgeting
- Investment budget

Operating budgets can be prepared as detailed below.

Subject budgeting

-Expenditure: Budgets showing the relationship between the produced goods or services and production costs.

-Income(revenue): Budgets in which the results of operations are evaluated and estimated in terms of revenue in addition to cost-product relationship.

According to the way they examine the problems

-Project: The budgets revealed by the definition of certain projects in the form of budgetary objectives taken as the basis.

- Period: These are the budgets that are based on certain periods and which examine all the works and results whether completed or not within the period.

Budgeting for purposes

-Program: The budgets in which income / expense relationship of such advertising, general management etc.cannot be determined directly, but which addresses the actualization of certain programs as a result.

- Activity: Activity budget is generated by budgeting activities where cost / income relationship can be determined directly in a short span of time and at a measurable level.

According to the technical structure

- Static: It is based on the use of a certain capacity. It also plans activities in the form of time and volume. It is not necessary to examine the expenses necessary for the actualization of the activities in detail, and to evaluate the sensitivity levels of each individually against the capacity changes.
- Comparative static: In the budget calculations compared, it will be more convenient for the business to keep up with the new option as it is prepared even if the other option will be used in any case.
- Dynamic: It is the budget technique in which the budget figures can be arranged in a way that can be adjusted according to different actual volume usage.

Budgeting in terms of scope

- Functional: In functional budgets, the connection to the past is broken and the functions to be installed in the up coming year are taken into consideration.
- General: These are the budgets that cover the whole business (Demirkaya, 2013: 31-33).

1.1.3. Objectives of Business Budgets

One of the tasks of management within the framework of planning is to produce alternatives in a short time. Without short-term planning, no organization can produce the goods and services that will meet the daily needs. In this sense, short-term planning involves selecting one of the alternatives and carrying out the processes related to this option. In this regard, we can list the objectives of budget and budgeting as follows;

- Being able to define the underlying assumptions of demands since they are formally defined.
- As a result of reporting the methods and targets chosen by the upper level to the sub-administrations with the help of budgets, other managers understand these and provide support to the budgets.
- Ensuring the adaptation of the employees to the production elements in order to reach their targets.
- After providing a framework for the evaluation of demands for success, ensuring that employees can understand what is expected from them.
- Motivating employees in the light of budgeted objectives and, consequently, to provide opportunity to assess them by the budgeted criteria (Karacan, 2008: 6).

1.2. The Principle of Business Budgets

In order for the budgets to achieve success, the principles that can be defined in terms of thought, knowledge and opinion should be understood and prepared. It is possible to explain these principles as follows (Yalkın and Demir, 2015: 25);

Management Support Principle: The support of the management is essential for the adoption of budgets by all employees and to ensure the desired benefits of the budgets. Time for the budgets should be allocated by the individuals in senior management positions, data of the budget should be used when making decisions, necessary responsibilities should be shared in the preparation of budgets, the act should be coordinated, budgets should be approved, and implementation should be ensured. In this way, in order to comply with the budgets accepted by the full support of the managers, all employees will demonstrate the necessary devotion and the budget will be able to achieve success.

Organizational Adaptation Principle: In preparing the budget, the objectives, plans, and rules determined for the enterprises should be designated, the relations between the departments should be clear and the balance of responsibilities and authorities should be regulated and applied. Only in this way a healthy organizational structure can be created, and budget controls can be provided.

Participation Principle: Budget departments are not the only ones responsible for the establishment of the operating budget. In preparing the budget, individuals in the budget department should lead and consult the budget preparation with the participation of individuals from other departments. All budgets are prepared within the relevant departments and in close cooperation with the budget and financial affairs department. Its being permanent and planned plays an important role in the success of budgetary work.

Validity Principle: When determining the budget target, all budgets should be better determined than the previous ones. However, estimations should be made as close to reality as possible, without getting away from the reality. In particular, all departments should take care not to include unrealistic figures. In the case of not implementing this principle, optimistic or pessimistic situations may occur. If the figures are easy or difficult to reach the target, the budget will not be adopted by all personnel. The hard-to-reach targets can have a negative impact on the staff, and the easy ones can hamper the effort of staff and reduce their productivity. To illustrate, realistic estimations based on all criteria in a sales budget will encourage salespeople to reach the target.

Some important decisions need to be taken in order to prevent the targets from being really distant. These are (Yalkın and Demir, 2015: 27).

- With a permanent and systematic budget, the interrelation of the plans of different departments and the effects on each other should be shown.
- Positive and negative features of the budget control system should be examined and questioned with the same care.
- Approval of budgetary appropriations should be based on realistic reasons in all managers.

1.3. Budget Management in Business

A budget is a financial plan for an enterprise to achieve its functional and financial objective. The budgeting method is a step that has an impact on financial planning. In short, all enterprises, regardless of whether they are large or small, will benefit from written formal plans covering expected sales levels, expenses, net proceeds, cash inputs and outputs in the future. The use of a budget is the main component of a financial planning and administrative function in cost control (Haftacı, 2013: 112).

All employees should be given a budget-based culture of doing business in order to place budget discipline in the organization. The reason for the existence of all businesses is to ensure their sustainable profitability. Especially in sales companies, sellers should win just like their businesses, and the seller who cannot sell should lose as well. The key criteria of performance-oriented product listing and employee compensation system are their profitability. The sustainability of the activities of all enterprises depends on the sustainability of the expected profitability of that enterprise.

