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Online Budget Transparency Index and its Determinants in Slovenian Municipalities

Summary: In this article, we evaluate the online local budget transparency (OLBT) for all Slovenian municipalities and analyse the impact of various factors on the measured transparency. Most of the municipalities comply with existing regulations. The comparison of the mean values of 91 different characteristics shows that municipalities which do not comply with regulation are smaller, with poorer education structure and social position of citizens. Several municipalities are providing budget transparency beyond the legal requirements. They are smaller and less wealthy than other municipalities complying with regulation. We explain both phenomena by agency and legitimacy theory.[1]

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The transparency of spending public money has become of interest in terms of extensive research, since it verifies the effects of various factors on transparency and vice versa. Greater budget transparency is supposed to enable more efficient use of public money and the implementation of public policies. The main purpose of transparency is that the public is given access to information related to public finances; thus having a greater opportunity to influence decisions on public spending and public revenues. *Caamano-Alegre et al.* (2013) explained budget transparency as *'…a tool for facilitating a relationship between public budgeting and market requirements, civil society demands and citizen participation.'*

In literature, we can find different approaches to measuring budget transparency. Some of the approaches use questionnaires; others use tracking the information available to the public. The International Budget Partnership (i.e. IBP, 2013) uses a complex questionnaire to measure the national budget transparency index for most countries in the world. In our research, we decided to use the methodology determined in *Ott et al.* (2014), according to which we checked webpages of all the Slovenian municipalities to track the budget documents available online.

Further from research on measuring transparency, we can find different studies about explanations of transparency and the

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different impacts of transparency. Explanations are usually based on the principal-agent theory (Ferejohn, 1986; Barro, 1973) and legitimacy theory (Weber, 1978 and Suchman, 1995). Alesina and Perotti (1996) mention also fiscal illusion theory. As mentioned, other studies focused on the impacts of transparency, particularly on fiscal discipline; the efficiency of public money allocation; responsibility; corruption, etc. (Alesina and Perotti, 1996; Hameed, 2005; Wehner and Renzio, 2013). Better transparency improves fiscal discipline, the efficiency of public money allocation and decreases corruption. Despite a range of positive effects studied in a variety of research, *Peisakhin and Pinto* (2010) argued also side effects of transparency, such as fiscal scandals.

Our research adds to different studies in at least two points. Firstly, we present the first measurement of Slovenian local budget transparency. There is no existing comprehensive study of local budget transparency completed in Slovenia to such an extent. Secondly, the research complements the existing literature in the field of measuring the explanatories on the level of transparency of local communities.

The basic research question is how the municipalities that demonstrate different levels of transparency of budget documents differ from each other. Or in other words, what incentives or external pressures make the agents to develop a certain level of possible transparency actions. From this point, we formulate two specific questions:

- What makes the municipalities not comply with regulations?
- What makes the municipalities develop the budget transparency to the highest level observed in our research?

To answer the questions, we defined a model for comparison of groups of municipalities. Therefore, we compared the groups of municipalities with different behaviour in the provision of transparency and studied differences between the pairs of groups. We tested 91 fiscal, political, socio-demographic and socio-economic indicators. We chose them based on previous research, and we added others following the explanatory theories mentioned before.

This research complements the findings of other authors who used similar indicators and analysed their impact on transparency. Beside that, it opens also some new questions about determinants of the behaviour of the municipalities in provision of transparency.

The article is structured as follows: the literature review chapter is followed by the presentation of methodology and the results of the research, along with the comparison of findings from similar research. The conclusion includes a summary of the findings and challenges for future research.

MEASUREMENTS AND DETERMINANTS OF BUDGET TRANSPARENCY

Transparency is a very broad concept. It is usually connected to availability of information. *Esteves de Araujo and Tejedo-Romero* (2016) defined availability of information as supply-side transparency, in contrary to demand-side of transparency, which is determined as usability of this information by different stakeholders. *Heald* (2006) pointed out that transparency is a facilitator of good governance. Information available to the public should be timely, reliable, understandable and comprehensive (Kopits and Craig, 1998). OECD (2001, p. 7) adds further that budget transparency means '*the full disclosure of all relevant fiscal information in a timely and systematic manner'*. The International Monetary Fund (IMF) in its Manual on fiscal transparency (2007) determined that fiscal transparency include fiscal policy intentions, public sector accounts and fiscal projections. *Jordan et al.* (2017) pointed

out also the importance of understandable reports, since annual financial reports can be too comprehensive to be understood by the general public. *Esteller-More and Polo-Otero* (2012, p. 1156) summarised different definitions into '*fiscal transparency entails a government providing detailed information not only about its current budgetary activity, but also about its future forecasts and past performance … and that this information should be readily available (e.g. accessible free-of-charge on the internet)*'. The use of information and communication technologies (ICTs) as a tool, which can improve fiscal transparency was also recognized by different authors (Heeks, 2005; Kraemer and King, 2006; Alcaide-Muñoz and Rodríguez-Bolívar, 2015).

