THE ROLE OF NON-FINANCIAL INDICATORS IN ASSESSING PUBLIC SECTOR PERFORMANCE

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ABSTRACT: *This paper examines the role of non-financial indicators in evaluating the performance of public institutions, emphasizing their importance in complementing traditional financial measures. The analysis focuses on key categories of non-financial indicators, including beneficiary satisfaction, service quality, operational efficiency, innovation and continuous improvement. By integrating these indicators into public sector performance management systems, institutions can achieve a more comprehensive, transparent, and citizen-oriented assessment of performance. The study highlights the relevance of non-financial indicators for improving decision-making, enhancing service delivery, and supporting effective and accountable public governance.*

KEY WORDS: *non-financial indicators; public sector performance; service quality; beneficiary satisfaction; public governance.*

JEL CLASSIFICATION: *H83, H11, M10, H70.*

1. INTRODUCTION

In the context of efficient and transparent management of public resources, the evaluation of public sector entities' performance plays a crucial role. In this regard, the use of non-financial indicators has become increasingly relevant in the holistic assessment of public organizations' performance. These indicators provide a comprehensive perspective on the contribution of public entities to the achievement of their strategic objectives and to meeting stakeholders' needs, in ways that are not fully captured by traditional financial performance measures (Monea, 2024). The study analyzes key categories of non-financial indicators and explores their contribution to more comprehensive performance measurement frameworks.

By highlighting best practices and the strategic importance of integrating non-financial metrics alongside traditional financial measures, the article underscores the

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need for a multidimensional approach to performance evaluation that supports improved decision-making, enhanced accountability, and sustainable public sector governance.

2. NON-FINANCIAL INDICATORS: DEFINITION, CHARACTERISTICS, AND IMPORTANCE

Non-financial indicators constitute a key component of contemporary public sector performance management, complementing traditional financial measures by capturing qualitative and quantitative dimensions that reflect the broader outcomes and impacts of public institutions. These indicators can be defined as measurement tools that provide information on operational performance, social impact, administrative efficiency, transparency, and environmental sustainability within the scope of public sector activities (Kaplan & Norton, 1996). By extending evaluation beyond financial results, non-financial indicators enable a more comprehensive understanding of institutional effectiveness and public value creation (Moore, 1995).

Characteristics of non-financial indicators

For non-financial indicators to be effective and credible, several essential characteristics must be ensured. *Relevance* is fundamental, as indicators must be closely aligned with the strategic objectives of public institutions and responsive to the needs and expectations of citizens (OECD, 2010). *Measurability* is equally important, requiring indicators to be quantifiable through objective, transparent, and replicable methodologies in order to support reliable performance assessment (Bouckaert & Halligan, 2008).

Furthermore, *comparability* allows performance to be analyzed over time and across institutions, administrative units, or jurisdictions, facilitating benchmarking and the identification of best practices (Pollitt & Bouckaert, 2017). *Clarity* ensures that indicators are easily understood by policymakers, public managers, and citizens alike, thereby enhancing their practical utility and communicative value. Finally, *temporal relevance* enables indicators to support both short-term evaluations and long-term strategic planning, which is essential in dynamic public governance environments (European Commission, 2014).

Importance of non-financial indicators in assessing public sector performance

The importance of non-financial indicators lies primarily in their ability to provide a *comprehensive and realistic evaluation* of public sector performance (Monea, 2017). While financial indicators focus on inputs and costs, non-financial indicators capture outcomes such as service quality, effectiveness, citizen satisfaction, and social and environmental impacts (Kaplan & Norton, 2001). As such, they are indispensable for *evidence-based decision-making*, allowing public authorities to identify critical performance gaps and to design appropriate corrective actions (OECD, 2015).

In addition, non-financial indicators support the *continuous improvement of public services* by identifying inefficiencies, unmet needs, and areas requiring innovation or reform (Pollitt, 2016). Their systematic use enhances *transparency and accountability*, as the public disclosure of non-financial performance information strengthens institutional responsibility and contributes to building citizens' trust in public administration (Behn, 2001). Importantly, these indicators promote a *citizen-oriented approach to governance*, ensuring that public services are evaluated not only in terms of cost efficiency but also in relation to societal outcomes and public value (Moore, 1995).

3. CATEGORIES OF NON-FINANCIAL PERFORMANCE INDICATORS

The measurement of performance in public sector entities has traditionally relied on financial indicators, which provide a limited view of organizational effectiveness and public value creation. In recent years, increasing attention has been directed toward non-financial performance indicators as essential tools for capturing dimensions such as service quality, efficiency, transparency, accountability, and social impact.

