CONCEPTUAL RELATIONSHIP BETWEEN EFFECTIVENESS AND EFFICIENCY OF THE CUSTOMS CONTROL

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ABSTRACT

The development of scientific thought in the field of the content of such categories as “efficiency” and “effectiveness” in their relation to customs was considered on the basis of the literary sources analysis and regulatory legal acts. There was a conclusion made on the need for a normative consolidation of these categories in the form of complex performance indicators of customs authorities. In this context, the category of “efficiency” reflects the complex economic and social relations associated with improving the use of limited resources to obtain the maximum effect. In turn, the category of “effectiveness” of customs control reflects the degree of achievement of the goals set for the customs authorities. The methodological basis of the study was made up of individual provisions of economic theory, economic laws, and methods of analysis, forecasting, and modeling of processes. The study used general scientific methods of theoretical and empirical knowledge: analysis and synthesis, induction and deduction, and analogy. As a unity of theoretical and methodological approaches, dialectical, comparative and systemic approaches were used, allowing analyzing the regulatory legal reality at various levels, including national and supranational ones. Scientific novelty: the article contains the first investigation of the relationship between the concepts of “effectiveness” and “efficiency” of customs control in terms of the set of methods used, and the author’s definition and justification of these categories were proposed. Practical significance: the fundamental principles and conclusions of the article can be used in scientific and practical activities when considering issues of nature and development trends of the system of customs authorities in general and customs control, in particular.

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1. INTRODUCTION

It is well known that the rationalization of any type of activity is based on the principle of prudent use of available resources. In this regard, the solution to the problem of increasing efficiency in economics is expressed by the formula where the maximum return on costs incurred is obtained using limited resources. If in economic activity, efficiency increases with a decrease in costs and an increase in the result obtained or with a change in one of these indicators when the other is static, then what should be considered rational when the executive bodies perform their control functions? As an example, we chose the customs authorities, the operation efficiency of which has a significant impact on the process of moving goods and vehicles across customs borders.

Modern relations in the field of trans-border trafficking of goods and vehicles are a certain form of the interrelation of producers, sellers, buyers, and consumers of goods and services in conditions of constant competition, as well as of public authorities in the performance of their functions. Analysis of these relations allows us to identify the efficiency of the economy in general and of all its spheres, in particular, as well as the efficiency of the activities of each entity, including the activities of government bodies.

Most researchers involved in the improvement of economic processes, in one way or another affect the concepts of “efficiency” and “effectiveness” while linking them with other categories, such as quality, etc.

All this denotes the adequacy of the knowledge and elaboration of these economic categories, but at the same time in the scientific literature and the practice of the executive authorities the cases of synonymization and identification of “efficiency” and “effectiveness” categories are quite often, which significantly distorts the correctness of interpretation of these concepts in relation to their essences. This is especially important in the study of development trends of the state control system, including its subsystem – the customs control.

The particular relevance of the correlation of these concepts is due to the problem of developing indicators and evaluating the activities of customs authorities, including the actions during the customs control process. The distinction between such concepts as “efficiency of customs control”, “effectiveness of customs control”, “efficiency of activities in the process of customs control” and “quality of customs control” is no less important.

Establishing clear and objective indicators of efficiency, effectiveness and quality will significantly improve proficiency of staff composition of customs officials, “having identified, on the one hand, the incompetence of the individuals, and on the other hand – professional employees with high performance, as well as promoting a qualitative improvement in the activities of customs authorities in the implementation of their key functions in general. Ultimately, all this will allow us to ensure the fulfillment of the tasks facing the customs authorities at any hierarchical level” (Kostin, Posmetukhina, 2014).

2. LITERATURE REVIEW

This study is based on the works of such scholars as McConnell Campbell R., Brue Stanley L. (2008), A. Nagimova (2009), E. Tarasova and A. Kostin (2005), comprehensively revealing the
Legal aspects of the categories studied are reviewed in the works of O. Rogacheva (2011), A. Rybakova (2005), A. Pigolkina et al. (2008), and Morozova (2005).

Attention should also be paid to the studies of A. Bobrova (2017), Shujie Zhang (2009), M. Selyukova, O. Moskalenko et al. (2016), A. Kostin and E. Posmetuhina (2014), which are devoted to assessing the development of customs authorities. Particular attention should be given to the study of the effectiveness of operational procedures carried out by customs by A. Dianov (2009).