It is possible to list the main characteristics of enterprises' budgets as follows (Haftacı, 2013: 113);

- Operating budgets are plans.
- It is a measurement tool used to compare and measure the actual results with the previously calculated results.

Businesses form the process and calendar of monitoring the budget / actual performance of the business according to the functional conditions of the sector in which they operate. Since the business plans are shaped by financial calendar in Turkey (VAT, tax, social security contributions ,periods of service invoices received from customers and issued to suppliers)can not be carried out in accordance with the budget monitoring process monthly calendar (Haftacı, 2013: 113).

In multinational companies, methods of combining low cost and high quality are primarily sought in budget management. Therefore, they keep the costs under control in the budget management section without compromising their quality (Yalkınve Demir, 2015: 30).

1.4. The Purpose of Budgeting in Hospitals

Budget is a report in which the main objectives of the institutions are explained in terms of monetary and numerical terms. Therefore, it is possible to distinguish the objectives of budgeting as follows; planning, harmonization and supervision (Göktürk, 2012: 196):

Planning: to use all resources efficiently and effectively in order to achieve the objectives of the institutions and to outline all activities foreseen to achieve the targets in a short time.

Harmonization: to achieve the balance between the main objectives and secondary targets of the institutions, and to ensure and maintain the necessary communications in order to make the services and goods produced effective with manpower.

Audit: It is used as a tool for management and supervision of management work. Numerous reporting of the differences between the objectives and actualities predicted in the budgeting enables determination of the success of the organization.

By setting new targets according to these results, it becomes an important indicator for the growth and development of institutions.

Hospitals have an even more complex structure compared to commercial enterprises as there are organizations providing services for the public interest. Therefore, budget studies in hospitals provide important benefits in the regulation of this structure. Budgets should be established and implemented separately for all centers in the hospitals where the center-run administration is dominant. Budgets benefit hospital management in decision-making processes.

Budgeting in hospitals is important in terms of providing control and supervision in hospital establishments together with the reports of the senior management and providing self-control of the motivation of the central managers to meet the previously determined targets (Göktürk, 2012: 196).

1.4.1. Preparation of Budgeting in State Hospitals

All expenditures, revenues and inventories to be made in the provision of health services, which are the budget production activities of the state hospitals, should be created by complying with the classification and coding rules determined by the Ministry of Finance in order to use the budget as an effective financial instrument(Yalkınve Demir, 2015: 33).

One of the most important indicators of spending healthily and efficiently in public hospitals is budgets.

Budget systems in state hospitals consist of(Haftacı, 2013: 115):

- Business Budget
- Cash Budget
- Capital Budget
- Estimated Balance Sheet

The comprehensive budget prepared by hospitals provides a framework for identifying priority situations, allocating resources and monitoring financial performance. The budgets for which the management is responsible within the organizations are primarily the income and expense budgets. The most important factor in the financial planning and control of hospitals is budgets. Even if the operating budget is important for businesses as a planning tool, this importance is in line with the proper assessment of the budget (Haftacı, 2013: 115).

The circulating capital budget in the state hospital plays an important role in the income-expense control process, the creation of budgets as bureaucratic centers and processes, and the implementation of managerial control processes through these budgets through responsibility reports. "With the General Accounting Law No. 1050, the concept of circulating capital has come into force." (<http://kontrol.bumko.gov.tr/TR,2012/tarihce.html>).

Results

The budget, which is a control planning tool, is also an entity's financial action plan. The budget should be well analyzed with its principles and types. Budgeting work should be carried out within all departments within an appropriate system. One of the situations that should be considered here is not to confuse budget preparation and reporting tasks.

Budgets are planned in previous periods but can be revised if there are significant changes during the year. Although it is normal to find deviations in budget determination, the reason should be determined and these points should be taken into consideration in the following period. Managers can ensure that all departments work in harmony with each other and achieve the objectives of the enterprise by taking care of budget reporting. One of the important factors in the success of the budgets is the spread of the spirit of budget compliance to all departments and the team working in the upper and lower sections. Enterprises that cannot keep their costs under control lose their direction before long and they are doomed to disappear. Businesses that do not want to get lost in this vortex are to anchor in safe harbors. In addition to the management organization, the ability of managers who took over the management depends on their strong knowledge of accounting, finance and reporting analysis. How the

decisions taken will affect the company and how healthy these decisions are depends on the analysis of the data in the reports. Reporting is the most important issue to be taken into consideration when making decisions regarding the future of enterprises. Thanks to this reporting, the risks to be taken are seen before, the continuity of the enterprise can be ensured by minimizing the risks.

Hospitals are among the most complex organizational structures of our time. Financial sustainability has become an important topic of discussion in the health system in our country in recent years. The limited appropriations allocated for health services lead to budget management. The purpose of budgeting in hospitals becomes important here. Budgeting in hospitals is important in terms of controlling and auditing in hospital establishments, which will provide control with the reports of the senior management and provide an auto-control for the central managers to adapt to the previously determined targets. Budgets are one of the most important indicators that state hospitals make expenditures in a healthy and efficient manner.

In this study, budget, budgeting and budgeting management in enterprises are explained. In the last section, the aim of budgeting in hospitals and preparation of budgeting in public hospitals are discussed. This study aims to contribute to the literature on budget management.

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