Monitoring of budget transparency at the national level is carried out by several institutions, namely the OECD Working Group, the EU, and the aforementioned IBP. According to the availability of information on the openness of national budgets, several studies on national budget transparency were carried out [e.g. (Alesina and Perotti, 1996; Alesina et al., 1999; Bastida and Benito, 2007; Wehner and Renzio, 2013)]. Since there is no common definition of budget transparency, there is also no uniform measurement methodology. Nevertheless, there are several recommendations and measurements, some of which have already been mentioned above. The OECD (2002) presents good practices of budget transparency, the International Monetary Fund (IMF, 2014) introduced the fiscal transparency code, and the IBP measures open budgets by means of a questionnaire (IBP, 2013). All these recommendations can provide a good basis for the preparation of the basic elements for measuring the openness of fiscal or budget transparency. This has resulted in a number of different measurements and questionnaires, leading to a calculation of budget transparency index (Tekeng and Sharaf, 2015; Bolívar, Pérez and López-Hernández, 2013; Jarmuzek et al., 2009; Bastida and Benito, 2007).

Studies on measuring local budget transparency are less frequent. *Kroth* (Kroth, 2012) also points out that there is no uniform methodology for measuring local fiscal transparency since it is more difficult to determine, mainly because it requires the incorporation of knowledge of local conditions. *Guillamón et al.* (2011) also stressed that measurement at sub-national level is more complex. In 2012, the IBP carried out an analysis of ten pilot studies in the field of local budgets. This article also states that there are very few studies in the field of local government. Nevertheless, in the last decade, some research in the field of establishing local budget transparency can be found in the literature. *Beales and Thompson* (2010) carried out research for 134 local units in Virginia, USA. They checked the availability of information on the internet using 16 criteria. Other authors (Boubeta, Santias and Alegre 2010; Caamano – Allegre et al., 2011, Caamano – Allegre et al., 2013) examined budget transparency for municipalities in an autonomous community of Spain, Galicia. *Rodríguez-Bolívar et al.* (2013) examined transparency of Spanish municipalities. They used the methodology of the International Monetary Fund. Using the IBP's methodology, *Kroth* (2012) carried out an analysis for several South American countries, as well as for India, Malaysia, Mongolia and Mali. *Lawson and Alvarez* (2013) used the IBP's methodology to evaluate local budget transparency in Bali, Indonesia and Tanzania. *Ma and Wu* (2011) used different sources to determine fiscal transparency of 31 provinces in China. In Ott, et al. (2014), the authors checked the availability of budget documents on websites of local communities in Croatia. Like the Croatian study, the evaluation of local

budget transparency was done by reviewing websites. Examples of similar methodlogy include selected regions in Czech Republic (Sedmihradská, 2015), Romania (Pintea et al., 2013; Pintea, 2014) and selected American cities (Styles & Tennyson, 2007). In our research, we used the same methodology as Ott et al. (2014). We review the webpages of all Slovenian municipalities and checked the availability of the selected budget documents. The methodology is further explained in the chapter about methodology.

Various researchers examined the influence of different factors on budget transparency. According to different research, the most common theories behind

- determiners of transparency are agency or principal-agent theory,
- neo-institutional theory,
- legitimacy theory and
- fiscal illusion theory.

The main principle of agency theory is that public managers do not have the same interests as citizens, and, therefore, disclosure of information makes their decisions more accountable (Alt et al., 2001; Jensen and Meckling, 1976; Fama, 1980; Ferejohn, 1986; Barro, 1973). Elected officials as agents should act in the interest of the public that elected them. Since citizens are not sure about the actions of elected officials, asymmetry of information occurs. Better transparency improves the lack of information, and, therefore, stakeholders can inform themselves of the actions done by public managers. It increases efficiency and confidence and therefore reduces the principal-agent problem. Rodríguez-Bolívar et al. (2013) along with agency theory mentioned neo-institutional theory, which explain adaptation of innovations in management accounting. According to the neo-institutional theory external stakeholders influence the organizations to practices legitimate and socially acceptable measures (Meyer and Rowan, 1977, Scott, 1987; Powel and DiMaggio, 1991). According to legitimacy theory, public officials want to disclose information about their work to promote organizational legitimacy and improve trust in public actions. Therefore, transparency improves public perception of political decisions and makes them more legitimate (Heald, 2006; De Fine Licht et al., 2011). In alignment with principal-agent theory, fiscal illusion theory also points out that elected officials are not encouraged to be transparent. Alesina and Perotti (1996) explained that fiscal illusion theory is based on the perception that the citizen (taxpayer) is not capable to evaluate the full cost of public programmes. In addition, they presented the sources of fiscal illusion in other empirical research (i.e. Oates, 1991; Heyndels and Smolders, 1994). Fiscal transparency overcomes the problem of fiscal illusion since citizens have more information available, and, therefore, the illusion on underestimated costs and overestimated benefits of public spending is decreased.

