MEASURING CORPORATE GOVERNANCE DECISIONS AND PERFORMANCE WITH FINANCIAL ANALYSIS IN PUBLIC ACCOUNTING DATA OF LGOS IN GREECE

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Abstract

In Greece, one of the oldest institutions is the one that concerns the local government. These organizations are critical for the country’s administration and structure, as each local government’s mandate includes dealing with problems and issues that may affect the local population. Local government organizations (LGOS) (first-degree) municipalities are the primary administrative bodies of the country’s local government. An LGO (first-degree) municipality is a basic unit of public administration that is considered the primary self-governing unit in a vast number of states. A city, a municipality, and the towns around them can all be included in the area and scope of control. In big cities, it is common for the municipality to cover a single district, an entire area, a suburb or a village located further out in the province, or even an island or collection of islands. The history of LGOs (first degree) municipalities in Greece begins in antiquity and continues to this day as
a strong self-governing unit. Article 102 of the Greek Constitution, in connection with the Municipal and Community Code as contained in Law No. 3463/2006, defines both the responsibilities and the obligations of Greek LGOs (first degree) municipalities operating in the country. The last two most important programs, legal reforms, were Kallikratis (Law No. 3852/2010) which essentially divided the country into 325 municipalities, and Cleisthenes (Law No. 4555/2018), which divided the country into 332 municipalities. Both of the above programs divided municipalities into municipal units and communities. In turn, the municipal units were the former LGOs (first degree) municipalities of the Kapodistrias Program (Law No. 2539/1997), which have now been merged.

After an analytical literature review of similar programs, and legal reforms, in different countries of the world, several advantages and disadvantages are arisen, as well as basic information about the programs of the municipalities and the history of the LGOs (first-degree) municipalities separately per country. Starting with this theoretical background, this work deepens based on financial ratios from the public accounting data of five LGOs (first-degree) municipalities in Northern Greece. Its purpose is to show how the specific LGOs (first-degree) municipalities moved, what were the results of the strategic actions of the new municipal authority or the same reelected authority based on their financial results, and which of the LGOs (first-degree) municipalities performed better in terms of corporate governance. More specifically, the analysis of the accounts of the municipalities based on mathematical formulas is presented as well as their performance in terms of corporate governance for five LGOs. For this reason, the income-expenditure accounts for the period 2019 and 2020 are used. Thus, this work is based on specific public sector financial ratios such as the autonomy ratio, the instability ratio, the percentage depending ratio, and others. Finally, our study presents the comparison between the governments of the LGOs (first-degree) municipalities of 2019 and 2020 and their results signalizing differences for new municipal authority in terms of corporate governance.

REFERENCES