A) Beneficiary satisfaction indicators represent a key category of non-financial indicators, as they directly reflect beneficiaries' perceptions of service quality, efficiency, transparency, and overall effectiveness. Measuring beneficiary satisfaction is therefore essential for evaluating public service performance and for ensuring a citizen-oriented approach to governance (OECD, 2010).

Beneficiary satisfaction indicators offer valuable insights into the extent to which public services meet users' needs and expectations, complementing traditional performance measures and supporting evidence-based decision-making. Their use is consistent with the principles of relevance, measurability, comparability, and transparency discussed in earlier sections, reinforcing their importance within modern public sector performance management systems (Bouckaert & Halligan, 2008).

The key beneficiary satisfaction indicators are as follows:

- *Response time or waiting time*. Response or waiting time measures the duration required to provide a response or complete a service request or transaction. This indicator reflects administrative efficiency and institutional responsiveness. Shorter waiting times are generally associated with higher service quality, increased beneficiary satisfaction and improved institutional credibility (OECD, 2015).
- *Quality of services provided.* Service quality refers to the degree to which services meet or exceed beneficiaries' expectations. It encompasses dimensions such as accuracy, reliability, professionalism, and consistency in service delivery. High service quality is widely recognized as a primary driver of beneficiary satisfaction and trust in public institutions (Parasuraman, et.al., 1988).
- *Beneficiary feedback* includes opinions, evaluations, and suggestions provided by service users through surveys, interviews, or digital platforms. This indicator offers direct insight into beneficiaries' experiences and perceptions, enabling institutions to identify strengths and weaknesses in service delivery and to implement targeted improvement measures.
- *Beneficiary retention rate.* The beneficiary retention rate represents the proportion of service users who continue to utilize public services over time. A high retention rate indicates satisfaction, trust, and loyalty, suggesting that services

effectively respond to beneficiaries' needs. Retention is therefore considered a relevant proxy for long-term satisfaction and service effectiveness (Kaplan & Norton, 2001).

- *Number and nature of complaint***.** This indicator evaluates both the volume and the typology of complaints submitted by beneficiaries. A low number of complaints, particularly those related to minor issues, generally indicates a higher level of satisfaction. Moreover, systematic analysis of complaints can reveal structural or procedural deficiencies requiring corrective interventions (Behn, 2001).
- *Level of beneficiary satisfaction***.** The level of beneficiary satisfaction evaluates beneficiaries' perceptions of public services and their overall experience. This indicator is commonly measured through satisfaction surveys or direct user feedback and serves as a direct link between service quality and beneficiary-centered performance assessment (OECD, 2010).
- *Net promoter score* measures beneficiaries' willingness to recommend a service to others, serving as an indicator of loyalty and overall satisfaction. Due to its simplicity and comparability, NPS is widely used in both public and private sector performance evaluations (Reichheld, 2003).
- *Cost efficiency* assesses the relationship between the financial resources allocated to service provision and the level of beneficiary satisfaction achieved. This indicator supports the optimization of resource use, ensuring that improvements in satisfaction are attained without disproportionate increases in public expenditure (European Commission, 2014).

Beneficiary satisfaction indicators represent an essential category of non-financial indicators for evaluating public sector performance. By capturing beneficiaries' perceptions and experiences, these indicators contribute to a more comprehensive, transparent, and citizen-centered assessment of service delivery.

B) Service quality indicators represent a core category of non-financial indicators used to evaluate the performance of public institutions. While financial indicators primarily focus on resource allocation and costs, service quality indicators capture qualitative and operational dimensions related to how public services are delivered and perceived by beneficiaries. As such, they play a crucial role in assessing institutional effectiveness, ensuring compliance with standards, and supporting continuous improvement in public service provision (OECD, 2010; Bouckaert & Halligan, 2008).

Service quality indicators are closely interconnected with beneficiary satisfaction indicators discussed earlier, as the quality of services delivery directly influences citizens' perceptions, trust, and overall satisfaction. Their systematic use contributes to transparency, accountability, and citizen-oriented governance, which are fundamental principles of modern public sector management (Moore, 1995; Pollitt & Bouckaert, 2017).

The key service quality indicators are as follows:

- *Accessibility and availability of services***.** This indicator assesses the administrative simplicity with which citizens can access public services, including physical accessibility, geographic coverage, and the availability of digital or online services. High accessibility and availability are essential for ensuring equity, inclusiveness, and equal access to public services (European Commission, 2014).

➢ *Quality of information provided.* The quality of information indicator measures the accuracy, clarity, and relevance of information provided by public institutions regarding available services, application procedures, and legal requirements. Transparent and reliable information enhances service usability and strengthens public trust.