According to the mentioned theories, different research covers the evaluation of the impact of political factors (i.e. incumbent's ideology, effective number of political parties, coalition governments and political participation), economic factors (i.e. GDP per capita, local debt, expenditure), and socio-cultural factors, i.e. population size and unemployment rate (Albalate del Sol, 2013). Therefore, it is difficult to make a direct comparison between research results based on reviewed research. Notwithstanding the above, some impacts, which have most commonly proven to be important, can be drawn from most of the research. The results of the research show that the number of inhabitants has a positive impact on budget transparency (e.g. Styles and Tennyson, 2007; Caamano-Allegre et al., 2011). A higher level of development or income per capita also has a positive impact

(Giroux and McLelland, 2003). Most of the research did not find any significant impact of local debt (Sedmihradska and Haas, 2013; Caamano-Allegre et al., 2013;[2] Gerunov, 2016).

Our research differs from other studies in that it includes the analysis of the behaviour of municipalities, grouping them into categories of those that achieved the index that fulfils the legal requirements and those that do not fulfil these requirements and evaluates the impact of the factors mentioned. This study includes the indicators that can be divided into three main categories: economic, demographic and societal. The average values of these indicators are compared according to the index achieved.

METHODOLOGY

This article presents the results of the first evaluation of the local budget transparency index in Slovenia. We used the methodology implemented by Ott et al. (2014). As explained above, the review of websites was also used to determine the transparency in several other studies (Kadunc, 2016; Sedmihradská, 2015; Pintea et al., 2013; Styles & Tennyson, 2007). The difference from IMF, OECD and IBP measurements is that we checked the availability of the document as they are, since mentioned measurements use surveys among experts on several questions connected to the fiscal transparency (ie. clear strategy of fiscal development) and not only budget itself. In most cases the mentioned toolkits are prepared for central governments and some parts do no apply for local budget transparency. We decided to measure transparency as availability of selected budget documents for general public. The main purpose of determining the index is to check which documents related to the municipality's budget are published on their websites. The index is thus determined by reviewing the municipalities' websites and determining whether the documents related to budgets are available to the public. In this study, the publication of the following documents was examined *(Table 1)*.

According to the regulations, the publication of the following documents is required: budget proposal, enacted budget and end-year report of the budget (Public Finance Act – JF UPB4, Official Gazette of the Republic of Slovenia, no. 14/13 of 15 February 2013), which means that municipalities that publish at least the OLBT 1, 2 and 4 (Table 1) documents comply with the regulations. All aspects of transparency include two additional documents, a mid-year report on the implementation of the budget and the citizens' budget (OLBT 3 and 5) (Table 1).

We checked the municipalities' websites in accordance with the terms set out in the legislation. In order to determine the index for 2015/2016, we examined the period from December to April, and verified whether the mid-year report for 2015, budget proposal for 2016, enacted budget for 2016 and the final accounts of the budget proposal for 2015 were published. At the same time, we checked that the so-called citizens' budget is present on the webpage. The presence of each of these documents adds one point to the final index. If all the stated documents are published on the municipality's website, the municipality achieves an index of 5. By calculating the transparency index, local communities were classified according to the relationship in regards to the provision of transparency.

The second step of the research was aimed at finding the differences between local communities with different levels of transparency provision. To determine whether the behaviour of municipalities regarding the information transparency is mainly affected by institutional factors or whether the environmental impact is of greater significance

Table 1

ONLINE LOCAL BUDGET TRANSPARENCY (OLBT)

1	Budget proposal	Any document which in its title includes a budget proposal or a draft on a municipality's website, regardless of whether it is published separately or as part of the documentation for consideration at a meeting.
2	Enacted budget	Decree on the enacted budget, the enacted budget only as a document or the enacted budget published in a local official journal or local newspaper. The condition is that the document is published on the municipality's website (i.e. as part of an official journal or newspaper). If the budget was not adopted in time, the decree on temporary financing is also considered. If the enacted budget is published as a link to another website which, for example, publishes public information of municipalities, it is considered that the document is not available on the municipality's website.
3	Mid-year report on the implementation of the budget	It is considered that the document is published if it is published separately or as part of the documentation of the municipal council meeting, and it is clear from the title of the document that it is a mid-year report.
4	Year-end report on the implementation of the budget	It is considered that the document is published if it is published separately or as a part of documentation of the municipal council meeting, and it is clear from the title of the document that it is a year-end report.
5	Citizens' budget	It shall be considered if the municipality's website includes any simplified explanation of the budget, its meaning, or general explanation.

