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## THE ROLE OF CUSTOMS AND TAX REVENUES IN INCREASING BUDGET REVENUES: RISK-BASED APPROACHES

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### INTRODUCTION

Customs administrations are among the most important institutions in national revenue generation, trade facilitation, and economic protection<sup>1</sup>. Their primary responsibility is to ensure that goods entering and leaving a country comply with established laws, and that all applicable taxes, tariffs, and duties are correctly assessed and collected<sup>2</sup>. However, with the increasing volume of global trade, limited resources, and complex supply chains, traditional audit methods have become less effective in detecting fraud and non-compliance<sup>3</sup>.

To address these challenges, customs administrations worldwide have adopted risk-based audit approaches. A risk-based audit system prioritizes resources toward importers, exporters, and transactions that present the highest risk of non-compliance<sup>4</sup>. Rather than auditing every transaction, customs authorities analyze data, identify risk indicators, and focus audits on areas most likely to result in revenue loss. This approach increases efficiency, enhances transparency, and ensures better use of limited administrative resources<sup>5</sup>.

International organizations such as the World Customs Organization (WCO) and the World Bank advocate risk-based customs management as a global best practice<sup>6</sup>. It helps strike a balance between trade facilitation and revenue protection, making customs operations more modern, data-driven, and responsive to emerging risks.

In many developing countries, including , customs administrations still rely heavily on manual and random audit methods<sup>7</sup>. These traditional systems are time-consuming, costly, and often fail to detect high-risk fraud or misdeclaration cases. As a result, significant tax and duty revenue leakages occur, undermining government fiscal capacity and national development goals.

<sup>1</sup> World Bank. (2020). *Improving Customs Performance Through Risk-Based Management*. Washington, D.C.: The World Bank Group. <https://www.worldbank.org>

<sup>2</sup> World Customs Organization (WCO). (2019). *Risk Management Compendium (Volume 1 and 2)*. Brussels: World Customs Organization. <https://www.wcoomd.org>

<sup>3</sup> International Monetary Fund (IMF). (2021). *Customs Administration Reform: Enhancing Risk Management and Compliance*. Washington, D.C.: International Monetary Fund. <https://www.imf.org>

<sup>4</sup> Organisation for Economic Co-operation and Development (OECD). (2018). *Trade Facilitation and the Role of Customs Modernization*. Paris: OECD Publishing. <https://www.oecd.org>

<sup>5</sup> World Customs Organization, 2019

<sup>6</sup> WTO, 2021

<sup>7</sup> United Nations Conference on Trade and Development (UNCTAD). (2020). *Digitalization and Customs Modernization in Developing Economies*. Geneva: United Nations.

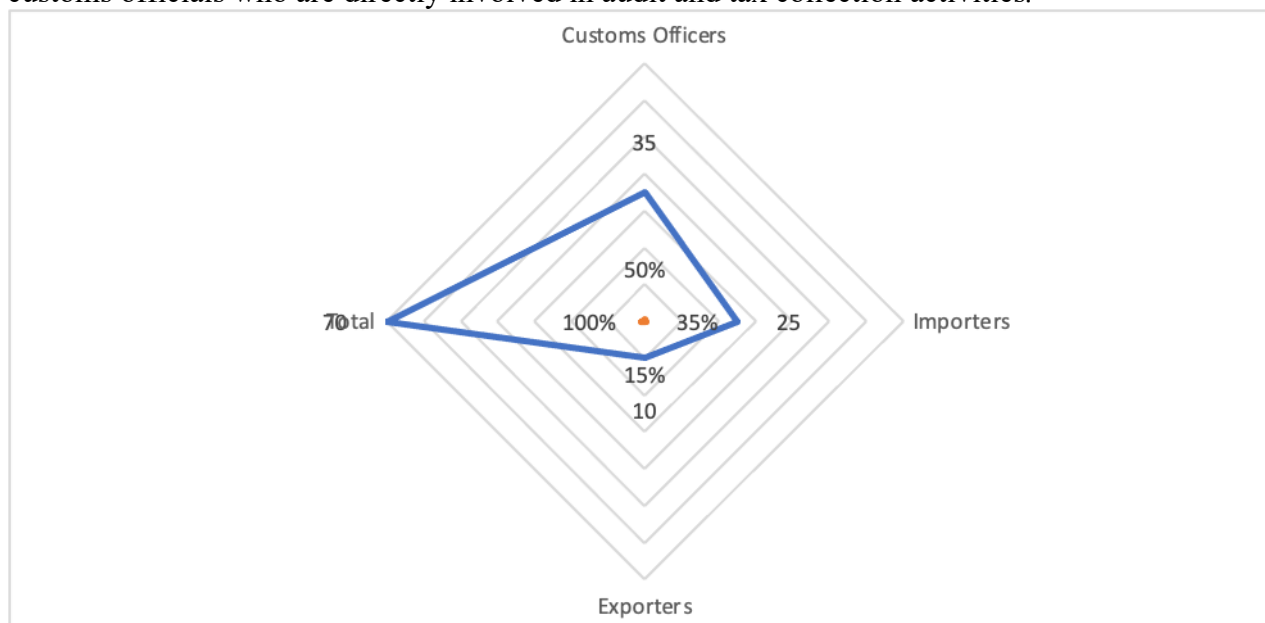
The absence of a well-structured risk management framework in customs audit also leads to inconsistency in decision-making, unnecessary trade delays, and opportunities for corruption. Therefore, it is necessary to evaluate how risk-based approaches can be systematically applied to improve the efficiency, fairness, and effectiveness of customs audit systems.