➢ *Complaint and grievance resolution rate*. This indicator evaluates the effectiveness of institutions in managing and resolving complaints or grievances submitted by citizens or other stakeholders. A higher resolution rate indicates effective internal processes and responsiveness to citizen concerns, while also supporting institutional accountability (Behn, 2001).

➢ *Degree of compliance with legal standards and regulations*. This indicator assesses the extent to which public institutions comply with applicable laws, regulations, and service standards. Legal and regulatory compliance is a fundamental prerequisite for service quality and institutional legitimacy in the public sector (OECD, 2010).

➢ *Employee performance indicators*. Employee performance indicators measure staff competencies, training levels, and professional development related to service delivery. Skilled and well-trained employees are essential for maintaining high service quality and for ensuring consistent and reliable service provision (Pollitt, 2016).

Service quality indicators constitute an essential component of non-financial performance measurement in public institutions. Together with beneficiary satisfaction indicators, they provide a comprehensive framework for evaluating public service performance from both operational and user-centered perspectives. The consistent and systematic application of these indicators supports transparency, efficiency, and continuous improvement.

C) Innovation and continuous improvement indicators constitute an essential category of non-financial indicators in public sector performance measurement. These indicators are used to assess the degree of innovation, adaptability, and institutional capacity to implement positive changes within public organizations. In an increasingly dynamic socio-economic environment, the ability of public institutions to innovate and continuously improve is critical for enhancing operational efficiency, responding to evolving citizen needs, and ensuring effective, transparent, and responsible public governance (OECD, 2015; Pollitt & Bouckaert, 2017).

Innovation and continuous improvement indicators complement service quality and beneficiary satisfaction indicators by focusing on institutional learning, modernization, and long-term performance sustainability. Their systematic application supports organizational resilience and strengthens the capacity of public institutions to manage complexity and uncertainty (European Commission, 2014).

The key innovation and continuous improvement indicators are as follows:

➢ *New initiative implementation rate***.** This indicator measures the frequency and success rate with which public institutions implement new and innovative initiatives aimed at addressing current challenges or improving existing services. A high implementation rate reflects organizational proactivity and openness to change (OECD, 2010).

➢ *Participation in research and development (R&D) projects*. Participation in R&D projects assesses the extent to which public institutions engage in research activities that may lead to innovation in public policies, processes, or service delivery. Such involvement enhances evidence-based policymaking and supports the development of innovative public solutions (European Commission, 2014).

➢ *Degree of adoption of new technologies*. This indicator measures the adoption and effective use of new and emerging technologies to improve efficiency, transparency, and accessibility of public services. Digital transformation is widely recognized as a key driver of innovation and modernization in public administration (OECD, 2020).

➢ *Citizen feedback and engagement*. Citizen feedback and engagement indicators assess the extent to which citizens are actively involved in policy development and service improvement processes, including through online platforms, consultations, and participatory mechanisms. High levels of citizen engagement contribute to more inclusive, responsive, and innovative public services.

➢ *Innovation climate and organizational culture*. This indicator evaluates the extent to which organizational culture and the working environment encourage innovation, experimentation, and continuous improvement. A supportive innovation climate is a key enabler of sustainable change in public institutions (Pollitt, 2016).

➢ *Efficiency and effectiveness of changes implementation processes*. This indicator measures how efficiently and effectively internal processes support the implementation of changes and the management of innovation projects. Well-structured change management processes increase the likelihood of successful innovation outcomes and minimize organizational resistance (Bouckaert & Halligan, 2008).

Innovation and continuous improvement indicators play a vital role in enhancing the long-term performance and adaptability of public institutions. By systematically monitoring innovation-related activities and outcomes, public organizations can become more agile, more responsive to community needs, and better equipped to address emerging challenges and opportunities in a sustainable manner.

D) Operational efficiency in public institutions is essential for the optimal use of resources and for the delivery of high-quality public services to citizens. Operational efficiency indicators enable the systematic assessment of institutional performance and facilitate the identification of areas requiring improvement (Monea, 2017). These indicators provide a solid analytical foundation for evaluating how effectively public institutions transform inputs (resources) into outputs (services), while maintaining quality and responsiveness (Bouckaert & Halligan, 2008). Operational efficiency measures how effectively public institutions utilize resources in service delivery, taking into account administrative costs, processing time, and workflow optimization. This indicator links service quality with cost efficiency, ensuring that quality improvements are achieved without excessive resource consumption (Kaplan & Norton, 2001).

Operational efficiency indicators are closely linked to service quality and beneficiary satisfaction indicators discussed in previous chapters. Efficient internal processes, effective resource utilization, and timely service delivery directly influence citizens' perceptions of public sector performance and institutional credibility (Pollitt & Bouckaert, 2017).

