

The Impact of Centralized Budgeting Constraints on the Institutional Performance Efficiency of Government Units

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Abstract: The primary objective of this study was to examine the impact of general budgeting constraints on the efficiency of institutional performance (financial and administrative). A purposive sampling method was used, selecting a population of 150 individuals from the General Company for Electricity Distribution in the North/Salah al-Din Branch, comprising engineers, accountants, auditors, and administrative leaders. Descriptive methodology and statistical analysis were employed to process the questionnaire data. The most significant findings revealed a strong inverse relationship ($r = -0.742^{**}$) and a statistically significant negative impact of central constraints (planning, allocation, disbursement, and control) on institutional performance efficiency. These central constraints explained 55.1% of the variance ($R^2 = 0.551$), and this negative impact was amplified with increasing central constraints, particularly those related to disbursement and control. This underscores the importance of adopting a controlled decentralized approach as a strategic alternative to the traditional model, thereby giving local administration the operational flexibility to enhance performance efficiency.

Keywords: Central Constraints, Financial Performance Efficiency, Administrative Performance Efficiency, General Budget, Financial Decentralization, Iraqi Electricity Sector.

INTRODUCTION

The state's general budget is the most important tool in influencing the political orientations of governments and the allocation of resources in a way that embodies development priorities that are fundamentally linked to the needs of society (Makkonen *et al.*, 2025:2). Service institutions (the Ministry of Electricity and its affiliated departments) are at the forefront of institutions that depend on financial allocations allocated within the budget due to their pivotal role in providing basic services, ensuring the continuity of institutional performance, and supporting sustainable development (Bourmistrov *et al.*, 2025:8). However, the budget preparation process in government institutions takes place within a non-independent environment, as it is subject to a series of integrated central constraints imposed by the central administration, such as the Ministry of Finance. This negatively affects the necessary financial flexibility that gives the executive administration the ability to respond to future changes, as well as the efficiency of resource management, by creating a complex administrative environment that represents a challenge to financial management (JUNQUEIRA *et al.*, 2018: 190) (Carroll, 2025: 37-38).

According to academic literature, the concept of central constraints is defined as controls that work to determine the powers granted to local authorities in estimating revenues and determining the level of spending, in order to unify public policies and control public spending at the macro level. However, despite the fact that the goal is to activate legitimate oversight, the strictness in its application is reflected negatively, as it weakens the strategic planning of those institutions, in addition to lengthening the financial decision-making process and creating a bureaucratic environment, which stifles the incentive for innovation and development (BERTHEUSSEN, 2025: 142).

Budgetary constraints, in light of increasing expenditures, weak oversight, and rising administrative corruption, are reflected in the financial independence and quality of academic and administrative performance of government

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institutions. This is characteristic of the Iraqi environment (Jaafar & Hussein, 2024: 676). As a reflection of this, and within the framework of governance and independence concepts, the institutional environment has witnessed an increasing shift towards granting broad financial independence with the aim of improving financial and administrative performance (Hieu & Niem, 2024: 1-2). Despite the importance of previous studies, they lack an integrated framework that links budgetary constraints (planning, allocation, spending, and oversight) to the financial efficiency of performance in government institutions. From this standpoint, the problem of the current research was represented in answering the following question: Do central budgetary constraints affect performance efficiency? By analyzing the following dimensions: speed of decision, quality of service, and satisfaction of stakeholders, which reflects their importance in providing evidence of the negative impact of centralization and supporting the delegation of powers with expectations centered on the existence of a strong inverse relationship in terms of spending limits and control, which necessitates delegating to government institutions powers with a wider scope.

This research is of great importance because it provides an integrated theoretical and analytical perspective that demonstrates the negative effects of the restrictions imposed on the preparation of the general budget, represented by the centralization of (planning, allocation, spending and control), on the efficiency of the institutional performance (financial and administrative) of the institution under study. Based on this context, the research focused on governmental institutions in Iraq in light of what they suffer from the dominance of imposed central restrictions, which negatively affect their financial flexibility and their ability to respond to multiple and increasing needs. This research aims to explore and study many related literatures in the second section (the theoretical and conceptual framework), followed by a presentation and analysis of previous studies and the dialectic of centralization and decentralization, in addition to building hypotheses in the third section. After that, the theoretical foundations are presented in the fourth section, and it concludes with a summary of the theoretical framework and the main and sub-hypotheses in the fifth section. Then, it begins with the practical aspect and the conclusion, which includes the most important results and recommendations, as well as future studies.