Source: own edited

we considered the classification into two main groups of factor variables as follows: institutional factors and environmental factors (Muñoz & Bolívar, 2015).

Along with this approach, we considered another similar classification focused on information transparency drivers, which takes into account four perspectives (Ma & Wu, 2011): the perspective external demand on the site of the environmental impact and three perspectives expressing the institutional factors (fiscal performance, resources and capacity and strategic leadership).

Finally, to preserve compatibility with the majority of other studies which consider a bit more macro-economic view, we considered four classes of variables (Sol, 2013): fiscal, institutional and political, socio demographic and economic context variables and furnished our data model with the sociodemographic class. The structure of the data model is presented in the *Table 2*.

Following the above-mentioned theories and previous research on influence of different factors on behaviour of municipalities' officials, we defined a data model with 91 variables *(Table 5* in appendix) with 3 control variables, 15 fiscal condition variables, 10 variables of political competition, 4 variables defining municipal size, 34 mucipal wealth varaibles, 18 social capital variables and 7 variables of environmental capital. We took the core variables from the previous research and supplemented them with additional variables from available sources. The core varaibles included

Table 2

STRUCTURE OF THE DATA MODEL

Data model	Factors (Muñoz & Bolívar, 2015)	Perspectives (Ma & Wu, 2011)	Groups of variables (Sol, 2013)
Institutional	**Institutional**		
Financial condition	Financial condition	Fiscal performance	Fiscal variables
	Inter-government transfers		Institutional and political variables
Political competition	Political competition	Strategic leadership	
Environmental	Environmental		
Size of municipality	Size of municipality		
Municipal wealth	Development	External demand	Economic context
	Income levels	Resources and capacity	
Social capital			Socio-demographic
Environmental capital			

Source: own edited

- investment, debt, electoral turnout, mayor's gender, population size, unemployment (Esteves de Araujo & Tejedo-Romero, 2016);
- municipal budget balance, municipal public expenditure, municipal public debt, effective number of political parties, number of inhabitants, unemployment rate (Caamaño-Alegre, Lago-Peñas, Reyes-Santias, & Santiago-Boubeta, 2013);
- transfers/total revenues, current transfers/total revenues, capital transfers/total revenues, public deficit, voter abstention, population, percentage of population over 65 years (Esteller-Moré & Otero, 2012);
- debt, budget_imbalance, budget surplus, turnout, gender, population, economic activity, unemployment, tourism, elderly (Sol, 2013);
- municipal debt per capita, municipal deficit per capita, tax revenue per capita, regional and central transfers per capita, municipal political strength, Rate of female aldermen in the council, mayor gender, population of the municipality, income per capita, number of entities depending on the municipality, turn out rate in last municipal elections (Guillamón, Bastida, & Benito, 2011).

The lack of homogeneity of Slovenian municipalities was at that point a considerable challenge that required the development of an appropriate research approach. Apparently, we considered the fact that Slovenian municipalities include 11 urban municipalities, which differ significantly from the others by size and development. Therefore, the method described was used across the set of Slovenian municipalities excluding the urban municipalities, whereas a short, qualitative analysis was carried out as a glance at the issues in the set of urban municipalities.

Following the theories (agency, institutional and legitimacy), we put the attention on the differences between the groups of local communities exhibiting different behaviour.

Accordingly, we divided municipalities in two ways: based on their compliance with the regulations and regarding their fulfilment of all observed aspects of transparency. The assumption was that by exploring the differences between the groups, the reasons for certain (undesirable and desirable) types of behaviour could be detected.

In order to examine the differences between the groups, we used a *t*-test for independent samples. Due to the large size of the examined dataset (201 municipalities), we could assume the usage of *t*-test as appropriate. The interpretation of the results of *t*-test (difference between means) compared to the nonparametric Mann-Whitney test (sum of ranks) is also more informative. For nominal indicator variables, such as the gender of the mayor, we used a *z*-test for the comparison of proportions. We defined statistically significant differences between the groups at the significance level α=0.1.

RESEARCH RESULTS

The evaluation of budget transparency showed that the average index is relatively low, since it reached an average value of 3.4. This is partly due to the delays in the process of adopting final accounts of local budgets and the fact that many municipalities report about the mid-year budget realisation in the form of news which is communicated to the municipal council by the mayor; however, the documents with this content are not available on the Internet. Municipalities have the lowest index regarding the 'citizens' budget', since Slovenia has not yet adopted the OECD recommendations, i.e. 'a budget for the general public', which are supposed to promote a simplified explanation of the budget. Results by individual municipality are shown in *Figure 1.* It is interesting to note that no municipality reached the index 0, which means that municipalities publish at least one document in connection with the budget on their websites.