3. MODEL, DATA AND METHODOLOGY

The “efficiency” and “effectiveness” categories are integral attributes of the daily routine of any participant of life activity. At the same time, the activities of these participants can be directed both at making a profit and at solving problems not related to its generation. It should be noted that such a category as “quality”, which is related to efficiency and effectiveness, is a separate, but the not less important criterion for evaluating efficiency or effectiveness.

From the standpoint of GOST ISO 9000-2011, efficiency refers to the relationship between the result achieved and the resources used, and effectiveness refers to the extent to which the targeted activity is implemented and the degree to which targeted results are achieved.

Referring to the scientific literature, we note that the concepts of “efficiency” and “effectiveness” were considered by scientists from different points of view. Thus, efficiency (in the broad sense of the word) is “the measure of social practice” (Rogacheva, 2011). In the philosophical aspect, efficiency characterizes “purposeful actions; there is a connection between efficiency and conscious activity of people, emphasizing that efficiency is a degree of closeness to reality of the “second kind” materialized by a person” (Andryushchenko, 1971). Thus, in philosophy, the category of “efficiency” appears as an expression of rational ways of achieving the goal. In this case, the measure of efficiency is the degree of approximation to the achievement of all final goals.

In economic theory, efficiency is defined as “…the relation between the results and the costs incurred to achieve these results” (E. Tarasova, A. Kostin, 2005, p. 5). A.V. Bakulina and Yu.B. Zharinov, noting that “the term “efficiency” should be used as a synonym for the term “rationality”, that is, the ability to do work in the established (correct) way. In turn, effectiveness is a measure of accomplishing a task (achieving the objective)” (Bakulina, Zharinov, 2010).

Note that this approach to the formulation of the definition of efficiency, namely the relation between the result obtained and the costs, has a drawback: it is impossible to take into account the quality of the product produced, the service rendered or the action performed. For example, P.A. Makeenko notes: “in English-language literature on economics and management there are at least two terms translated into Russian by the word “эффективность” – these are “effectiveness” and “efficiency”, ..., where the first is usually interpreted as “technical efficiency”, and the second – as “economic efficiency”, although he does not provide a clear interpretation of the content of the given concepts (ed. Glazyev, 1998, p. 26).

It should be noted that “efficiency” usually refers to the use of means (resources), while “effectiveness” refers to organizational goals, namely to the desired result. It turns out that efficiency
is the rational use of financial, organizational, material, time and human resources. The effective organization focuses on achieving effects by optimizing processes (structural, resource ones, etc.).

Thus, “efficiency” can be used in the context of cause-effect relationships. In turn, effectiveness is not so much a measure of correctness of the actions, as a final point, a quantitative assessment of any activity as a whole (Tomenchuk, 2015).

The line of researches devoted to clarifying the content of the concept of “economic efficiency” was examined in the publications of K. Ridley, L. Upson, G. Kheitri and D. Fix, who not only concentrated their attention on the study of the essence of efficiency, but came to the conclusion that it was necessary to take into account the “quality” of a product or service, especially when it comes to the impact of this product or service on citizens and society” (Nagimova, 2009).

In turn, statistics explains the phenomenon of efficiency as a socio-economic category, the achievement of which is obtaining maximum result per unit of costs associated with the production, or ensuring minimization of costs per unit of result (Osipov et al., 1990).

Thus, economic efficiency is associated with the achievement of maximum results at minimum cost or a decrease in total costs per unit of production or work performed.

In other words, “using our resources at the lowest possible cost (production efficiency) we can produce a given set of goods and services that ensure the highest possible level of people’s well-being (distribution efficiency)” (McConnell Campbell R., Brue Stanley L., 2008).

Also in the scientific literature there is an indicator reflecting the essence of the concept of “efficiency” – it is the so-called complex efficiency, involving a system of “absolute and relative indicators (ratios), the analysis of which allows to evaluate both the relation of results to costs and the variants of correctness, accuracy of direction to the final result” (Filippov, 2014). According to A.A. Filippov, with this formulation, this criterion can include both efficiency and effectiveness indicators.

