



## THE CONCEPT OF EFFICIENCY, ITS TYPES AND COMPLEXITY OF EVALUATION

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**Abstract.** In this article, the possibilities of improving the efficiency of the service sector, the essence and meaning of efficiency are revealed by the author. In addition, it was emphasized that efficiency is a characteristic of each industry.

**Key words:** service, quality, efficiency, theoretical foundations.

In any field of activity, the key factor that justifies or denies specific forms and methods of this activity is its effectiveness. The concept of "efficiency" in economic science and practice occupies one of the important places, and it comes from the Latin *effectivus* - achieving a certain effect, the desired result. Calculations of economic efficiency are carried out both for enterprises and for individual sectors of the national economy. The efficiency of production, investments, capital investments, processes, etc. is also determined. The efficiency of the enterprise is a rather complex complex concept. For the effective functioning of an entrepreneurial structure, a balance of interests of all participants in the activity is necessary: owners, managers and ordinary personnel. Despite the fact that they are all interested in the efficient functioning of the enterprise, each of them puts a completely different meaning into the concept of "efficiency".

So, for owners, efficiency, first of all, is expressed in an increase in financial results (profit, profitability), an increase in the value of the enterprise and its shares in the long run. Managers seek to improve performance in the short term, often pursuing their goals of earning performance-based rewards. Ordinary employees are interested in a decent level of wages and consistently good working conditions. All this suggests that a multilateral approach to the concept of efficiency is needed, taking into account the peculiarities of the behavior of all participants in economic relations without exception. The study of economic literature led to the conclusion that performance indicators as one of the economic indicators of economic activity are rarely subjected to theoretical consideration precisely because of the uncertainty of the concept itself. The ambiguity in the interpretation of the concept of efficiency by economists is due to the lack of a consensus on the essence of the category under consideration. Note that there is currently no unambiguous, generally accepted interpretation of the concept of "efficiency".

Most often, economic efficiency is understood as the ratio of the result to the cost of achieving it.

The analysis of approaches to the study of views on the economic efficiency of foreign and domestic scientists allows us to conclude that today in the economic literature there is no unambiguous interpretation of the concept of economic efficiency, as a result of which a number of approaches to determining economic efficiency can be distinguished:

- 1) as the ratio of the result, effect to costs or resources;

2) as a result of the optimal use of resources;

3) how to achieve the goals of the enterprise;

4) as an achievement of a high result in the framework of production activities. The generalization of all the presented approaches makes it possible to clarify the content of the category "economic efficiency".

By economic efficiency we mean the ratio of the result to the costs of the organization's activities, which depends on the creation of optimal conditions for the production of a quality product, characterized by the achievement of high financial indicators that correspond to the goals of the organization. At present, in the economic literature there is also no single approach to identifying the types of efficiency of the organization's activities and their unified classification. All this greatly complicates the process of systematization of performance indicators, the sequence of their evaluation, and the choice of the optimal performance criterion. Thus, modern approaches to efficiency assessment are based on its various classifications.

A special place in the presented classification is occupied by economic efficiency, because this kind of efficiency is most important for entrepreneurial activity. The purpose of entrepreneurial activity is to make profit, and economic efficiency, first of all, implies the profitable operation of the enterprise. As noted earlier, economic efficiency is characterized by the ratio of the economic effect to the costs incurred to obtain it. The economic effect can be expressed as the difference between the results of financial and economic activities, for example, the proceeds from the sale and the costs incurred to obtain it, or simply one or another result. If the positive cash flow (inflow) exceeds the negative cash flow (outflow), then there is a positive economic effect (profit), and if vice versa - negative (loss). From all of the above, it can be seen that either an increase in sales volumes or a reduction in production costs contribute to an increase in economic efficiency. Important in the process of assessing economic efficiency is its distinction between internal and external. Internal economic efficiency here will be expressed through the rate of return (return on capital), and external - through a comparison of the enterprise's rate of return with the rate of return of the state economy, which represents the average market interest rate.

This separation is primarily due to the fact that, for the purposes of internal analysis of economic efficiency, an enterprise can be highly profitable, but at the same time completely inefficient for the economy as a whole. Thus, any ongoing project will be considered effective in terms of return on investment if the return on assets is higher than the market rate of interest. Otherwise, such a project reduces the efficiency of capital use and is considered unjustified (inefficient).

Summarizing the above material, we highlight a number of features inherent in economic efficiency as an economic category:

- the economic efficiency of the enterprise is characterized by a certain set of financial indicators, such as profit, profitability, in the analysis of which it is necessary to focus on the long-term period of the enterprise development;
- in modern market business conditions, when evaluating the economic efficiency of an enterprise, it must be taken into account that it must be at least not lower than the efficiency of other participants in market relations;

• given the high level of competition in which enterprises are forced to conduct their activities, it becomes necessary to introduce a system for evaluating economic efficiency and making various kinds of managerial decisions aimed at improving it.

A team of authors led by A.A. Auzana, comparing approaches to a set of economic indicators for assessing the effectiveness and efficiency of financial and economic activities, note that "... the problem of assessing the effectiveness of an enterprise's functioning in short-term financial and economic processes is strengthened by the lack of a formalized context for the consistency of indicators, criteria and weights in the general assessment methodology efficiency". Based on the foregoing, we summarize the main problems in assessing the effectiveness of an enterprise:

- deficiencies in the system for collecting, tracking and transmitting information about the company's results, which are based on past and solely on financial performance;
- in the evaluation process, efficiency is identified with performance, while efficiency is determined in the course of activities, and performance after the completion of activities at the enterprise of a certain process or project;
- The problem of performance evaluation is reinforced by the lack of a formalized context for the consistency of indicators, criteria and weighting factors in the overall methodology for performance evaluation.

Thus, it seems necessary to analyze the existing approaches to assessing the effectiveness of an enterprise, the objectivity of the applied criteria and indicators, as well as to select evaluation and analytical tools for conducting performance in the second chapter of this work.

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