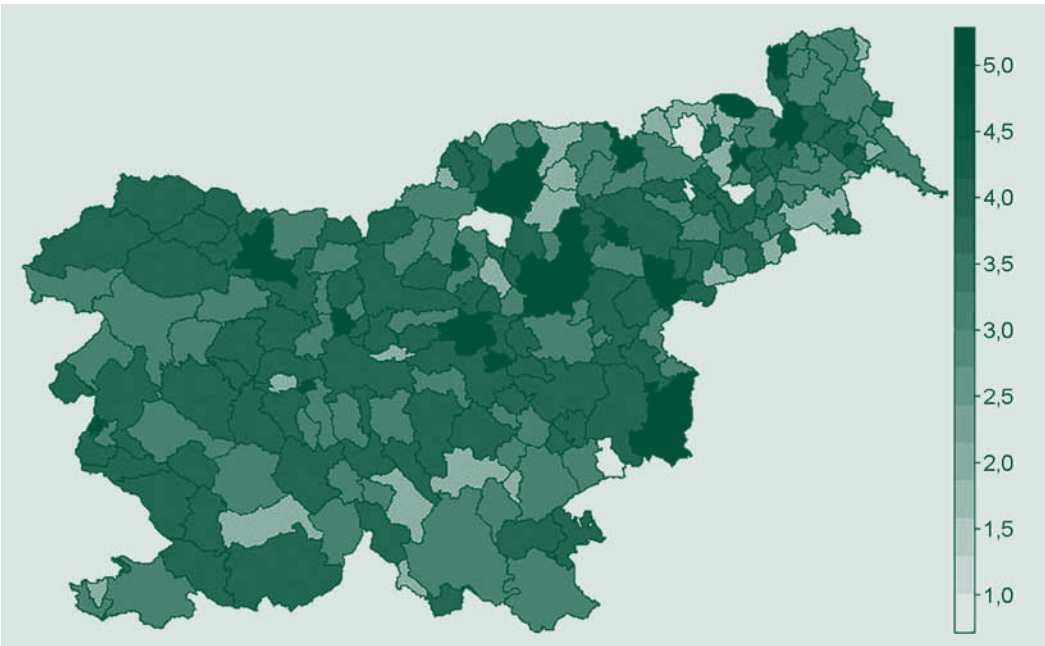
As mentioned in the previous chapter, the second step of the research was the analysis of factors influencing different behaviour of municipalities in the provision of budget transparency. The population was the set of Slovenian non-urban municipalities (201 of 212). We analysed two kinds of behaviour comparing groups of municipalities regarding noncompliance with regulations and regarding fulfilling all aspects of transparency.

The results of the former analysis showed that 41 municipalities do not comply with the regulations on budget transparency and 160 municipalities publish budget documents in accordance with the regulations. On the basis of the established criterion, 18 variables that show differences between both groups of municipalities were drawn from the full set of variables, in accordance with the assumption that the significance of the *t*-test is $p \leq 0{,}1$ *(Table 3).* Almost all of them were the environmental factors, forming three categories: the size of the municipality (5 variables), social capital (4 variables) and municipal wealth (7 variables). The two remaining variables expressing a certain level of statistical significance of the differences were of the political nature, but both were dependent on the population of a municipality (number of elected officials, number of candidates).

Based on the evidence, we could conclude that the compliance with regulations is driven by environmental factors which cover the socio-demographic and economic context. All the differences are in the favour of the group of municipalities which are at least compliant with regulations. We could therefore derive the picture of the characteristics of the municipalities not meeting the regulations requests. The municipalities that do not

Figure 1

THE OLBT INDEX



Source: own edited

ensure budget transparency in accordance with the regulations are of smaller size. A similar impact of the size and the volume of expenditure of municipalities was determined in other research (Caamano-Alegre et al. 2011; Serrano-Cinca et al. 2008; Styles and Tennyson 2007; Hemeed, 2005). Furthermore, these municipalities have a worse educational structure of employees and inhabitants. A similar impact of the educational structure of inhabitants was also determined in other research (Perez et al., 2008; Gandia & Archidona, 2007; Serrano-Cinca et al., 2008). Finally, their lower municipal wealth is expressed by

- the number of social assistance recipients per 1000 inhabitants and
- premature mortality (at the statistical significance level $p \leq 0{,}05$) and
- the percentage of accused persons,
- amount of waste collected,
- percentage of inhabitants having less than 10 m^2 of living area,
- percentage of inappropriate dwellings and
- number of companies per 1000 inhabitants (at the statistical significance level $p \leq 0{,}11$).

A similar impact of poorer development on transparency is indirectly demonstrated in the research by *Bastida & Benito* (2007); *Laswad et al.* (2005); *Piotrowski & Van Ryzin* (2007).