Meanwhile, the notions of “efficiency” and “effectiveness” are interpreted in a completely different way in other areas of life, including legal theory and practice. Analysis of scientific literature has shown that legal scholars do not always distinguish between these concepts. In particular, V.A. Rybakov understands the efficiency of the law as the effectiveness of legal regulation, indicating that “efficiency” in law represents:

- social effectiveness, i.e. effectiveness of legal regulation;
- target effectiveness, i.e. effectiveness in achieving the goal enshrined in the legal provision;
- cost-effectiveness, i.e. cost-effectiveness in achieving this goal (Rybakov, 2005).

The category of “effectiveness” is the initial one in ascertaining the social result of the existence of a particular phenomenon in general and state legal realities in particular.

In this context, it is important to understand that “any approach to determining the efficiency of a legal phenomenon should take into account the fact that the latter covers a certain variety of social reality, where everything is intertwined, and diffusion processes of objective reality dominate. That is why judgments about the legal phenomena themselves are extremely multifaceted, as the social reality is itself” (Moskvich, 2011). In this case, L.A. Morozova highlights the “relationship between the result of legal regulation and its goal”, namely the efficiency of legal regulation (Morozova, 2005,

In accordance with another point of view, the efficiency of law implies not only the compatibility of the result with the goal but also the timing of its implementation and costs. In particular, L.I. Spiridonov noted that “efficiency is always associated with obtaining a result, which is a consequence of the conscious human activity.” At the same time, the result “always represents the costs incurred.” (Spiridonov, 2002, p. 147).

In this regard, it is appropriate to assume that, according to legal scholars, efficiency serves as a measure of the result both in relation to the goal and in relation to the costs needed for achieving it, and this, in turn, makes it possible to consider it as a measure of the effectiveness and cost of achieving the goal.

Turning to the analysis of the components of the “effectiveness” concept by analogy with the concept of “efficiency”, we also will not see the agreement of opinions, but in most cases, effectiveness refers to commitment to achieving certain results (Demchenko, Momot, 2013; Krikun, 2016; Revutskiy, 2010).

In turn, Porshnev (2018) notes that in connection with the orientation of the development of production and economic systems to the final results, the formulation and interconnection of goals according to the final results acquires exceptional importance. At the same time, the sustainability of development is associated with an estimation of the level of achievement (or non-achievement) of the goal, and determination of the magnitude of unmet and potential need.

Evaluation of effectiveness allows you to identify opportunities and directions of development of the structural unit or the whole organization, provides information about the necessity to create a new need and, accordingly, information about the problems of interaction between participants of the control and management process.

Despite the fact that “efficiency” and “effectiveness” can be used as interchangeable characteristics according to their semantic meaning, they differ in content as scientific concepts. When conducting customs control, the meaning of these concepts is reduced to the fact that the effectiveness of customs control should be interpreted as the degree of achievement of the results defined in the state control plan, and efficiency should be interpreted as the relation between the indicators of results and the costs incurred to their achievement. However, in this context, a difficult and rather debatable question is what should be considered the result of customs control, and accordingly, which indicators are objective to estimate its effectiveness and efficiency in organizing and conducting customs control.

Thus, such categories as “efficiency” and “effectiveness” should not be identified, but their essential interdependence and complementarity should be noted. Differentiation of these categories, based on the analysis of performance indicators, will allow clearly defining the primary and the secondary in the development of specific tasks and the choice of operating objectives of economic entities.
4. EMPIRICAL RESULT

Any executive authorities, including customs, are distinguished from commercial and non-profit organizations by high-quality and timely execution of the control and other functions assigned to them.

The most acceptable, in our opinion, is the approach to determining the content of the categories of “efficiency and effectiveness of customs control” set out by A.M. Nagimova, who understands by efficiency evaluation “the level of achievement of the expected result, i.e. its compliance with the goals” (Nagimova, 2009).

At the same time, it is important to develop a system of indicators for determining the effectiveness of each employee of a structural unit and of the executive body as a whole. Comparison of indicators of the work performed with the planned or expected ones, allows us to talk about the “effectiveness” of the customs authority.

Attention is drawn to the fact that in the current situation, the effective use of the customs potential, ensuring a steady increase in the efficiency of the customs authorities’ performance and their qualitative improvement at the current stage of reforming and developing of the public service in the Russian Federation take center place (Kostin, Zaitseva, 2011, p. 67). In this case, it is necessary to understand by effectiveness the achievement of the strategic goals set before the customs service at the present stage of development.