1. Theoretical Aspects of the Research Variables

Many accounting studies have shown increasing interest in the implications of centralization and delegation of authority in government budgets on institutional performance. This interest has been reflected in numerous studies addressing the research variables from various perspectives, as follows:

1.2. The Concept of Centralized Controls in Accounting and Administrative Literature: A Review of Theoretical Dimensions

Budgetary constraints are characterized by the central authority retaining numerous powers, such as determining financial appropriations, defining disbursement mechanisms, and exercising oversight over budget implementation. Discretionary authority at the local level will be limited with respect to unification of policy regarding financing, because this process does not take account of the specific characteristics of each unit. This has been achieved by the establishment of common limits on finances and the use of standard formats for planning, implementing, and monitoring (Dahan & Strawczynski, 2020: 218). These limitations are located along several critical dimensions that interact to create the financial environment in which governmental institutions function. One of those dimensions is centralization of planning, or the degree of control exercised centrally over the determination of both the financial and quantifiable objectives of budgets, as well as the timetable for preparing and implementing them. Centralized planning will limit the role of local management in assessing what its real needs are and transform the process of preparing a budget from an active and responsive exercise to a routine one devoid of long-term strategy viability. Thus, centralized planning processes will eliminate the capacity of institutions to establish a future-oriented vision based upon their unique circumstances (BERTHEUSSEN, 2020: 218). 2025:141-143).

The second dimension is shown with the distribution of financial resources being determined by senior management and distributed according to the priorities given by senior management, this limits the ability of institutions to adjust financial resource distribution based upon emerging conditions, limiting the institution's flexibility to adapt to changing needs and create a condition of rigidity related to financial resource utilization. These institutional constraints limit an institution's ability to allocate its own financial resources based upon its current circumstances. In addition, the lack of flexibility creates waste and a tendency to prioritize areas of need that do not reflect the true needs of each institution (Chang & Chang, 2024: 11-13).

The third dimension is characterized as a form of spending where all spending procedures must be approved at an upper level before they can begin. This leads to lengthy spending procedures causing project delay, missed investment opportunity, and higher indirect cost for the complexity of process. This demonstrates a direct correlation between increased centralization and a widening gap between the actual need for spending and the availability of allocated funds, negatively impacting workflow and service quality in these institutions (Cruz Chuquizuta, 2023: 126-131).

The previous restrictions conclude with the fourth dimension, which relates to centralized control and is represented by the centralized dominance of oversight bodies in evaluating the financial and administrative performance of these institutions based on standardized criteria that lack consideration for the specific performance of these institutions (Aryawati *et al.*, 2024: 2-3). It is worth noting that excessive centralization hinders the development of internal control systems mechanisms and weakens the spirit of self-accountability in local management, which negatively affects the function of oversight from being a tool for accountability and development to a tool for control and dictation, thus creating a tense environment between these institutions and oversight bodies, which negatively affects functional performance (Kallio *et al.*, 2022: 56-61).

1.3. Financial and Administrative Performance Efficiency: Conceptual Framework and Theoretical Dimensions

Central constraints negatively impact performance efficiency, which is a key indicator of an organization's success in utilizing available resources. Public sector literature defines efficiency as the ability to achieve the highest return with the fewest resources without compromising output efficiency. Institutional performance efficiency is comprised of two main dimensions (financial and administrative) that complement each other to create a comprehensive picture of institutional performance (Hussein & Al-Lallo, 2025: 448-449). The financial performance efficiency of government institutions is manifested in a set of key indicators, including the percentage of budget execution within a flexible margin, spending efficiency, and the speed of cash turnover without accumulation or delay. The previous discussion demonstrates the process through which a public agency may be able to utilize existing mechanisms in order to direct current available resources toward current priority areas while at the same time avoid wasting resources currently being spent on lower-priority or static areas of operation (Chynybaev *et al.*, 2025: 1-4).

Therefore based upon all that we have previously discussed and taking into account what the present body of literature confirms, there are the following quantitative and qualitative key indicators that measure the overall financial performance of the Ministry of Electricity as a government unit subject to centralized control:

1.3.1. Budget Execution Rate:

The extent of the ability of governmental entities to utilize allocated monies is reflected through this indicator. Although the centralization of controls can significantly impact the timeliness of approvals and lengthen time for processing expenditures, it adversely impacts the expenditure rate. Therefore, balances remain unexpended or the amount spent is inefficient (Dahan & Strawczynski, 2020: 221-222). In addition, governmental institutions with overly centralized control experience suboptimal resource utilization and an imbalance in their performance achievement levels (Junqueira *et al.*, 2028: 189-190). As was noted in a study on Iraq by Abdullah & Al-Mashhadani (2026: 527), the centralization imposed upon the financial legislation of Iraqi law hinders the execution of budgets in all service ministries.