Besides that, a short correlation analysis showed that the size of municipalities (population) is in correlation with most of the above-mentioned variables (percentage of employed people with highly-skilled professions, premature mortality, percentage of

Table 3

DIFFERENCES IN ARITHMETIC MEANS OF VARIABLES BETWEEN THE GROUPS OF MUNICIPALITIES – COMPLIANCE WITH THE LEGISLATION (NO/YES)

Variable	p	Diff.	Classification	
Percentage of employed people with highly–skilled professions	0.017	–0.02	Environmental	Social capital
Age dependency index	0.035	–1.62	Environmental	Social capital
Education index	0.062	–4.01	Environmental	Social capital
Percentage of highly–educated people	0.069	–0.78	Environmental	Social capital
Social assistance recipients (per 1,000 inhabitants)	0.025	0.54	Environmental	Municipal wealth
Premature mortality	0.043	1.05	Environmental	Municipal wealth
Percentage of accused persons	0.054	0.00	Environmental	Municipal wealth
Amount of waste collected in kg per capita	0.070	–25.18	Environmental	Municipal wealth
Percentage of inhabitants having less than 10 m^2 of living area	0.077	2.09	Environmental	Municipal wealth
Inappropriate dwellings proportion	0.084	6.04	Environmental	Municipal wealth
Number of companies per 1000 inhabitants	0.099	–4.42	Environmental	Municipal wealth
Expenditures	0.004	–2 762 141.00	Institutional	Financial condition
Revenues	0.005	–2 725 336.00	Institutional	Financial condition
Employed	0.018	–763.85	Environmental	Municipal wealth
Population	0.019	–1 913.23	Environmental	Municipality size
Area	0.082	–26.36	Environmental	Municipality size
Number of elected	0.055	–1.95	Institutional	Political competition
No. Of candidates for municipality council	0.107	–20.78	Institutional	Political competition

Source: own edited

accused persons, education index, percentage of highly-educated people, amount of waste collected in kg per capita, percentage of inhabitants having less than 10 m^2 of living area, and number of companies per 1000 inhabitants). Additionally, considering the three variables not being in correlation with the population (social assistance recipients per 1,000 inhabitants, age dependency, and percentage of people with inappropriate dwellings), we could conclude that the group of the municipalities not being able to provide regulatory stipulated level of budget transparency consists of smaller municipalities, with a lower level of social capital and economic power and a worse socio-economic situation.

The second comparison addressed the municipalities which ensure the publication of prescribed budget documents, i.e. the municipalities with the optimal behaviour model, which publish all the documents considered, and the municipalities which do not publish one or both additional documents (Table 1, 3 – Mid-year report on the implementation of the budget or 5 – Citizens' budget). Using the same threshold $p \leq 0{,}1$ *(Table 4)* we extracted four institutional and eight environmental factors. Two institutional factors belonged to the political competition category and two others to the category of financial condition. The environmental factors include a slightly more coloured set of categories with four variables for municipal wealth, two variables for municipality size, and a single variable for two of the other categories (environmental capital and social capital). Results points out variables similar as in other studies, since municipalities giving full budget transparency had male mayors, mayors not replaced at last elections, a higher share of wages and material costs in total expenditure and lower expenditures per capita (ie. Esteves de Araujo & Tejedo-Romero, 2016; Alesina, Troiano & Cassidy, 2015; Lee, Moretti & Butler, 2004; Ferreira & Gyourko, 2009 and 2014). Environmental factors had lower values of municipal wealth factors (gross added value per employee, average net wage, local economic investment) except of a percentage of habitants with a small living area. The municipalities from this group cover a smaller area and are more densely populated. Besides of that, they have a smaller proportion of Natural 2000 areas and worse age structure change trend. We expected that the analysis of differences between groups would produce results along with the theoretical premises as it was in the case of the former comparison. On the contrary, we revealed that the characteristics of municipalities giving full budget transparency did not experience theoretically-expected incentives.

The established facts apply also to 11 urban municipalities, of which 2 do not cover the legal requirements for transparency, and 9 comply with the legislation, i.e. they publish an additional mid-year report; 2 of these also provide a complete set of budget transparency elements. Both phenomena discussed above are also expressed in urban municipalities in a similar way, as in the set of non-urban municipalities. Both municipalities which do not ensure the publication of prescribed documents are located in the north-east of Slovenia, and both are characterised by difficult economic and social situations. The municipalities which publish the complete set of documents considered are smaller and economically weaker, as is the case in non-urban municipalities.

