The Impact of Good Governance in Increasing Efficiency of Fars Economic and Finance Organization, Iran

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Abstract: To explore the relationship between components of good governance and improving the efficiency of the administrative system in Fars Economic and Finance Organization, 125 employees from this organization were selected as the sample regarding the general purposes of the present study and they were asked to complete two questionnaires; one dealing with good governance model while the other was related to the efficiency of the administrative system. The results obtained through investigating the research hypotheses, generally, indicated that there is a significant and positive relationship between good governance model along with its indicators and the efficiency of the administrative system in Fars Economic and Finance Organization ($p < 0.001$). The result derived from these findings will be discussed at the end of this study.

1. Introduction

Good governance versus bad governance is regarded as one of the most effective factors of development in different societies especially in developing communities. Rapid spread of good governance and the attention paid by international institutions to this issue have caused many large international organizations to insert much pressure on governments to improve their reformation attitudes (Lambsdorff, 2004).

On the other hand, some of researchers and scientific societies have emphasized the instrument of realization of good governance and have numerated macroeconomic policies, efficient allocation of resources, the quality of administration, and bureaucracy as main characteristics of good governance (Landman, 2003).

The significance of good governance and the efficient administrative system arises from the fact that according to known international standards, public participation in government decisions, government accountability towards the public, the country's political stability, improving government effectiveness, improvement of regulations quality for regulating economic affairs, people's and statesmen's respect for law, and corruption control, all being indicators of good governance, are the most important factors in improving the country's economic performance and

achievement of sustainable development to the extent that this index (i.e. good governance) and its components have been introduced by the World Bank (as the main centre for analyzing countries' economic development) as a major issue in the development

strategy for countries with poor performance (World Bank, 2000).

UN's Development Program has viewed governance as the exercise of administrative and political power (authority) for management of the country's affairs at all levels. Good governance, based on the definition proposed by UNDP, includes mechanisms, processes, and institutions through which citizens, civil groups, and civil societies pursue their own interests, meet their obligations and legal rights, and minimize their differences (UN-ESCAP, 2003).

Kaufman, a World Bank researcher, employs the following indices to measure these triple issues in the above classification (Kaufman, 2002):

Corruption: factors affecting the measurement of corruption: The prevalence of corruption across the country, the spread of relationships of so-called nepotism (favoritism) at different level throughout the country, and the dominance of paperwork in bureaucracy can result in the prevalence of corruption. Corruption also includes amount of monies paid illegally in order to accelerate work process (as called bribery), the level of public trust in politicians' financial honesty, illegal evasions of taxes and obtaining licenses.

Political stability and chaos: refer to transparent and peaceful processes used in power transfer and political tranquility (UNDP, 2002).

Government Effectiveness: refers to government effectiveness and success in achieving the entrusted objectives. Factors affecting government effectiveness: the utilization rate of technical and

working skills by middle and upper level managers, the effectiveness of government bureaucracy, government effectiveness in collecting tax revenues and other governmental revenues, the government's ability to implement national-political innovations, on time compilation of annual budget, the quality of civil services and the ability of bureaucracy in providing civil services without being influenced by political changes and the movements made in the structure of political power (Kaufman et al, 1999).

Rule of Law: The existence of general mechanisms and strong determination in law making and law enforcement. (Kaufman et al, 2007).

Quality of Rules and Regulations: This means excessive and debilitative regulations and additional costs (Diouf et al, 1989).

Freedom of speech and accountability: refers to public participation and authorities' accountability

Reasons for paying attention to good governance: Governments are faced with new challenges at the turn of the 21st century, including:

1. In the era of globalization, governments should actively respond to positive economic opportunities and show defensive reactions to the negative economic pressures.

2. Demographic changes have influenced governments as employers and service providers in most countries. Populations in most countries are getting older and this older populations are demanding more social services. Besides, government agencies need to compete with nonprofit organizations and private employers to hire skilled and motivated individuals, especially given that wages in the public sector are lower than what is in the private sector. So, government agencies must recognize non-monetary incentives to hire and maintain high performance employees which is perceived as a big challenge for them (Gholipour, 2995).

3. The public sector will also face new expectations of educated citizens, meaning that citizens will expect to receive higher quality services. Therefore, governments must provide capacities for citizens and stakeholders so that they can participate more actively in public issues.

4. Finally, expectations from the part of organizations personnel have changed and to respond to these expectations demands new conditions. Responding to these challenges requires sound proper governance at the macro level in the society (Sanei, 2006). The administrative system is one of the most complex levels in open systems. The purpose and mission of an administrative system as a

factor for formation and survival of individual components of the system is completely dynamic and variable that can change according to needs priority. Human resources are the main decision making body, deriving force, and decision making element in every administrative system, as there is no approach not being dependent on human beings (Homburg, 2002).