Key operational efficiency indicators include:

➢ *Request processing time*. This indicator measures the average duration required to process a service request from submission to completion. Shorter processing times indicate efficient administrative procedures and a strong institutional capacity to respond promptly to citizens' needs (OECD, 2010).

➢ *Cost per service delivered*. Cost per service represents the total cost incurred in delivering a specific public service divided by the total number of services provided. A lower cost per service reflects efficient resource utilization and cost-effective service delivery.

➢ *Resource utilization rate***.** The resource utilization rate measures the proportion of available resources that are effectively used in service delivery. High utilization rates indicate efficient management practices and reduced resource waste (Kaplan & Norton, 2001).

➢ *Waiting time for services*. This indicator measures the average time citizens wait to receive a public service. Reducing waiting times is a key objective of operational efficiency, as it enhances service accessibility and improves user experience (OECD, 2015).

➢ *Employee absenteeism rate*. The absenteeism rate measures the proportion of employee absence days relative to the total number of working days. A low absenteeism rate suggests high employee morale, engagement, and organizational stability, all of which contribute to operational efficiency (Pollitt, 2016).

➢ *Budget efficiency*. Budget efficiency evaluates the proportion of the allocated budget that is effectively used for public service delivery. High budget efficiency reflects sound financial management and the ability to maximize the impact of available public funds (European Commission, 2014).

➢ *Project implementation rate*. This indicator measures the percentage of planned projects that are completed within the established timeframe and budget. A high project implementation rate demonstrates strong planning capacity and effective project management (OECD, 2010).

➢ *Level of service digitalization*. The level of digitalization measures the proportion of public services accessible online or through digital platforms. A high level of digitalization enhances operational efficiency, reduces administrative burdens, and improves service accessibility for citizens (OECD, 2020).

Operational efficiency indicators represent a vital component of performance measurement in public institutions. By enabling a comprehensive assessment of internal processes, resource utilization, and service delivery outcomes, these indicators support the formulation of effective optimization strategies and continuous improvement initiatives.

Based on the theoretical analysis and synthesis of non-financial performance indicators, the following policy recommendations are proposed to enhance public sector performance:

- Public institutions should formally integrate non-financial indicators into their performance management systems alongside financial metrics. This integration would ensure a more holistic evaluation of institutional performance and support balanced decision-making.

- Public authorities should prioritize beneficiary satisfaction and service quality indicators by regularly conducting surveys, collecting feedback, and engaging citizens in service evaluation processes. This approach enhances responsiveness and aligns public services with citizens' needs and expectations.
- The systematic publication of non-financial performance results can strengthen transparency and accountability. Clear and accessible reporting enhances public trust and enables citizens to better understand institutional performance and policy outcomes.
- Policymakers should encourage innovation by investing in digital technologies, supporting research and development initiatives, and fostering an organizational culture that values experimentation and continuous improvement. Innovation indicators should be used to monitor progress and assess impact.
- Operational efficiency indicators should be used to reduce processing times, optimize resource allocation, and improve budgetary efficiency. Data-driven management practices can significantly enhance service delivery while maintaining cost-effectiveness.
- Employee performance and organizational culture play a critical role in achieving operational efficiency and service quality. Continuous training, skills development, and performance evaluation systems should be strengthened to support institutional capacity building.
- Standardizing non-financial indicators across institutions can improve comparability and benchmarking at national or regional levels. This would facilitate the identification of best practices and support coordinated public sector reforms.

4. CONCLUSIONS

In conclusion, non-financial indicators are essential instruments for evaluating and improving the performance of public institutions. By capturing operational, social, and environmental dimensions of public sector activity, they provide critical insights that complement financial data and support effective, transparent, and accountable governance. The integration of non-financial indicators into public sector performance management systems is therefore vital for enhancing institutional effectiveness and advancing public value in modern administrative contexts.

This paper highlights the importance of non-financial indicators in assessing the performance of public institutions, emphasizing that financial indicators alone are insufficient to capture the full scope of public sector effectiveness. Non-financial performance indicators, such as beneficiary satisfaction, service quality, innovation and continuous improvement, and operational efficiency indicators provide essential insights into qualitative aspects of service delivery and institutional performance.

Beneficiary satisfaction indicators support a citizen-centered approach to governance, while service quality indicators ensure compliance with standards, transparency, and reliability in public service provision. Innovation and continuous improvement indicators reflect the capacity of public institutions to adapt to change and respond to evolving societal needs, particularly in the context of digital transformation. Operational efficiency indicators enable the optimization of resource use and internal processes, contributing to effective and sustainable service delivery.

Overall, the integrated use of non-financial indicators enables a comprehensive and balanced evaluation of public sector performance, supporting transparency, accountability, and effective governance.

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