

## FINANCIAL PLANNING AND AN APPLICATION TO THE TURKISH ECONOMY

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In this dissertation, the subject of macroeconomic financial planning which has attracted considerable attention in recent years has been analyzed and evaluated in terms of its applicability.

Problems faced in the implementation of plans made it clear that it was not enough to plan only the real resources and expenditures in order to realize the planned economic development, but it was also required to plan financial resources and expenditures in consistency with the real plan and to apply financial policies accordingly. This point of view accelerated the studies of financial planning at macro level but theoretical and data availability problems had seriously restricted the theoretical approaches and practical oriented studies.

The purposes of this study are to specify the prerequisites of macroeconomic financial planning, to discuss its methods and approaches, to assess the models developed for this purpose and to evaluate the extent to which these models would contribute to planning, including an attempt for the III. Turkish Five Year Plan.

This study consists of three parts. There are two chapters in the first part.

In the first chapter, financial planning is defined and its prerequisites are discussed. The potential contribution of various methods and approaches to planning is also discussed.

In the second chapter, statistical data requirements of financial planning are mentioned. Alternative approaches for financial accounting systems and their theoretical bases are discussed and their applicability is studied.

In the second part, financial planning models are analyzed. In the third chapter where medium term financial planning models

are reviewed, models of B. Kragh and R. Stone, general equilibrium model and French approach in VI. French planning are studied. At the end of the chapter, theoretical foundations and applicability of medium term financial planning models are evaluated.

In the fourth chapter, short term financial planning models are studied. First, the characteristics of the models of B. Kragh and B. Hansen are mentioned with special emphasis on the Turkish financial structure and existing statistical data. Other short term models, reviewed in this chapter are the consolidated balance sheet analysis, inflationary push model, two models using flow of funds statistics, yugoslav flow of funds model and models developed for Latin American countries. At the end of the chapter relevance and limitations of these models are discussed.

In the third part, the potential contribution of financial planning in Turkey is worked out. In this context, Fifth chapter has been the evaluation of First and Second Five Year Plans, from the point of view of financial planning. Due to the statistical data limitations in the I. Plan it is understood that financial planning would have been applicable only to test the consistency and financial feasibility of the plan targets at a very macro level and its chances of usage to formulate economic policies would be very limited.

Second Five Year Plan has been prepared with less restrictive statistical data limitations in terms of financial planning. Issues created by the lack of application of financial planning techniques to the second plan in terms of consistency, feasibility and general financial policy framework have been discussed and the potential contribution of financial planning in these issues has been emphasized. Also in chapter Five, M. J. Fry's model which is aimed to test the applicability of R. Stone model to Turkish economy is reviewed.

In chapter Six, an attempt has been made to apply B. Kragh's financial planning model to the III. Five Year Plan. The purpose of this application has been to test the financial feasibility of plan targets for public and private sector and to evaluate its performance in setting up financial policies. This attempt has shown that it would be possible to use Kragh's model for the purpose of financial planning. Application of the model indicated that in terms of formulation of stabilization policies it may not be enough to sustain the ex-ante saving-investment equality, but also it is

necessary to have borrowing-lending equality. This finding makes it clear that the monetary equilibrium would be important during the III. Plan period and it may be indispensable to use short term financial planning models in order to tackle with these problems effectively.

Our attempt has also indicated the need for additional studies in order to have an efficient and more reliable use of the Kragh model in financial planning. As examples, it would be worthwhile to mention the analysis of private saving behavior for various functional income groups and the auto-financing structure of private enterprises. These additional informations would make possible to analyze the impacts of alternative policies through the use of the model.

Application of the Kragh model necessitated the establishment of the accounting system of financial deficits and surpluses which will serve as the basis of analysis. The use of this accounting system has clearly indicated that it would significantly contribute to higher reliability of existing statistics in terms of the consistency between financial statistics and those obtained through national accounting system.