

**DEVELOPMENT OF THE SERVICES SECTOR: INNOVATIVE SERVICES,  
INTEGRATION WITH PRODUCTION, AND EXPORT OF SERVICES**

**GafarovaD.T.**

Asia International University, Bukhara, Uzbekistan

**Annotation:** The article examines the current trends in the development of the services sector in Uzbekistan, the role of innovative services (primarily IT/digital services), the mechanisms for integrating services with industrial production and trade, and the dynamics of service exports in 2024-2025. The article analyzes quantitative indicators (the contribution of the sector to GDP and gross value added, the dynamics of service exports, and the structure of export positions, including tourism, transportation, and telecommunications/IT), and provides information on government targets for digitalization and the export of IT services. Conclusions are made about the factors of competitiveness and practical recommendations for business and public policy aimed at increasing added value and service exports.

**Keywords:** service sector, innovative services, integration with production, service exports, IT services, Uzbekistan, digitalization.

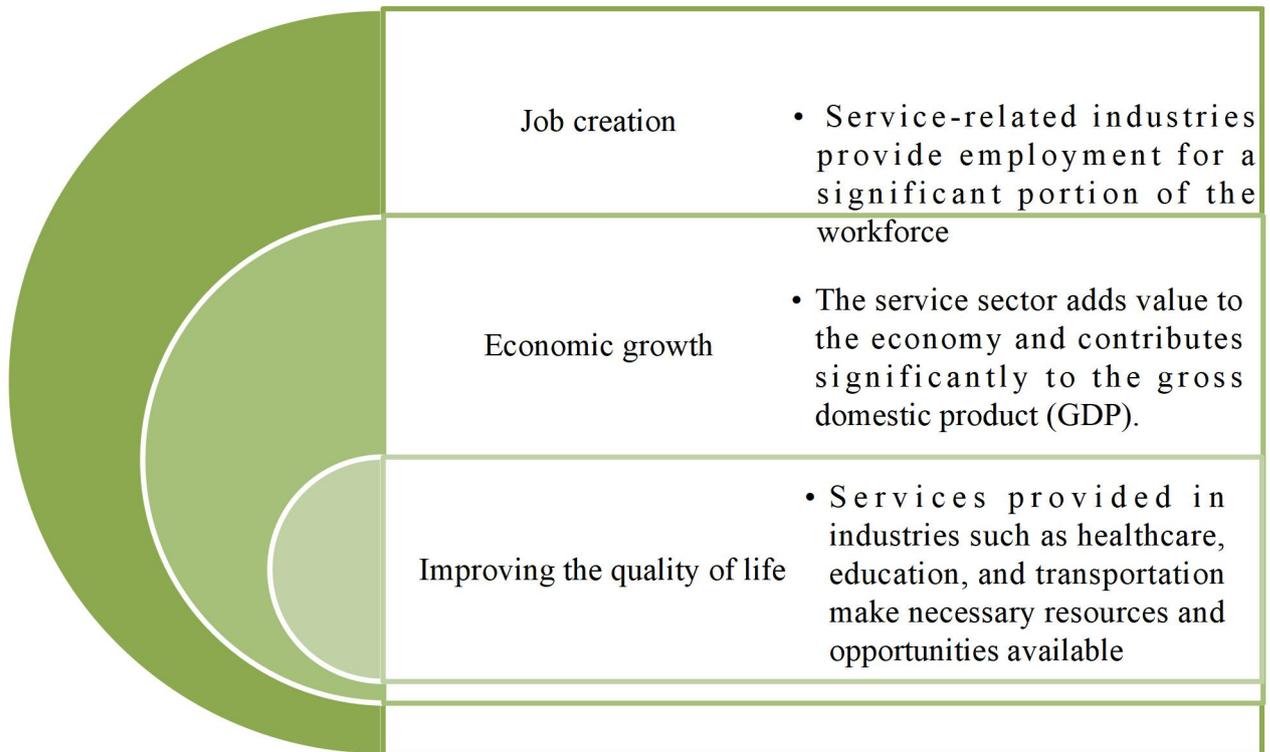
As you know, the service sector is a part of economic activity that creates and provides intangible products, such as services that meet the needs of customers. Unlike the production of tangible goods, the service sector focuses on directly interacting with consumers, fulfilling their tasks, and helping them solve their problems. The service sector is often referred to as the tertiary sector.