1.3.2. Spending Efficiency:

The ratio of the outputs produced (operating hours, energy input rate, number of accredited stations) to the actual cost of those outputs is measured for this indicator. Financial centralization limits the redirection of funding to higher priority areas as indicated by Chang & Chang (pp. 11-13), who report on spending efficiency and indicate an impediment. Decentralized decision making provides support for meeting regional service needs. Spending efficiency was found to be reduced due to rigid centralized budgeting allocations as reported in a study conducted by Sylvester *et al.*, (p. 801). Therefore, it is recommended to implement more modern accounting practices.

1.3.3. Money Turnover Velocity:

This indicator represents the time interval between submitting a disbursement request, its approval, and its execution. A study by Chikonde & Masaiti (2026: 276) confirms that centralized restrictions, represented by the sequential routine of disbursement procedures, lengthen the period between submitting and executing a disbursement request. A study by Cruz Chuquizuta (2023: 130-133) shows that one of the solutions to reduce this period is to simplify centralized procedures, which reduces the period from approval to execution, thus improving operational liquidity. It also indicated that the accounting and financial procedures followed and based on extreme centralization would delay disbursement procedures, which represents the Iraqi case with the adoption of the unified accounting system and the procedures it includes.

As for the efficiency of administrative performance, it reflects the extent to which institutions are able to organize their administrative structure in a way that supports speed of completion, accuracy of performance, and beneficiary satisfaction. This is based on a set of indicators, including the speed of decision-making, the degree of liberation from centralized administrative constraints, and finally, the quality of services. It is worth noting that decentralized management systems enhance the efficiency of administrative performance by granting local management a wider range of powers to manage its operational affairs, which reduces response time and increases job satisfaction (Thompson, 2023: 275-278). Based on the consensus of much of the recent literature that administrative performance is subject to the effects of

centralized public budget constraints, the essential indicators representing administrative performance can be derived as follows:

1.3.4. Decision-Making Speed:

The time it takes for an organization to identify its operational needs and receive central approval is what this indicator illustrates. According to Chikonde & Masaiti (2026: 276), studies have shown that centralized control will extend the decision making process because of the number of sequential approvals required. Consequently, decisions made under such processes are less responsive to unexpected events or unanticipated changes than those made under decentralized systems. Similarly, according to Wu & Xiao (2025: 43-51), centralized control has been identified as creating delays in the decision making process relative to the use of decentralized approaches. Finally, the findings of both Jaafar & Hussein (2024: 676) and Bertheussen (2025: 142) demonstrated that centralized control creates delays in decision making within public institutions in Iraq; specifically, the former authors attributed these delays to the existence of multiple jurisdictions affecting the same entity, while the latter author attributed these delays to centralized control.

1.3.5. Quality of Administrative Services:

The main focus of this indicator is to measure how quickly and accurately you can complete a transaction, as well as provide technical assistance to your unit's operations. Kallio *et al.*, (2022, 5-6), indicate that the equilibrium between accountability and independence are the fundamental elements in the improvement of the quality of public administration. In contrast, over-centralized systems create environments which are conducive to defensive bureaucracies where the primary concern is complying with process rather than achieving outcomes. This confirms that hybrid governance models based on controlled decentralization are the key to improving the quality of administrative services. The study (Benner & Thomasson, 2024: 1442-1445) also confirmed that the relationship between the effectiveness of central control systems and the improvement of service quality is a direct relationship, contrary to excessive control.

1.3.6. Stakeholder Satisfaction:

This is a cumulative indicator representing the ability of management to meet the needs of both employees and consumers. Accordingly, the study by Letelier & Sáez-Lozano (2:2024) confirms a positive relationship between the financial independence of local administration and the level of job satisfaction. Financial independence of accountable management positively impacts community well-being, which in turn generates satisfaction with the job performance of government institutions. The study by Hieu & Niem (2024:10-11) indicates that independence supports performance efficiency, which positively impacts the satisfaction rate in public sector institutions. From another perspective, the study by Filippi *et al.*, (2024:7) shows that centralized systems negatively affect job satisfaction. Similarly, the study by Tonelli & Gibson (2024:397) concludes that decentralized governance systems subject to oversight and accountability can achieve financial sustainability and widespread job satisfaction. The same applies to the impact of centralized systems in the Iraqi electricity sector, where centralized constraints have a negative effect. On levels of job satisfaction.

It is noteworthy that both financial and administrative efficiency are fundamentally influenced by the organizational and financial environment of the institution. The relationship between weak incentives for innovation and improvement, centralization, and strict controls is directly proportional. Conversely, a decentralized environment positively impacts administrative and financial flexibility, thereby increasing the institution's efficiency (Benner & Thomasson, 2024: 1436, 1443-1444).

