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CONTRACT-BASED BUDGETING AND FINANCIAL PERFORMANCE IN HIGHER EDUCATION INSTITUTIONS: A CASE STUDY

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ABSTRACT. This research aims to determine the impact of the transition from the conventional way of creating the general budget to the contractual budget method on the financial performance of public sector units. This research used the case study technique to examine the University of Kufa (2017). The University of Kufa is one of Iraq's universities. The findings indicate that implementing the contractual budget may substantially improve the University of Kufa's financial performance metrics than the conventional budget presently authorized. Additionally, the study's findings show that cost indices for all university faculties and programs have decreased. On the other hand, profitability metrics increased significantly after the implementation of the contractual budgeting technique. This discrepancy is primarily due to universities' overall expenses being reduced in varying amounts since the contractual budgeting technique estimates actual costs, not actual costs of activities. The findings of this research demonstrate the need to use the contractual budget technique for creating the general budget for government units rather than the presently utilized conventional budget method. Contractual budgeting enables government units to carry out their functions and gain financial and administrative control and the potential of rationalizing public expenditure and improving their financial performance. Additionally, while using the contractual budget approach, it is essential to work for economic independence for Iraqi institutions. This research provides the optimal method for budget preparation, which will aid in rationalizing expenditure by establishing financial and administrative control over the performance of Iraq's higher education institutions.

JEL Classification: example
H83, H61, H72

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