Issazadeh and Ahmadzadeh (2009) investigated the effects of institutional factor alongside the other factors on the economic growth. Results obtained through various estimates indicate that public institutions such as rule of law, political stability, control of corruption, bureaucracy quality, and government effectiveness may positively and significantly affect economic growth. In addition, the effect of freedom of speech and accountability (democracy index) was positive but not significant. Furthermore, it was noted that the more dominant good governance in a country, the higher the rate of economic growth.

Pahlavan Zadeh (2010) in a study entitled "Review of Iran's employment legal system in the light of good governance theory" tried to find out how much new laws and regulations are in line with good governance and how much these regulations are influenced and inspired by indicators of good governance.

Virmani et al., (2006) explored the effects of various economic and non-economic variables on indicators of good governance and concluded that indicators used as good governance variables have a positive and significant effect on the quality of services rendered by the government and on per capita income (Virmani et al., 2006).

Deininger and Empuga (2007) examined the data obtained from Uganda and pointed out that corruption and lack of accountability in executive institutions are the most important factors that may reduce the quality of services provided by the government.

Given the broad objectives of the Fars Economic and Finance Organization in categories such as: monitoring financial payments and receipts in governmental organizations and affiliations, the search for scientific and codified approaches in recognizing financial, tax, and economic capacities in Fars Province is, generally, directed at application of rule-governed practices and strategies for development of such capacities. Naturally, since this organization is in charge of collecting, handling and protestation of financial and economic affair it demands a very comprehensive solutions. As a result, concerning what has been mention above with regard

to increasing efficiency and effectiveness in the management of financial resources suppliers with a focus on structures, methods, and equipment employed for financial resources and human resource management, good governance is a missing link for our country's development (Fars Economic and Finance Organization Portal, 2010).

2. Research Methodology

1.2. Determining the sample size

The census method was employed in the present study due to small size of the population under study. The total number of employees working for Fars Economic and Finance Organization (including official and contractual staff and contract for performing certain works) are 137 individuals (36 females and 89 males) consisting of managers, assistants, specialists, accountants, and their deputies and staff. Of 137 questionnaires distributed among employees, 125 questionnaires were filled in and returned to collect the needed data.

2.2. Instruments

In order to collect the required data, questionnaire and library methods were used. The main instrument used in the study to test the hypothesis was compiled by combining two closed questionnaires. All items in the questionnaire were measured based on Likert scale.

The questionnaire measuring good governance included 4 questions asking for respondents' personal profiles (i.e. gender, age, work experience, and education) and 32 questions dealing with aspects of good governance including 6 aspects of corruption control, political stability, government effectiveness, rule of law, quality of regulations and rules, and freedom of speech and accountability. Another questionnaire including 12 items was used to measure the efficiency of the administrative system. The validity of the questionnaires was content-validated while the reliability of questionnaires was measured through Cronbach's alpha method.

3. Results of the study

Table 1: Pearson correlation coefficient for good governance model and efficiency of administrative system

As Table 1 indicates, there is a positive and significant relationship between good governance model and the efficiency of the administrative system of Fars Economic and Finance Organization at significance level of $p < 0.001$. In other words, an increase in good governance model will lead to an increase in the efficiency of the administrative system of Fars Economic and Finance Organization.

Table 2: Pearson correlation coefficient between corruption control and administrative system efficiency

Based on Table 2, there is a positive and significant relationship between corruption control as a component of good governance model and the efficiency of the administrative system of Fars Economic and Finance Organization at significance level of $p < 0.001$. In other words, an increase in the component of corruption control will lead to an increase in the efficiency of the administrative system of Fars Economic and Finance Organization.

Table 3: Pearson correlation between political stability and efficiency of administrative system

As it is suggested by Table 3, there is a positive and significant relationship between political stability as a component of good governance model and the efficiency of the administrative system of Fars Economic and Finance Organization at significance level of $p < 0.001$. In other words, an increase in the political stability will lead to an increase in the efficiency of the administrative system of Fars Economic and Finance Organization.

Table 4 - Pearson correlation coefficient between government effectiveness and efficiency of administrative system

As Table 4 indicates, there is a positive and significant relationship between government effectiveness as a component of good governance model and the efficiency of the administrative system of Fars Economic and Finance Organization at significance level of $p < 0.001$. In other words, an increase in the government effectiveness will lead to an increase in the efficiency of the administrative system of Fars Economic and Finance Organization.