In this regard, noteworthy is the “balancing matrix”, which involves developing a system of indicators that includes outcome indicators (i.e., what outcome each specific unit should have to achieve common strategic goals) and capability indicators (that is, what exactly should the unit be provided with in order to achieve the target values of the outcome indicators). Moreover, the indicators of opportunities for the unit can be provided in several ways: by activity within the unit, by activity of the suppliers of this unit (where the indicator of the capability of the unit becomes an indicator of the outcome for the supplying unit), and by the activity of management processes (Olukhov, Snyrova, 2011, p. 8). Thus, both process and systemic approaches to management are implemented by pooling together the efforts of customs officials. In other words, the actions of the structural units are coordinated with each other and are aimed at achieving the established strategic goals.

It is clear that profit, as such, is not made during the implementation of the control functions by a customs authority. As a rule, goods are not created as a result of the customs authorities’ activities, but a special form of a service is offered, the result of which manifests itself in the socio-economic institution framework, and the change in the volume of functions performed or state customs services rendered does not always depend on the profile of the costs for maintaining the customs authority.

According to A.V. Knyshov, “in order to evaluate the target efficiency of the activities of the Federal Customs Service of Russia, it is first necessary to determine the strategic development goals. Then, in accordance with the approved list of goals, within the framework of the existing system of efficiency benchmarks, a set of indicators should be developed to characterize the achievement of the goals. Only after that, on the basis of the obtained results, it becomes possible to assess the efficiency of the customs authorities’ activity, and the management should take actions aimed at improving...
future activities in accordance with the results of this assessment” (Knyshov, 2012), including control activities. It should be noted that in the Russian Federation, indicators of the efficiency of customs activities are set in strict analogy with the strategic goals and tactical objectives of the Federal Customs Service. However, the use of the term “target efficiency” is considered inexpedient in this situation.

To date, all indicators in the context of the types of control and supervisory activities, which are included in the lists of indicators of effectiveness and efficiency, approved in accordance with the Order of the Government of the Russian Federation No. 934-p of May 17, 2016, are subject to assessment.

The said regulatory act introduces the concepts of effectiveness and efficiency of state control (supervision) and municipal control:

- "The effectiveness of state control (supervision) and municipal control” is the degree to which the socially significant results of state control (supervision) and municipal control are achieved, expressed in minimizing the harm (damage) of legally protected values in the relevant field of activity
- "The efficiency of state control (supervision) and municipal control” is the degree of elimination of the risk of causing harm (damage) to legally protected values, taking into account the amount of labor, material and financial resources used, as well as the level of intervention in the activities of citizens and organizations.

In order to implement the departmental priority project of the Federal Customs Service of Russia, namely “The Reform of Control and Supervisory Activities in the Federal Customs Service”, taking into account the decision of the project committee on the main lines of the strategic development of the Russian Federation, “The Reform of Control and Supervisory Activities”, the effectiveness and efficiency indicators of control and supervisory activities of the Federal Customs Service of Russia (indicative indicators) have been approved and applicable since January 1st, 2018 (Order of the FCS of Russia of the Ministry of Finance of the Russian Federation of October 30th 2017, No. 1720).

It is noteworthy that the division of indicators depending on the effectiveness and efficiency of the customs activities, provided in this document, is conditional. In particular, the group of efficiency indicators includes such as: the economic efficiency of decisions on the classification of goods, the efficiency of activities (using a risk management system) to control the correctness of the goods classification, determine the origin of goods and provide tariff preferences, efficiency during the customs control of the origin of goods and checking the validity of tariff preferences, etc.

It is also unclear how, for example, the customs control effectiveness indicator of “enforcing prohibitions and restrictions” with a planned value of at least 80% differs in semantic content from the customs control efficiency indicator of “customs clearance efficiency” with a planned value of at least 25%.

Until recently, an approach based on the comparison of results and costs was used in assessing the efficiency of the activities of customs authorities. But this approach has a significant drawback. It can be applied only when there is a direct relationship between results and costs, which can be formalized and quantified. Today, this approach is used to assess the efficiency of control over the completeness of the transfer of customs and other payments to the federal budget.
Meanwhile, studies conducted indicated that the efficiency of customs authorities’ work depends on active interaction with other executive authorities, international cooperation, creating a common information space, and on interaction with the business community, coupled with improving the quality of public services (Selyukov et al., 2016) and a reduction in time of goods release (Zhang, 2009).