CONCLUSION

As mentioned above, we analysed the differences for two pairs of groups of municipalities for institutional (financial condition, intergovernmental subsidies, and political competition) and environmental factors (municipal size, income level and municipal wealth) of fiscal transparency. Along with agency and legitimacy theory, we expected to find differences in at least some variables in each category. However, like several other researchers, we were not able to confirm all theoretical expectations. Moreover, in the case of municipalities providing full budget transparency, the results were just opposite as expected.

The evidence of the comparison between municipalities which did and did not comply with regulation revealed that institutional factors have no influence on budget transparency. So we could conclude that for

Table 4

DIFFERENCES IN ARITHMETIC MEANS OF VARIABLES BETWEEN THE GROUPS OF MUNICIPALITIES – ALL DOCUMENTS PUBLISHED (NO/YES)

Variable	*p*	Diff.	Classification	
Unemployment change	0.108	0.846	Environmental	Municipal wealth
Proportion of natura 2000 area	0.005	15.740	Environmental	Environmental capital
Age structure change	0.017	–0.028	Environmental	Social capital
Gross added value per employee	0.002	4009.000	Environmental	Municipal wealth
Average net wage	0.037	36.650	Environmental	Municipal wealth
Local economy investment	0.063	455.070	Environmental	Municipal wealth
Average gross wage	0.069	57.150	Environmental	Municipal wealth
Percentage of inhabitants having less than 10m2 of living area	0.069	1.760	Environmental	Municipal wealth
Density	0.008	–49.920	Environmental	Municipality size
Area	0.046	41.320	Environmental	Municipality size
Share of wages and material costs in total expenditure	0.055	–1.590	Institutional	Financial condition
Net current expenditures per capita	0.109	36.180	Institutional	Financial condition
Mayor gender	0.000	0.094	Institutional	Political competition
Replacement of the mayor	0.032	0.190	Institutional	Political competition

Source: own edited

this case the agency theory is not applicable. Notwithstanding, we could employ legitimacy theory claiming that the incumbents of bigger and more developed municipalities tend to fulfil the expectations of the stakeholders. Furthermore, the municipalities not satisfying regulations probably have too few resources or are, because of other challenges, less focused on fiscal information disclosure.

The comparison between the municipalities giving full budget transparency and other municipalities satisfying regulations brought just the opposite results (Table 4). Both institutional and environmental variables had (excepting percentage of habitants with small living area), opposite values than expected. In our literature research, we did not found evidence like that; however, the phenomenon could be somehow explained by agency and legitimacy theory. Namely, we asked the question, 'what are the factors that made the municipality to disclose budget information voluntarily?' This meant that agents in less wealthy municipalities put additional effort to make the information more visible to the principal. Transparency

increases the degree of confidence and public trust in political actors (Laswad et al., 2005). Also, an increased level of transparency in government decision-making and activities reinforces the likelihood of democracy and citizen involvement (Esteves de Araujo & Tejedo-Romero, 2016), which probably could leverage the development of municipalities. Additionally, as information disclosure is a way to legitimate actions to their stakeholders (Archel et al., 2009) the incumbents of less successful municipalities tend to gain the confidence of citizens, regain the confidence of citizens and change their perceptions of the organizations.

Since these municipalities provide the citizens with comprehensive information, this phenomenon could also be named 'focus on citizens', which is additional aspect, which is not researched in that case.

Appendix

Table 5

ALL 91 VARIABLES USED IN THE ANALYSIS WITH THEIR UNITS OF MEASURE AND SOURCE WHERE THEY WERE OBTAINED

Variable	Units of measure	Class	Source
Old municipality	Dummy variable: 1 – established in 1991, 0 – established after 1991	CV	SORS
Cohesion region	Cohesion region: 1 – east slovenia, 2 – west slovenia	CV	SORS
Statistical region	One of 12 statistical regions in slovenia	CV	SORS
Revenues 2015	EUR	FC	MF
Expenditures 2015	EUR	FC	MF
Deficit/suficit 2015	EUR	FC	MF
The share of wages and material costs in total expenditure	Percentage	FC	MF
The share of government assistance in the budgets of cities	Percentage	FC	MF
Budget and efficiency index – aggregated indicator from variables with annotation	Index	FC	GS
Eu funds obtained	EUR	FC	GS
Growth of non-transferable and durable revenues	Percentage	FC	GS
Indebtedness	EUR	FC	GS
Debt growth	EUR	FC	GS
Net current expenditure (eff)	EUR	FC	GS