Table 5: Pearson correlation coefficient between the rule of law and efficiency of administrative system

As shown in Table 5, there is a positive and significant relationship between rule of the law as a component of good governance model and the efficiency of the administrative system of Fars Economic and Finance Organization at significance level of $p < 0.001$. In other words, an increase in rule of the law will result in an increase in the efficiency of the administrative system of Fars Economic and Finance Organization.

Table 6: Pearson correlation coefficient between quality of laws and regulations and efficiency of administrative system

According to Table 6, there is a positive and significant relationship between the quality of laws and regulations as a component of good governance model and the efficiency of the administrative system of Fars Economic and Finance Organization at significance level of $p < 0.001$. In other words, an increase in the quality of laws and regulations will result in an increase in the efficiency of the

administrative system of Fars Economic and Finance Organization.

Table 7 - Pearson correlation coefficient between freedom of speech and accountability and efficiency of administrative system

As it can be noted in Table 7, there is a positive and significant relationship between freedom of speech and accountability as a component of good governance model and the efficiency of the administrative system of Fars Economic and Finance Organization at significance level of p < 0.001. In other words, an increase in freedom of speech and accountability will result in an increase in the efficiency of the administrative system of Fars Economic and Finance Organization.

4. Discussion and conclusion

Overall, the results of the present study indicate that the characteristics of good governance model directly and significantly affect the efficiency of administrative systems in Fars Economic and Finance Organization. This means that improvement of good governance model in this organization leads to the enhancement of the efficiency of administrative systems (p = 0.702). these findings are in line with those observed by Pahlavan Zadeh (2010) and Issazadeh and Ahmadzadeh (2009). As a result, it is possible to promote the efficiency of the administrative system in the organization in order to optimize services offered, absorption and allocation of resources, and also to optimize organizational units and reduce administrative costs so that to maintain the organization's health in the society through identification of good governance characteristics in the organization and providing favorable conditions to increase good governance characteristics in workplace. Generally, it can be said that since all hypotheses proposed in this studies have been confirmed and there are positive and significant

correlations between variables examined through the study which can be used as a basis for other studies and research in the field of good governance. It is believed that good governance is established if the government is more responsive, more efficient with greater political stability and if excessive regulations and costs are reduced, rule of law is more dominant, and if corruption is more limited.

The results obtained through t-test results suggest that women are slightly more efficient than men so that their mean score with regard to efficiency was 53.2 while that of men was 52.3. But this difference was not significant (t = 1.04) and therefore it cannot generalized to the whole population under study. As a result, there is not a significant relationship between gender and efficiency of the administrative system. It should be noted that this result is based on the equality of variances, as f value obtained through Levine test is not significant (f = 2.47).

The correlation between age and efficiency of the administrative system is 0.075 because the obtained level of significance is greater than the assumed level of significance of 0.05. Therefore, it can be said with 95% confidence that there is not a significant relationship between participants' work experience and efficiency of the administrative systems.

The observed f value (0.27) at alpha level of 0.05 is smaller the value given in the table. As a result, there is not a significant relationship between participants' level of education and efficiency of the administrative system. These findings indicate that none of the respondents'' demographic characteristics, including gender, age, work experience, and level of are significantly related to efficiency of the administrative system.

Table 1: Pearson correlation coefficient for good governance model and efficiency of administrative system

Variable	Indicators	Model of good governance
Efficiency of the administrative system	Pearson correlation coefficient	0.702
	Level of significance	0.001
	Total	125

Table 2: Pearson correlation coefficient between corruption control and administrative system efficiency

Variables	Indicators	Components of corruption control
Efficiency of the administrative system	Pearson correlation coefficient	0.651
	Level of significance	0.001
	Total	125

Table 3: Pearson correlation between political stability and efficiency of administrative system

Variables	Indicators	Political stability
Efficiency of the administrative system	Pearson correlation coefficient	0.574
	Level of significance	0.001
	Total	125

Table 4 - Pearson correlation coefficient between government effectiveness and efficiency of administrative system

Variables	Indicators	government effectiveness
Efficiency of the administrative system	Pearson correlation coefficient	0.574
	Level of significance	0.001
	Total	125

Table 5: Pearson correlation coefficient between the rule of law and efficiency of administrative system

Variables	Indicators	Rule of the law
Efficiency of the administrative system	Pearson correlation coefficient	0.501

Table 6: Pearson correlation coefficient between quality of laws and regulations and efficiency of administrative system

Variables	Indicators	Quality of laws and regulations
Efficiency of the administrative system	Pearson correlation coefficient	0.355
	Level of significance	0.001
	Total	125

Table 7 - Pearson correlation coefficient between freedom of speech and accountability and efficiency of administrative system

Variables	Indicators	freedom of speech and accountability
Efficiency of the administrative system	Pearson correlation coefficient	0.247
	Level of significance	0.001
	Total	125

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