Assessment of efficiency of the customs authorities’ activity is intended to improve the actions of the customs authorities by improving the quality of the customs operations performed in order to avoid the traditional practice of meeting the planned indicators, which determine the material rewards of customs officials or the use of certain sanctions in the event that the achievement of the relevant indicators has not been ensured (Bobrova, 2017; Akatova, Andreeva).

The current situation may be changed dramatically through the creation of an unbiased and comprehensive system of indicators that will reflect the fulfillment of official duties and the degree of achievement of the goals set, and which will be understood by civil servants, and also allow them to focus on the main priorities of the customs service.

The study made it possible to give reasons for the own position regarding the concept of “efficiency” in the field of the customs control, which consists in the fact that efficiency reflects the complex economic and social relations in the customs environment related to the qualitative improvement in the use of limited resources to obtain the greatest results. In turn, the “effectiveness” of the customs control is more typical for customs administration (management) and reflects, first of all, the degree of achievement of goals set for customs authorities. In contrast to effectiveness, efficiency is always a relative value that characterizes a certain relationship, most often between the result and the cost of its achievement.

“Effectiveness” of customs control is a compliance of the achievement with the goals and objectives set before the control authority. Effectiveness should be understood as a measure of efficiency, which is characterized by the achievement of the goal due to the actions taken by customs officials. We should agree with the opinion of A.Yu. Dianov, who indicates that “the effectiveness of customs activities is determined by the values of indicators reflecting the final result of labor which is achieved” (Dianov, 2009).

The efficiency of customs control, although in this case, it is more expedient to use the concept of “the efficiency of the activity of customs authorities in organizing and conducting customs control”, is expressed as the relationship of the level of effectiveness to the costs incurred and the resources used.

For example, the goal of customs control is to minimize the risk of “inadequate declaration”, which means a series of verification measures aimed at identifying violations of customs legislation in a particular area of risk. In this regard, the result of customs control will be the determination of the compliance of the operations carried out with the established rules. From the point of view of ensuring compliance with the customs legislation, the effectiveness of customs control, in this case, will be expressed either in establishing the fact of a violation of customs legislation or in establishing the fact of its absence. However, the establishment of facts of absence of violations of customs legislation is contrary to the general trends of development of the customs control system, taking into
account the limited resources of the customs authorities, and it will be the so-called “idle” work, which is not appropriate in the context of customs administration improving process. On the other hand, if the main goal of customs control is to ensure compliance with customs legislation, then the goal will be achieved, and customs control will be considered effective both in the case of detection of a violation of customs legislation and in the case of confirming its absence. The difference will be only in the level of effectiveness, assessed taking into account the factor analysis.

5. CONCLUSION

Thus, the activities of customs authorities in the organization and conduct of customs control will be efficient only in case the effectiveness of customs control is ensured. Control measures conducted by the customs authorities should be analyzed and assessed in terms of the final result, taking into account the hierarchy of objectives and the system of customs authorities, the functions, tasks, and processes fulfilled, the forms, ways, and methods of control applied, i.e. the entire set of resources involved. The efficiency of the organization and conduct of customs control is determined by the ratio of the effect and the resources involved (labor, time, material, information ones, etc.). Of course, it is important to analyze and evaluate the resources involved from the point of view of expediency or correctness of choice, namely: quality, compliance with the decisions made in the current situation, functional realization, and competence.

Conducting effective customs control, which is characterized by high quality and is efficiently organized, can ensure compliance with customs legislation without adversely affecting the development of foreign trade or the process of moving individuals across the customs border. This is possible on condition that the relevant technologies of customs control are developed, together with the full-scale use of the risk management system within the customs bodies. It should also be noted that when analyzing the activities of the customs authorities, based on the methodologies for determining effectiveness indicators for certain areas of performance that have emerged in practice, it is necessary to evaluate not only the fulfillment of customs payments collection plans, but also the nature and dynamics of violations of the customs legislation of the Union and the measures taken by customs authorities to identify and eliminate them. At the same time, the analysis of the results of anti-corruption work, the state and trends of law enforcement and judicial practice of customs control, and the level of professionalism of officials when interacting with participants of foreign economic activity, as well as in the process of customs control and implementation requirements of customs legislation, service and labor discipline, are of great importance when evaluating the effectiveness of customs control.

6. AVAILABILITY OF DATA AND MATERIAL

No data is used or generated from this study.

7. REFERENCES


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