INFLUENCE OF MUNICIPAL SOLVENCY AND THE POLITICAL FACTOR ON THE FINANCIAL CONDITION OF DESCENTRALIZED ENTITIES OF MUNICIPAL SPORTS SERVICES

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Keywords

Municipal sport services, financial condition, financial management, external constraints, political factor.

Aim of abstract/paper - research question

The municipal public services are involved in a context of changes based in the improvement of effectiveness, efficiency and competiveness. In this process, the decentralization and the adaptation of private sector management techniques (like performance measurement and benchmarking) are very common. We can observe this process clearly in the municipal sport services, because many of them operate like autonomous organizations.

The aim of this work is to analyze the effect of the economic management of the Municipal Administration and his political structure on the financial performance of the autonomous and decentralized municipal sport entities.

Theoretical background or literature review

The literature has shown the importance of measuring the performance in local sport services, with the aim of making comparisons with the own entity or with similar organizations, generating more competitiveness (Liu, Taylor, & Shibli, 2009). On that line, we can find several studies that have investigated the effect of external constraints and political characteristics in the financial performance of the Municipal Administration in general, in order to search more objective comparisons. The influence of political factor and the municipal structure have been demonstrated, highlighting the repercussion of political strength and the political sign on the deficit and financial condition (García-Sánchez, Mordan, & Prado-Lorenzo, 2012).

Methodology, research design and data analysis

We used a sample of 213 Spanish autonomous sport entities which are the sort of decentralized administration of municipal sport services in Spain. Specifically, we use all entities that have complete budget information about the closure of year 2010 in the database of Spanish Ministry of Public Administration.

To analyze the financial performance we used the analysis of financial condition of autonomous sports entities using the dimensions of independency, evaluated with the Self-financing percentage (*SF*); flexibility, evaluated with the Net-Saving Index per capita (*NSI*); and sustainability, evaluated with the Non-financial Budgetary Result per capita (*NFBR*).
The *SF* is the result of dividing current budgetary payables by current budgetary receivables except current grants. The *NSI* is the difference between current budgetary receivables and the current budgetary payables, reduced by annual amortization payment (interest and principal), per inhabitant. The *NFBR* is the difference between non financial capital receivables and the non financial budgetary payables, per inhabitant..

To analyze the political factor we used the variables of political strength, measured through the Herfindalh Index (*PoliticalStrength*) and the political sign, using the left-right hypothesis (*PoliticalSign*). To calculate the political sign we used the sum of political evaluation (0-left,1-right) of each councilor divided by the total number of councilors (excluding parties we cannot clearly distinguish the political sign).

For the measured of municipal economic management we used as variables the municipal taxes per inhabitant (*MunicipalTax*), the municipal Net-Saving Index per capita (*MNetSaving*) and the municipal Non-financial Budgetary Result per capita (*MNonfinancialResult*).

Finally, we have used the population (logarithmically transformed) of each municipality as a control variable (*Pop*).
We chosen the ordinary least squares method. The specification of our model is:
Y = f(PoliticalStrength, PoliticalSign, MunicipalTax, MNetSaving, MNonfinancialResult, Pop)
for *Y = SF, NSI, NFBR*.

Results, discussion and implications/conclusions

The political strength and the municipal economic management do not influence in the financial condition of their autonomous sports entities, showing certain level of independency on the problematic of Municipal Governments.

The higher percentage of conservative councilors has a significant influence with positive sign in the flexibility and sustainability of autonomous sports entities ($p < 0.05$). In this case our results are similar to those showed by García-Sánchez et al. (2012).

Finally, we observed that the size of population has a significant influence with negative sign (p<0.05), on all dimensions of financial condition, as has been noted in recent studies (Zafra-Gómez, López-Henández, & Hernández-Bastida, 2009). This could be related to diseconomies of scale, because the autonomous entities must provide services to large population. Hence, they could have more difficulties to manage sustainability given that they are supposed to provide a higher amount and variety of sport services, causing a worse financial condition.

According to our results, we can conclude that the financial condition in municipal autonomous sport entities should be classified depending on the size of population. And this is also influenced by dominant political ideology in the municipality. So part of the responsibility should be assigned to this fact in addition to the management of the entity itself.

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