

# FINANCIAL PERFORMANCE AND E-GOVERNANCE INDICATORS IN LOCAL PUBLIC ADMINISTRATION

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## **Abstract:**

*The paper aims to measure the financial performance in local public administration and the main indicators of e-governance. The main objective of the paper is to make a model that demonstrates the impact of the local public administration financial performance on the e-governance. Due to the fact that the main problem of the Romanian local public administration is the lack of performance tools that could improve the e-governance, the research wants use an empirical approach to test the impact of the financial performance on the local public administration on e-governance. The research use a quantitative methodology, based on surveys and author's observations.*

**Key words:** *electronic innovation, public sector, performance*

**JEL classification:** M15

## INTRODUCTION

During the last years important changes have occurred in governance, which has evolved in this time from hierarchical bureaucracy to participatory governance, where the role of citizens in public decision-making process is more direct. Romania, a young democracy reborn over the iron curtain of socialism, passed during the last decade through a reform of the public sector. Starting with the reform of the public management, both at central and at local level, the Romanian public sector has further passed through the public financial reform, especially through the law regarding the local public finances. Moreover, as regards the Romanian public accounting, accrual accounting (in accordance with International Public Sector Accounting Standards) was put into practice both at the local government and the central government levels starting in January 2006 (Tiron, Popa, Blidisel, 2009).

## LITERATURE REVIEW

One step toward a more evolved model of governance is linked to the new public management (NPM) model. The NPM postulates that the governmental entity is driven by a mission and operates strategically like a business unit, being conscious of cost efficiency. In this model, governance bureaucracies turn into strategic business units, competing with each other, and citizens become customers. The focus shifts from laws and regulatory conformity to the “rules of the marketplace”, that is, economy and efficiency; the accounting and the budget base are moved from cash to accrual basis. In this way, the financial function is reformed into one based on cost savings and incremental revenues. NPM also argues that privatization is the mechanism to establish efficiency, efficacy and quality in the delivery of public services, as Emanuel Savas asserts, “privatization is the New Public Management” (Savas, 2000, p 319). According to Cooper (2004) in NPM administrations are not ethically neutral from the electorate; they have ethical obligations to the citizens and citizens should participate in management control and decisions.

Several studies show that there is a convergence in approach taken by different governments: the measures include budgetary reductions, deregulation, new technologies, new management methods, new tools and criteria for evaluation, decentralisation, devolution, flexibility in personal matters, service quality, customer orientation and privatisation (Pollit, 1993, Wollmann, 2003).

Thus performance evaluation has become a key element in the public sector reform of many countries.

Many other studies measured the internet disclosure index LPA using an item-based approach, following the models of Buzby (1975) and Cooke (1989) that were the first to have developed the concept of “disclosure index.” Many other authors that have used this kind of index in their research (e.g., Chavent et al., 2006; Popa, Blidisel, Farcane, 2008).

Taking into account the national and international literature review, the paper aims to measure the financial performance in local public administration and the main indicators of e-governance. The objective of the paper is to make a model that demonstrates the impact of the local public administration financial performance on the e-governance.

The main problem of the Romanian local public administration is the lack of performance tools that could improve the e-governance.

The paper tries to develop the prior author's research regarding the information disclosed by local public administration in municipalities with a population over 40 thousand inhabitants. The paper extends the research to all local public entities that have a site on the internet. It tries to identify the impact of the financial performance on the local public administration e-governance.

## ANALYSIS & DATA PROCESSING

The research uses an empirical approach to test impact of the financial performance on the local public administration e-governance.

The research use a quantitative methodology, based on surveys and author's observations.

The data will be processed using E-views. The methods choose in this paper are reliable for this empirical study that tries to identify at a national level the problems that could improve the financial management, the management control and the governance in local public administration.

As in the studies by Hartung (1992) and Fisher et al. (2005), multivariable linear regression was used to test the association between dependent and independent variables, i.e. to analyze the association between: the budget level of the local public administrations as an element of financial performance and other information that define elements that define e-governance in Romania, like: contact information, website, e-mail, information about LPA managers and departments, opening hours, audience hours; planned and approved budget, budgetary execution account, financial statements, internal audit report; public relation with citizens, public interest regulations and documents, e-tax, reports in doc, pdf, xls, html format, video, audio recordings, online participations at council meetings, multilingual website. There was assigned the value of “one” to every item disclosed on the LPA’s website and value “zero” otherwise.

**Table 1: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.803(a)	.645	.493	.310

a Predictors: (Constant), ct, so, sf, ls1, pr, pf, cc, ft, act, bc, ls, np

**Table 2: Coefficients**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.991	.318		3.114	.004
	sf	-.005	.212	-.004	-.025	.980
	bc	-.251	.195	-.191	-1.286	.209
	ft	-.169	.403	-.061	-.419	.679
	so	.575	.148	.609	3.891	.001
	pf	.135	.125	.154	1.079	.290
	pr	-.188	.122	-.215	-1.542	.134
	act	-.108	.126	-.124	-.857	.399
	np	-.285	.217	-.275	-1.313	.200
	cc	.449	.224	.369	2.001	.055
	ls	.025	.192	.028	.133	.896
	ls1	.282	.224	.271	1.258	.219
	ct	-.451	.147	-.478	-3.077	.005

a. Dependent Variable: bvc

**Table 2: Variables**

Excluded Variables <sup>a</sup>						
Model		Beta	In	t	Sig.	Collinearity Statistics
						Tolerance
1	inf		<sup>a</sup>	.	.	.000
	ed		<sup>a</sup>	.	.	.000

a. Predictors in the Model: (Constant), ct, so, sf, ls1, pr, pf, cc, ft, act, bc, ls, np

b. Dependent Variable: bvc

## CONCLUSIONS

The key contribution of the paper was to identify a model based on performance improvement in local public administration. This kind of model is no longer developed in Romanian public sector.

The results of the paper reveal that there is not a strong connection between financial performance and e-governance indicators in all the 119 Local public administrations studied. The identification of the model that make a connection between financial performance and the local public administration e-governance could take into account other dependent and independent variables that could identify ways that could improve the local public administration performance.

The limits of this research are the extinction of the dependent variables. In future research it will be developed a more complex model taking into account other qualitative variables that could improve the model.

The study will have implications for policy makers, management and practitioners from local public administration and will identify a model that could improve the approach of performance in public sector.

The paper has implications for the development research in the specific public sector accounting, management control and administration field through the exposure of the main problems of the public sector: the performance measurement and its impact.

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