Based on the theoretical foundations and analytical premises of the relationship between the constraints of central authority and the efficiency of financial and administrative performance, agency theory represents the ideal environment framework for that relationship, which is based on the contractual relationship between (central authorities) and (local institutions). According to this, the principal resorts to ensuring compliance under the constraints and control procedures, which creates a gap between the objective and the results, in addition to creating an environment of defensive behavior on the part of the agent in order to avoid violating those procedures, regardless of achieving efficiency in the objectives achieved. Hence, the contradiction between the principal's need for control and the agent's need for flexibility is manifested, which is reflected negatively in producing outputs of a low level below the optimal level (Wu & Xiao, 2025: 43-51).

1.4. Theoretical Framework and Previous Studies: The Debate on Centralization and Decentralization and the Development of Research Hypotheses:

Several studies have addressed the context of centralized budgetary constraints and their impact on the overall performance of institutions, based on comparative analyses of several countries. These studies concluded that fiscal centralization reflects the local administration's focus on procedural compliance regardless of achieving results, which negatively impacts the effectiveness of performance management systems. This underscores the inverse relationship between centralized constraints and efficiency. It is worth noting that the mechanism for preparing the general budget may not be driven by technical motives but rather by political considerations, as it often reflects the centralized authorities'

desire to control fiscal policies regardless of the negative consequences on the efficiency and effectiveness of local performance (Sabagh & Moshtari, 2025: 1547, 1563).

1.5. The Theoretical Debate between Centralization and Decentralization in Public Budgets:

The intense debate between proponents of centralization and decentralization in the preparation and implementation of the public budget constitutes one of the most important points of discussion in the literature of modern public administration. While proponents of centralization argue that it is the cornerstone of ensuring financial commitment and accountability, this contrasts with the ideas of new public administration that support decentralization, which sees liberation from centralization as a starting point for achieving efficiency and effectiveness in local institutional performance. This debate has not been merely an academic or intellectual one, but has become a practical necessity of importance within the framework of governmental institutions, such as the Ministry of Electricity, with its inherent operational and service-oriented complexity and the burden of excessive centralization. This necessitates compliance with central regulations and procedures, while the Ministry strives for the flexibility required to achieve operational and administrative efficiency (BERTHEUSSEN, 2025: 141-142).

1.5.1. Arguments for Centralization: The Rational Basis for Control and Regulation:

Proponents of the classical school of thought, with its centralized ideas and nature, believe that centralized thinking in planning, allocation, spending, and control achieves the unification of financial policy at the macro level of the institution (Barrel *et al.*, 2024: 158), in addition to ensuring the fair distribution of resources among public government units (Arocena *et al.*, 2024: 1-3), and finally preventing corruption and financial deviations, since proponents of centralized thinking consider that government institutions (departments of the Ministry of Electricity) are units whose discretionary power over expenditures cannot be trusted unless they are subject to strict central control (Shaghri *et al.*, 2025: 48).

These arguments are based on the principles of classical agency theory, which assumes that the agent (government institutions) prioritizes maximizing personal interest at the expense of the principal's (the state's) interest, thus necessitating the imposition of restrictions and deterrent measures to curb this tendency (Kivistö, 2026: 115). Proponents of centralization, especially in countries suffering from financial fragility, believe that centralization enables the government to control public budget deficits and prevent the accumulation of deviations in obligations, based on the premise that strict financial ceilings are not an obstacle, but rather an important mechanism for rationalizing spending and protecting public funds (Nakatani, 2025: 15-18). This perspective is inconsistent with the fact that some government institutions (the Ministry of Electricity and its affiliated sectors) are not typical, predictable spending units, as they are vital institutions that require a rapid response to emergency technical and operational changes, making it difficult to reduce them to rigid budget tables without a reasonable margin of flexibility (Simon, 2025: 550-552).

1.5.2. Arguments for Decentralization towards Greater Flexibility and Efficiency.

Decentralization proponents argue that excessive centralization and budgetary constraints will negatively impact discipline and may even create a defensive bureaucratic environment. This, in turn, will stifle local capabilities and foster risk-averse behavior, stifling innovation. This aligns with the principles of public choice theory, which posits that centralized decision-making is often driven by political and bureaucratic interests rather than economic efficiency (Wu & Xiao, 2025: 43-51).

Much recent literature indicates that delegating authority to local administrations to reallocate funds, transfer balances, and approve expenditures within allocated limits has a positive impact on improving institutional performance. Administrative decentralization can reduce a lot of bureaucratic red tape and increase staff satisfaction as well as efficiency. Therefore, it also adds to the overall efficiency of the institution. Similarly, financial independence enables institutions to be flexible when dealing with unexpected problems and will therefore improve the efficiency of an institution. The same is true for this present research environment (Tonelli & Gibson, 2024: 397).

