

# Chapter 1

## Different Perceptions of Factors Affecting the Financial Sustainability in Public Administrations: An Empirical Research

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### ABSTRACT

*With the public finance crisis, the analysis of financial sustainability in governments, its influential factors, and the examination of politicians' perceptions about them have become relevant. In fact, it could be necessary to know whether politicians perceive as drivers or risk factors of financial sustainability those variables that prior research has identified with empirical findings. This chapter seeks to identify whether politicians are aware of influential factors previously identified by prior research for financial sustainability and whether personal characteristics of politicians (age, gender, or educational background) could influence this perception. So, an e-survey targeting politicians was conducted in sample of Spanish municipalities to capture their perceptions on potential risk factors and drivers, comparing this result with the findings obtained by prior research. Findings of this chapter indicate that there are different perceptions of politicians about drivers and risk factors among respondents according to their age, gender, and educational background.*

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## **INTRODUCTION**

The economic and financial crisis in the economy has undermined the role of the public administrations in the economy in the last years and has put into danger their capacity of continuing to carry out their functions. This issue has made citizens and international organizations to have shown some concerns about this issue, demanding more relevant information regarding public finances in governments (Dumay, Guthrie, & Farneti, 2010; Guthrie, Ball, & Farneti, 2010). This situation has added further pressure on public administrations to control financial sustainability, and to provide higher quality financial information in order to detect financial distress (Zafra-Gomez, Lopez-Hernandez, & Hernandez-Bastida, 2009) and achieve a sustainable financial balance (Burritt & Schaltegger, 2010).

This emphasis on the achievement of financial sustainability in public administrations has promoted that prior research to be focused its efforts on determining accounting methods to measure public finances, especially, financial sustainability (Afonso & Jalles, 2015; Dollery & Crase, 2006; Navarro-Galera, Rodríguez-Bolívar, Alcaide-Muñoz, & López-Subires, 2016), and its potential influential factors (Rodríguez Bolívar, López, Alcaide, & Navarro, 2017; Rodríguez Bolívar, Navarro, Alcaide, & López, 2016a, 2016b, 2014), with the aim at providing politicians and managers with the necessary information to make adequate decisions, from the standpoint of financial balance (Burritt & Schaltegger, 2010). Accordingly, policy-makers could have available appropriate instruments enabling them to perceive, react to and/or prevent situations of imbalance in the financial sustainability of public administrations (Rodríguez Bolívar et al., 2017, 2016a)

Following this line, based on international organizations, it is essential to examine and monitor demographic and economic variables to keep financial sustainability positive (National Audit Office -NAO-, 2013). In this regard, prior research has identified several demographic (such as population, dependent population, immigrant population...) and socio-economic (such as unemployment rate, GDP, count of businesses...) factors that could influence on public finances, specifically, financial sustainability (Rodríguez Bolívar et al., 2017, 2016a, 2016b). So, there are influential factors, both risk and driving factors, that should be considered in the management of public finances.

Nonetheless, it is also necessary to examine whether politicians have a similar perception about these influential factors because instruments for managing financial sustainability are not enough if the perception of the politicians about these potential factors is not accordingly with the empirical findings. Therefore, this paper seeks to identify whether politicians are aware of the relevance of the previously identified by prior research influential factors over financial sustainability in public administrations. To achieve this aim, we conduct an e-survey targeting politicians

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