Emerging Market Queries in Finance and Business

Quantification of the efficiency of public administration by data envelopment analysis

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Abstract

The issue of public administration effectiveness and its ensuring is increasingly gaining prominence in the macro-economic situation in the euro area. The public sector like the business sector must look for the opportunities to increase its efficiency. There are few ways of efficiency quantification, but considering the comprehensive assessment need of the research problems the most appropriate tool for performance quantification of public administration seems the packaging data analysis–DEA (Data Envelopment Analysis). Packaging data analysis as a statistical method is an important tool in public administration officials' future decision making, rationalization and optimization of public administration performance. The submitted article is focused to the application of DEA method in evaluating the effectiveness of the public administration in Slovakia.

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1. Introduction

Public administration represents an intentional activity which pursues a specific objective, namely regulation of the conditions and methods of governance implementation (Machyniak, 2013). Public administration in the Slovak Republic is divided into three components: government, local government and public corporations, which reflects fulfilling of the democratic fundamentals of governance (Šebík, 2012).

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Since the 1989, the government undergoes many reform processes. The latest one was the fiscal decentralization, or the change in funding of local government. One of the basic features of the reforms of public administration is its uniqueness and specificity for every single state. The European Union as well as the rest of the world has no unified or universal concept of public administration that could serve as a model. (Andrejovská, 2010; Papcunová and Gecíková, 2011, Raisová and Bánociová, 2012, Šoltés and Modráková, 2012, Pavliková and Šiničáková, 2012).

Public administration has to be distinguished from private administration. Public administration as the management of public affairs represents the public interest and the executing subjects realize it as a duty imposed by law from their legal status of public entities (Horváth, 2003).

![Fig. 1 Structure of the public administration in the Slovak Republic](image)

Fundamentals of public administration are constituted as the management of public affairs, which is realized as a manifestation of executive power in the state (Horváth, 2007). This executive power is defined by its primarily public character, disposable for the state and other non-state subjects performing management of public affairs.

Despite these substantial differences there are some features common for both, public and private administration. Such features could be classified as follows (Hamalová, 2007):
- High degree of autonomy;
- Following the interests of their own communities;
- The pursuit of efficient management of its own property;
- Own budgeting.

For completeness, we consider it necessary to emphasize that the fact that public administration includes in its title the term public is not yet eliminating its impact on the private sector. Conversely, depending on the size and structure of the public sector and the public administration, the administration has in modern democracies important and irreplaceable role in relation to the private sector (Klus, 2007).

Effectiveness of public administration is increasingly gaining importance in the macro-economic situation in the Euro area nowadays. The business sector as well as the public sector has to look for the opportunities to increase its efficiency.

2. Material and Methods

The aim of the submitted article is to draft a new methodological approach to the quantification of public administration through the quantitative methods, namely the application of data envelopment analysis (DEA) method in evaluating the effectiveness of public administration in the Slovak Republic.

The fundamental approaches to quantitative evaluation of the effectiveness of public administration contain following methods: data envelopment analysis: assessment of efficiency of public administration bodies - comparison of effectiveness of selected specialized state agencies and local governments (methods of assessment of DEA effectiveness), benchmarking in the analysis of effectiveness of public administration - the use of FDK methods (named after Farrell, Debreu, and Koopmans) (Luo and Donthu, 2001). Methods of
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