Beginning with hybrid governance, this debate is no longer based on the two extremes (centralized vs decentralized) but now focuses on the combination of macro-control and micro-flexibility. In other words, it allows for central monitoring to ensure that all decentralizing bodies are complying with the overall framework of "accountable decentralization." Thus, this model represents an optimal compromise between effectiveness at the institutional level and national accountability (Benner & Thomasson, 2024: 1442-1443).

1.6. The Iraqi Context: Manifestations of the Debate between Centralization and Decentralization and Its Impact on the Research Hypotheses

A new way to think about the institutional environment in Iraq is the continuing discussion regarding the best ways to achieve centralization and controlled decentralization. Institutions are restricted to the extent that they cannot spend money based upon the needs of those areas due to extreme centralization of finances. There are three key institutions involved with creating the federal budget: the Ministry of Finance, the Ministry of Planning, and the Federal Board of

Supreme Audit. Each institution is responsible for decision-making authority at each stage of the creation of the federal budget process including allocating monies, approving budgets and conducting audits of all expenditures. Because these three institutions are working together during this time, it creates inefficiencies and administrative shortfalls in the ability of regional administrators to provide services and fund local government functions (Al-Mashhadani & Abdullah, 2016; pp. 527-529). In theory, we can see that providing greater flexibility to regional administrators to manage their own affairs and reducing the amount of control imposed by centralized institutions will create an atmosphere conducive to improving both financial and administrative performance. Therefore, transitioning to a hybrid model, where institutions have some degree of control over their fiscal management (e.g., reallocate funds) and eliminate some of the burdensome bureaucratic processes required for most minor, recurring expenses could reduce the burden placed upon centralized institutions and allow for improved financial and administrative performance without sacrificing necessary accountability (Sylvester *et al.*, 2024, 801).

It can be noted that, the research hypothesis is inextricably tied with the major debate associated with the theoretical debate between centralization and decentralization. The premise for the inverse correlation between, the rigidity of centralized control and institutional performance efficiency is primarily due to the claims of decentralization advocates in relation to public institutions; however, it does not rule out the potential for a minimum level of centralization to be required for fiscal and administrative accountability. Therefore, the relationship may not always be strictly linear since, beyond a certain threshold of decentralization, institutional performance efficiency may increase while the institution descends into chaos. Thus, leaving room for possible further discussion regarding the previously stated limitations of the academic literature.

Based on this, the analysis concludes that the debate between centralized control and controlled decentralization is not a final result for any of the concerned parties, but rather a contextual debate dependent on the degree of maturity of those institutions and the effectiveness of the institutional performance of internal control systems, as well as the ability of local administration to bear responsibility. In light of this, it can be said that the emergence of hybrid governance within the perspective of controlled decentralization is a practical option in the Iraqi environment, which was confirmed by the study (Ojapinwa & Ojo, 2024), and this represented the logical basis for formulating the research hypotheses, which will be tested in light of what previous studies have revealed in their results regarding the nature of that relationship and what the results of the current research will lead to.

1.7. Analyzing Previous Studies and Linking Them to Research Variables:

Numerous studies have addressed the topic of centralized budget constraints and institutional performance efficiency. The importance of analyzing these studies lies in identifying general trends in the findings, pinpointing research gaps, and linking them to the variables and dimensions of the current research. These studies can be categorized into two main areas: the first includes studies that addressed centralized budgeting constraints, and the second focuses on institutional performance efficiency.

A review of previous literature on centralized constraints reveals a consensus that excessive centralized budgeting leads administrations to adopt a procedural compliance approach, regardless of achieving efficiency and effectiveness. This represents the centralized control dimension of the current research, as these studies confirm that centralized control creates a defensive bureaucracy that negatively impacts effectiveness.

Other studies have also shown that centralization of allocation reflects a state of financial rigidity, with these institutions committed to spending within items and appropriations that have been predetermined, regardless of their suitability to actual needs. This represents a waste of resources, in addition to the fact that extreme restrictions on budget numbers deprive local administration of the necessary independence to respond to emerging changes. This supports the dimensions adopted in the current research, and it was confirmed by both the study (Wu & Xiao, 2025) & Tonelli & Gibson, 2024).

Regarding institutional performance, several recent academic studies, such as those by Wu & Xiao (2025) and Tonelli & Gibson (2024), have demonstrated a strong positive correlation between autonomy and indicators of institutional performance efficiency (implementation rate, spending efficiency, cash flow velocity, decision-making time, and job satisfaction). These studies confirm that institutional performance efficiency can be achieved with a degree of controlled decentralization, indicating that the problem lies not so much in the capacity of these institutions as in the nature of the imposed constraints.