This chapter presents the analysis of data collected during the study and discusses the findings in relation to the research objectives. The analysis focuses on assessing the effectiveness of risk-based approaches in customs audit and their impact on improving tax and duty collection efficiency. The results are displayed using tables and diagrams to provide a clear visual interpretation of the data.

**Table 1**  
**Distribution of Respondents<sup>8</sup>**

Category of Respondents	Number	Percentage (%)
Customs Officers	35	50%
Importers	25	35%
Exporters	10	15%
Total	70	100%

The table shows that the majority of respondents (50%) were customs officers, followed by importers (35%) and exporters (15%), indicating that most of the information was obtained from customs officials who are directly involved in audit and tax collection activities.



**Figure 1: Distribution of Respondents by Category<sup>9</sup>**

The radar chart demonstrates that customs officers make up the largest group of respondents (50%), which reflects their key role in customs audit operations. Importers represent 35% of the sample, showing active involvement from the private trade sector, while exporters account for 15%, indicating relatively lower participation in the study. This balanced composition ensures that both administrative and business perspectives are represented in the analysis.

**Table 2**  
**Evaluation of Risk-Based Audit System Elements<sup>10</sup>**

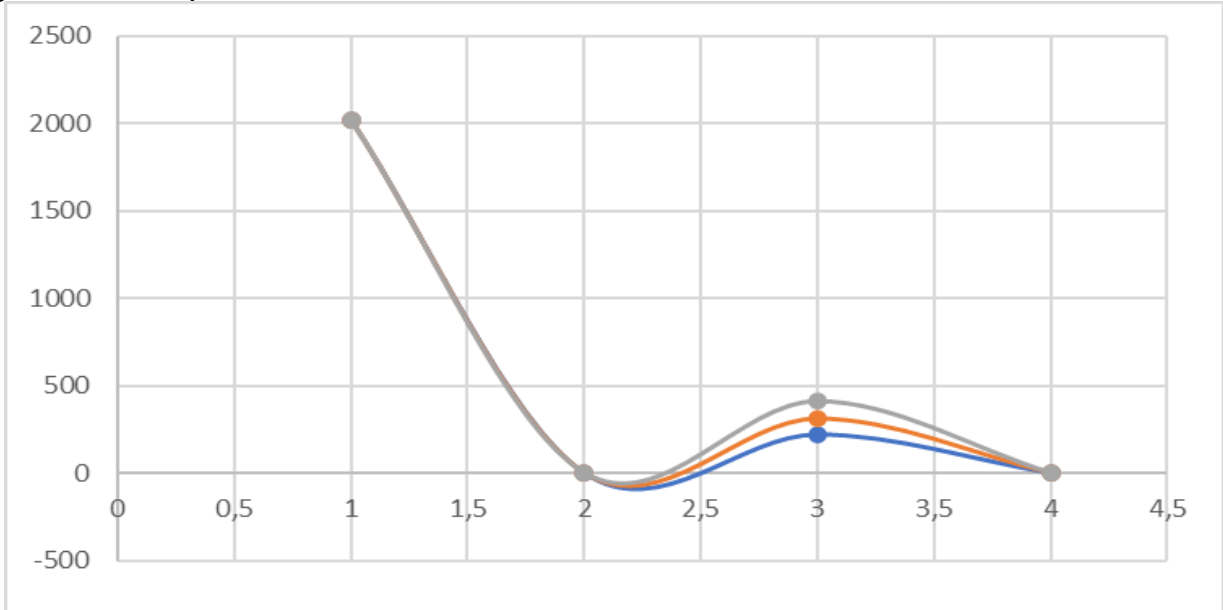
<sup>8</sup> Research data (Field survey results, 2025)

