

The Effect of Government Financing on Generational Accounting

V. Bekhradi Nasab^{1*} and F. Zholanezahad²

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Abstract

Introduction: Developing countries require plentiful financial resource to make progress in diverse fields of economics so that they employ different methods to this end. Hence, financing issues particularly in developing countries possess a double importance. Accordingly, this study would focus on the effect of government financing on generational accounting.

Method: An applied approach and descriptive correlational method are used in this research. The data is collected from Central Bank reports on economic developments and statistical yearbooks of Statistical Center of Iran over 1997-2013. Meanwhile, the research hypotheses were tested through generalized method of moments.

Results: The results indicate that the revenues from state ownership, revenues from services and sale of goods, revenues from the crime and the loss, tax revenues, transfer of capital assets, transfer of financial assets, selling foreign currency and borrowing from foreign banks have a major impact on generational accounting, while no significant relationship is found between various income generation and borrowing from the domestic banking system.

Conclusion: To hold the generational balance, the government should report any increase or decrease in each annual budget item based on the generational accounting system. In doing so, governments can exploit different financial resources (the revenues from state ownership, revenues from services and sale of goods, revenues from the crime and the loss, tax revenues, transfer of capital assets, transfer of financial assets, selling foreign currency and borrowing from foreign banks) apart from various income generation and borrowing from the domestic banking system.

Keywords: Generational Accounting, Government Financing, Public Sector Budgets.

¹ Ph. D. Student in Accounting, Department of Accounting, Najafabad Branch, Islamic Azad University, Najafabad, Iran.

² M. A. in Accounting, Science and Research Branch, Islamic Azad University, Khuzestan, Iran.

*Corresponding author; Email: Vahid.BekhradiNasab@gmail.com