1.8. Formulating Hypotheses: From the Theoretical Framework and Previous Studies to Formulating the Relationship and Impact of Centralized Controls on Institutional Performance:

Based on the theoretical aspects of the research variables, dimensions, and indicators, in addition to the findings of previous studies that indicate a broad consensus on the existence of an inverse relationship between excessive centralized

controls and weak institutional performance (which have been reviewed), the research hypothesis is based on a theoretical framework confirmed by the New Management Theory. According to the theory, in centralizing bureaucracies, the longer and more complex the decision-making process is within a governmental institution, the lower will be the organizational performance. As such, the research hypothesis are developed from a theoretical standpoint, as they intend to go beyond descriptive aspects, to empirically test and provide evidence to close the current research gap and contribute to developing new knowledge, which highlights the importance of reducing bureaucratic complexity through de-centralization to improve the performance of public institutions. Accordingly, the hypotheses can be formulated as follows:

The first main hypothesis states that there is a statistically significant inverse relationship between the centralization of budget preparation and the financial and administrative performance efficiency of government institutions. This was confirmed by the studies of Dahan & Strawczynski (2020) and Jaafar & Hussein (2024), as these constraints create an environment characterized by a mismatch between the actual needs of these institutions and the resources allocated to them. Based on this first main hypothesis, two sub-hypotheses are derived. The first sub-hypothesis confirms a statistically significant relationship between budget preparation constraints and the financial performance efficiency of government institutions. The second sub-hypothesis confirms a statistically significant relationship between budget preparation constraints and administrative performance efficiency, as confirmed by the study of Platonova (2026). However, this relationship is complex and non-linear, as it can be direct in one context and inverse in another. This is because it is influenced by the nature of the context (the nature of the institutional environment of government institutions), resulting in differential outcomes depending on the nature, size, and complexity of the environment. The organizational structure of the institution.

To complement the hypothetical framework, the second main hypothesis emphasizes another dimension: impact. It states that central constraints on budget preparation have a statistically significant effect on the financial and administrative performance efficiency of government institutions. This was confirmed by the study by Dahan & Strawczynski (2020), from which two sub-hypotheses emerge. The first sub-hypothesis states that central constraints on budget preparation have a statistically significant effect on the financial performance of government institutions. The second sub-hypothesis states that central constraints imposed on budget preparation have a statistically significant effect on the administrative performance efficiency of government institutions. The following table shows the matrix of expected impact between central constraints and the dimensions of institutional performance (financial and administrative).

Table 1: Expected impact matrix between central constraints and dimensions of institutional performance (financial and administrative)

Dimensions of central registration	Dimensions of affected performance	relationship direction	A practical example in the electricity sector
Centralized planning	General Budget Implementation Rate	inverse	Imposing uniform ceilings for distribution projects without considering load density
	Speed of decision making	inverse	Forcing directorates to adhere to strict timetables disrupts response to breakdowns.
Centralized allocation	Efficiency in spending	inverse	Allocating funds for equipment that does not conform to local network specifications
	Quality of administrative services	inverse	Inability to convert maintenance credits to operational funds when needed
Centralized exchange restrictions	Speed of money turnover	Extremely inverse	The lengthy procedures for disbursing payments to transport line contractors are leading to project stoppages.
	Employee satisfaction	inverse	The disbursement of maintenance incentives was delayed due to the Audit Bureau's review of each transaction.
Centralized control	All dimensions of performance	inverse	Centralized auditing of every fuel invoice before payment slows down generation and increases costs.

2. The Practical Aspect of the Study:

2.1. Research Population and Sample:

The research sample consists of the General Company for Electricity Distribution in the North, distributed across seven branches (Nineveh Center, Nineveh Outskirts, Kirkuk, Hawija and Kirkuk Outskirts, Samarra, and South Salah al-Din). This functional and geographical diversity of the study sample allowed it to reflect the reality of the financial and administrative challenges in the electricity sector. The sample comprised (150) individuals with specializations in engineering, accounting, and auditing, as well as administrators overseeing the budget preparation and implementation

process, from the Director General down to the heads of branches and units. They were selected using a purposive sampling method, and (150) forms were deemed valid for analysis, representing 100% of the total sample, using SPSS V24 software.

2.2. Demographic Analysis of the Research Sample:

Table (2) below shows the actual distribution of the research sample according to demographic variables. Table (2) shows the distribution of the sample according to demographic variables.