Variable	Units of measure	Class	Source
Increase of expenditure for public administration (eff)	Percentage	FC	GS
Investments (eff)	EUR	FC	GS
Financial autonomy of municipalities	Index	FC	GS
Self-sufficiency index – aggregated indicator from variables with annotation	Index	FC	GS
Environment index – aggregated indicator from variables with annotation	Index	EC	GS
Replacement of the mayor at last elections	Dummy variable: 1 – new mayor, 0 – old mayor	PC	SEC
Number of candidates for municipality council	Number	PC	SEC
Number of elected	Number	PC	SEC
Proportion of elected candidates	Percentage	PC	SEC
Number of political parties with representation in local legislative body	Number	PC	SEC
Mayor gender	Binary variable: 1 – male, 2 – female	PC	SEC
Political party of mayor	Binary variable: 0 – local party, 1 – national party	PC	SEC
Mandate	Number	PC	SEC
% of voters for elected mayor	Percentage	PC	SEC
Mayor wage	EUR	PC	MF
Area	Km2	MS	SORS
Population	Number	MS	SORS
Density	People per km2	MS	SORS
Number of settlements	Number	MS	SORS
Average income per capita	EUR	MW	SORS
Employed	Number	MW	SORS
Unemployment rate	Percentage	MW	SORS
Average gross wage	EUR	MW	SORS
Net migration between municipalities	Index	MW	SORS
Net migration	Per 1000 inhabitants	MW	GS
Economy index – aggregated indicator from variables with annotation	Index	MW	GS
Promotion of a small economy	EUR	MW	GS

Variable	Units of measure	Class	Source
Added value	EUR per inhabitant	MW	GS
Gross investment in the economy	EUR per inhabitant	MW	GS
Number of companies	Number per 1000 inhabitants	MW	GS
Change in the number of companies	Number per 1000 inhabitants	MW	GS
New businesses	Number per 1000 inhabitants	MW	GS
Revenue growth	Percentage	MW	GS
Labour market index – aggregated indicator from variables with annotation	Index	MW	GS
Funds for an active employment policy per capita (lm)	EUR per inhabitant	MW	GS
The share of persons in employment	Percentage	MW	GS
Number of jobs in the municipality	Per 1000 inhabitants	MW	GS
Job structure – percentage of highly qualified jobs	Percentage	MW	GS
Change in the number of posts	Percentage	MW	GS
Movement of unemployment	Percentage	MW	GS
Living standard index – aggregated indicator from variables with annotation	Index	MW	GS
Budget expenditure on culture	EUR per inhabitant	MW	GS
Budgetary expenditure on sport	EUR per inhabitant	MW	GS
Net wages	EUR	MW	GS
Average gross receipts	EUR	MW	GS
The share of the population living on less than 10 m^2 of residential area	Per 1000 inhabitants	MW	GS
Recipients of social assistance	Per 1000 inhabitants	MW	GS
Share of inhabited dwellings that do not have all the elements of basic infrastructure	Per 1000 inhabitants	MW	GS
Premature mortality	Per 1000 inhabitants	MW	GS
Change in average gross earnings	Percentage	MW	GS
New connections to the sewage system	Per 1000 inhabitants	MW	GS
Social cohesion and political culture index – aggregated indicator from variables with annotation	Index	MW	GS
Budgetary expenditure on international cooperation	EUR per inhabitant	MW	GS
Percentage of highly educated people	Percentage	SC	SORS
Percentage of people older than 65	Percentage	SC	SORS

Variable	Units of measure	Class	Source
Percentage of accused persons	Percentage	SC	SORS
Voters turnout in the last local elections	Percentage	SC	SEC
Demography index	Index	SC	GS
Aging index – aggregated indicator from variables with annotation	Index	SC	GS
Age dependency coefficient	Ratio	SC	GS
Change in the number of inhabitants	Percentage	SC	GS
Change in age structure	Percentage	SC	GS
Education index – aggregated indicator from variables with annotation	Index	SC	GS
Municipal grants	EUR per 1000 inhabitants	SC	GS
Educational structure – percentage of highly educated people	Percentage	SC	GS
Share of graduates	Per 1000 inhabitants	SC	GS
Share of new doctors and masters of science	Per 1000 inhabitants	SC	GS
Change in educational structure	Percentage points	SC	GS
Turnout	Percentage	SC	GS
Convicted criminals	Per 1000 inhabitants	SC	GS
The share of long-term unemployed population	Percentage	SC	GS
Environmental protection expenditure	EUR per inhabitant	EC	GS
Expenditure on the promotion of efficient energy use	EUR per inhabitant	EC	GS
Waste	Kg per inhabitant	EC	GS
Natura 2000	Percentage	EC	GS
Increase in the amount of waste	Percentage	EC	GS
Final index	Index	EC	GS

Remarks: Class: CV – Control Variable, FC – Financial Condition, PC – Political competition, MS – Municipal Size, MW – Municipal Wealth, SC – Social Capital, EC – Environmental Capital; Sources:

Source: SORS – Statistical Office of Republic of Slovenia, MF – Ministry of Finance, SEC – State Election Commission, GS – Golden Stone

Notes

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[2] They found a positive impact of debt on their first partial transaprency index.

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