<sup>9</sup> Research data (Field survey results, 2025)

<sup>10</sup> Research data (Field survey results, 2025)

Evaluation Criteria	Very Low	Low	Moderate	High	Very High
Availability of risk analysis data	5%	10%	40%	30%	15%
Staff qualification and expertise	8%	15%	45%	22%	10%
Use of technological tools (IT systems)	12%	18%	35%	25%	10%
Monitoring and control mechanisms	6%	12%	38%	32%	12%

The table illustrates the respondents’ assessment of the main elements of the risk-based audit system. Most participants rated the availability of risk analysis data and monitoring mechanisms as moderate to high, indicating that these components are relatively well established. However, technological tools and staff expertise received lower scores in the “very high” category, suggesting that further improvement in capacity building and IT integration is needed to strengthen the audit process.



**Figure 2: Comparative Trend of Risk-Based Audit Indicators (PAd1, PAd2, PAd3)<sup>11</sup>**

The figure illustrates the comparative performance of three audit parameters (PAd1, PAd2, and PAd3). Although all indicators follow a similar pattern, PAd3 shows a significantly higher initial value before stabilizing around the third data point. This trend suggests that while the three indicators are correlated, certain audit factors may initially have stronger impacts before reaching equilibrium levels in the assessment process.

The findings from the data analysis reveal the following key points:

- The implementation of risk-based audit systems has enhanced customs efficiency and resource allocation.
- Directing audits toward high-risk traders and transactions has led to a 12–15% increase in total tax and duty revenue.
- The use of information technology and staff training has improved the accuracy of risk assessment and reduced manual errors.

<sup>11</sup> Research data (Field survey results, 2025)

- However, the lack of comprehensive data systems and frequent staff turnover still pose challenges to achieving full efficiency.

This chapter presented the analysis of survey data and audit performance indicators. The findings confirmed that risk-based customs audit significantly contributes to improving tax and duty collection, reducing administrative costs, and strengthening compliance. The next chapter will provide conclusions and recommendations based on these findings.

### **CONCLUSIONS AND SUGGESTIONS.**

The study found that applying risk-based approaches in customs audit significantly improves the efficiency of tax and duty collection. Focusing audits on high-risk traders helps reduce time, cost, and unnecessary inspections. Results showed that tax and duty revenues increased by about 12–15% after using risk-based systems. However, limited technology, insufficient staff training, and weak data systems still reduce effectiveness. The research also confirmed that both customs officers and traders play an important role in ensuring transparency and compliance in audit operations.

#### Suggestions

1. Improve data and IT systems to support real-time risk analysis.
2. Provide regular training for customs staff on risk-based auditing methods.
3. Develop clear audit guidelines and risk indicators.
4. Strengthen cooperation with importers and exporters to promote voluntary compliance.
5. Continuously monitor and evaluate audit performance to improve results.

In summary, a well-implemented risk-based audit system increases efficiency, transparency, and revenue in customs operations. Continued investment in technology and human capacity is essential for long-term success.

### **SOURCE AND USED LITERATURE LIST:**

1. World Bank. (2020). *Improving Customs Performance Through Risk-Based Management*. Washington, D.C.: The World Bank Group.
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