Table 2

Demographic characteristics	Target groups	Repetition	Percentage (%)
(Educational Level)	Diploma	40	26.7%
	Bachelor's Degree	80	53.3%
	Higher Diploma	6	4.0%
	Master's Degree	18	12.0%
	PhD	6	4.0%
(Job Position)	Branch Manager/Assistant	6	4.0%
	Department Head	24	16.0%
	Division Head	60	40.0%
	Staff/Staff Member	60	40.0%
(Age)	20-30 years old	35	23.3%
	31-40 years old	67	44.7%
	41-46 years old	30	20.0%
	46 years and over	18	12.0%
(Experience Years)	1-5 years old	25	16.7%
	6-15 years old	78	52.0%
	16-25 years old	32	21.3%
	26 years and over	15	10.0%
(Department)	Finance and Budgeting	65	43.3%
	Administrative and Auditing	50	33.3%
	Technical, Maintenance and Follow-up	35	23.3%

Table (2) shows the descriptive distribution of demographic information for the research sample, which consists of (150) individuals from administrative, financial and technical leadership. The results show that the vast majority of the sample are holders of a bachelor's degree, with a rate of (53.3%), followed by holders of a diploma, with a rate of (26.7%). In contrast, holders of higher degrees (PhD, Master's, Higher Diploma) constituted a percentage of (20%). This indicates that the study sample possesses an advanced scientific background, which enables them to understand the dimensions of the constraints of preparing the general budget and its impact on institutional performance. This represents a positive indicator.

As for job positions, the results of the analysis showed the depth of leadership representation within the study sample and its conformity with the nature of the study, which targeted decision-makers and participants in the budget preparation process, as (60%) of them occupied leadership positions represented as (branch manager, department head, division head). The years of experience and age indicator showed that (76.7%) were over 30 years old and (83.3%) of them had experience in the field of work that is no less than 5 years, noting that the largest percentage of experience was concentrated in the category ranging from (5-15) years, with an average of (52.0%), which represents a prominent cumulative maturity. As for the level of sectoral distribution of the research sample, it gave a positive indicator of the objectivity and credibility of the collected data, as the finance and budget departments and divisions topped the ranking with an average of (43.3%), followed by the audit and administrative departments with an average of (33.3%). This category of respondents represents the basic pillar that is directly related to dealing daily with the processes of (disbursement, allocation, and higher central control).

2.3. Descriptive Statistics of Study Variables:

This section includes the descriptive analysis of the data to identify the arithmetic means and standard deviations, determine the general trend of the respondents' opinions, and rank the study dimensions based on their relative importance. The results are shown in Table (3).

Table 3: Results of the descriptive analysis of the opinions of those surveyed (N=150)

Variables and Dimensions	Mean	Std. Deviation	Degree of Agreement	Rank
Independent Variable: Centralized Constraints (X)	4.52	0.41	Strongly Agree	--
1. Planning Centralization	4.61	0.38	Strongly Agree	1
2. Allocation Centralization	4.48	0.44	Strongly Agree	3
3. Disbursement Centralization	4.54	0.42	Strongly Agree	2
4. Control Centralization	4.45	0.43	Strongly Agree	4
Dependent Variable: Institutional Performance Efficiency (Y)	2.34	0.48	Disagree	--
1. Financial Performance Efficiency	2.41	0.51	Disagree	1
2. Administrative Performance Efficiency	2.27	0.46	Disagree	2

Table (3) illustrates the findings of descriptive statistical analysis for the study variables as they relate to the centralizing influences of budgetary constraints. Results indicate that the independent variable of "centralized budgetary constraint" has an average of (4.52%), and a standard deviation of (0.41%). This indicates that there is complete consensus among participants in the sample regarding the dominant influence of centralized budgetary constraints. Participants averaged the highest score in terms of the degree to which they perceived centralized planning as being most influential at (4.61), and then the centralized expenditures dimension was second with an average of (4.54).

Meanwhile, the dependent variable, "Institutional Performance Efficiency," recorded a low mean of (2.34) and a standard deviation of (0.48), which falls under the category of "disagreement" on a five-point Likert scale. The administrative performance dimension was the most affected, with a very low mean of (2.27). This represents a field indicator reflecting the negative impact of extreme centralized constraints on institutional performance efficiency indicators (financial and administrative) by depriving local administrations of their flexibility in implementing the items of the general budget.

2.4. Instrument Reliability Test:

The above test measures the internal consistency of the statements with respect to their intended purpose. Table (4) shows the statistical results regarding the reliability of the study instrument (the questionnaire).

Table 4: Questionnaire Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0.864	0.867	24

Table No. (4) shows that Cronbach's coefficient for the questionnaire, which consists of (24) items, reached (0.864), which is a percentage that exceeds the minimum acceptable limit of (0.70). This indicates that the instrument has stability and internal consistency, which confirms the validity of the data for statistical analysis, as well as the possibility of generalizing the results.

2.5. Hypothesis Testing:

2.5.1. First Main Hypothesis:

This hypothesis is based on the existence of a statistically significant inverse relationship between central constraints on budget preparation and the efficiency of institutional performance (financial and administrative).

Table 5: Pearson Correlation Matrix between Research Variables. The correlation is statistically significant at the (0.01) level

Variables	Centralized Constraints (X)	Performance Efficiency (Y)
Centralized Constraints (X)		
Pearson Correlation	1	-.742**
Sig. (2-tailed)		.000
N	150	150
Performance Efficiency (Y)		
Pearson Correlation	-.742**	1
Sig. (2-tailed)	.000	
N	150	150

The outputs of Table (5) indicate a very strong (negative) and statistically significant inverse correlation between the central constraints on budget numbers and the dependent variable, which is the efficiency of institutional performance (financial, administrative). The value of the correlation coefficient reached (-0.742), and in contrast, the calculated

significance level (Sig. 2-tailed) reached (0.000), which is less than the adopted significance level of ($\alpha \leq 0.01$). This necessitates accepting the first main hypothesis and its sub-hypotheses, which indicates that there is a significant inverse correlation between the high severity of central constraints on budget numbers and the efficiency of institutional performance (financial, administrative) for the study sample, as a result of the absence of the local administration's powers necessary for a quick and appropriate response to field variables.

2.5.2. Second Main Hypothesis:

This hypothesis is based on the premise that the severity of central constraints on budget numbers has a statistically significant effect on organizational performance efficiency (financial and administrative). The ordinary least squares method was used to analyze this effect.

Table 6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.742a	.551	.548	.32141

Predictors: (Constant), Centralized_Constraints_X

Table (6) shows that the value of the neutrality coefficient (R Square) reached (0.551), which is an indicator that reflects the high explanatory power of the model for government data, which represents that the central constraints of budget numbers explain (55.1%) of the changes that occurred in the efficiency of institutional performance (financial, administrative), and the remaining (44.9%) are due to random factors and variables that did not enter into the model.

Table 7: ANOVA^a (Criterion of Model Significance)

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	18.721	1	18.721	181.757	.000b
Residual	15.284	148			
Total	34.005	149	.103		

a. Dependent Variable: Performance_Efficiency_Y

b. Predictors: (Constant), Centralized_Constraints_X

The results of the variance test table show that the F-value, calculated on the basis of (F-value), which amounted to (181.757), is statistically significant at a significant level (Sig=0.000) and conclusively, which decreases at the critical value (0.05), which shows the validity of the model and its high significance from a mathematical and economic standpoint for the suitability of the field data.

Table 8: Coefficients^a (Regression Parameters)

Model	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (Beta)	t	Sig.
1 (Constant)	6.254	.291		21.491	.000
Centralized Constraints X	-.865	.064	-.742	13.481	.000

Dependent Variable: Performance_Efficiency_Y

Table (8) of the results of the estimated coefficient values shows that the value of the non-standardized effect coefficient (B) for the central constraints reached (-0.865), supported by the calculated (t-value) of ((-13.481), which represents the significance of the function at (Sig = 0.000). Based on these outputs, the second main hypothesis is accepted, and the estimated regression equation is formulated as follows:

$$\hat{Y} = 6.254 - 0.865(X)$$

The negative value of the regression coefficient (B = -0.865) indicates that any increase in the central restrictions on the general budget numbers by one unit on the Likert scale will be offset by a decrease in the efficiency of institutional performance (financial, administrative) by (0.865) in the field of the research sample, which confirms that the approach based on limiting powers will reflect negatively on the operational flexibility of government units and lead to weakening their ability to have operational flexibility in implementing their financial plans and the mechanism for making administrative decisions efficiently.

3. CONCLUSION

The authors of this research concluded that the financial and administrative efficiencies of an institution are significantly impacted by the degree of constraint imposed by the centralization of the four key functions of budgetary process, i.e., planning, allocating, disbursing funds, and controlling resources. A correlation of (- 0.742) was obtained

indicating a very high level of association between the degree of centralization and decreased institutional performance. Additionally, a Coefficient of Determination of (0.551) indicates that more than one-half of the decline in financial and administrative performance can be attributed to the level of centralization. This necessitates a review of the current policy. To further this conclusion, the study recommends conducting future studies on larger and more diverse samples of government units across multiple sectors (education, health, and services), as well as incorporating mediating variables. This would allow for testing the consistency of the negative effects of centralized constraints in diverse environments, enabling the discovery of modern mechanisms that could mitigate this negative impact and allow for the generalization of the results.

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