The service sector covers a wide range of activities that can be classified based on the type of service provided. Here are some examples:

- Healthcare services - providing medical care to the population, treatment, and disease prevention.
- Educational services - providing educational programs and training for various age groups and categories of people. This includes both formal education (schools, universities) and informal education (courses, training, and online education).
- Financial services - services related to money management, investment, and risk management.
- Transportation services include passenger and cargo transportation, logistics solutions, and product delivery.
- Consulting services - expert knowledge and advice in various fields: management, marketing, finance, legal aspects and other areas.

The service sector plays a key role in the modern economy, especially in developed countries. Some aspects of their role are presented in the figure.

Figure 1 – The role of the service sector in the modern economy



According to a published report by the World Bank, the services sector has become one of the key drivers of economic transformation in Uzbekistan. In recent decades, it has played a central role in the country's transition to a market economy, driving structural changes, employment, and productivity growth. However, the services sector faces challenges that require careful attention and the implementation of comprehensive reforms. In this article, we will explore the current achievements, challenges, and prospects of the services sector, highlighting the areas that can make it a foundation for long-term economic growth.

Since the early 1990s, the service sector has significantly increased its share in the Uzbek economy. In 1991, it accounted for around 33% of employment, but by 2022, this figure had risen to 52%. This has compensated for the significant decline in the share of agriculture in total employment. Additionally, the share of services in the economy's value added has increased from 35% to 44% over the same period, offsetting the decline in agriculture's role and a slight decline in industry. However, over the past decade, the share of services in employment has stabilized, despite the continued growth of value added in this sector. This highlights the need for increased productivity and innovative approaches. It is worth noting that the service sector also plays a significant role in providing employment opportunities for women. For example, 60% of all employed women work in the service sector, emphasizing its social importance.

Contribution of the sector to GDP and dynamics of gross value added of the Republic of Uzbekistan According to the National Statistical Committee, in 2024, there was a steady growth of gross value added in the services segment. So, in separate publications, the growth of certain areas (trade, information and communication services, and hotel and restaurant business) at double-digit rates in 2024 is indicated. In a number of aggregated estimates, the growth of the services sector in terms of gross value added in 2024 was about 7-8% year-on-year.

The total volume of foreign trade in services in 2024 is estimated by analysts to be around 10-11 billion USD. At the same time, in 2024-2025, there was a steady increase in the volume of service exports: in the first quarter of 2025 alone, service exports increased by tens of percent compared to the same period in 2024 (Q1 2025 — about \$1.73 billion, +37.9% y/y according to one of the estimates).

The main export services are travel (tourism), transport (logistics), telecommunications, and computer and information services (ICT). The IT/ICT sector has shown rapid growth in 2024, with some analysts reporting a significant increase in the volume of ICT services (with some estimates indicating a growth of up to 100% in 2024, depending on the comparison base). By 2025, government goals aim to achieve an export of IT services exceeding \$1 billion. per year, and further growth by 2030.

Thanks to digitalization and the development of online services, the share of the information economy and e-commerce in GDP has increased from 2.2% in 2017 to 3.7% in 2024. In 2023, the volume of e-sales exceeded \$1 billion for the first time. These achievements are reflected in international rankings — Uzbekistan has risen by 37 positions in the Digital Governance Maturity Index (GTMI), taking 43rd place, and in the E-Participation Index, the republic has reached 53rd place, retaining the status of a country with a high level of digital public services.

Tourism services have become one of the most dynamically developing sectors. Since 2017, the sector's volume has increased by 2.1 times, and in 2024, tourism will account for a leading share of 22.4% in the services sector. Uzbekistan has welcomed 8 million tourists, making it the fastest-growing tourist destination in Central Asia, with an annual growth rate of 20.1%. In the Travel & Tourism Development Index (TTDI) ranking, the Republic improved its position by 16 points in 2024 alone, rising to 78th place. Experts attribute this growth to the modernization of tourism infrastructure, the active implementation of digital solutions (online booking, virtual tours), and the liberalization of visa policies (e-visa).

Despite its achievements, the services sector faces a number of challenges.

Key challenges include:

Low labor productivity. For example, compared to OECD countries, labor productivity in the services sector in Uzbekistan remains significantly lower. In 2021, it was 14 times lower than the OECD average, 4 times lower than in Kazakhstan, and 2 times lower than in Georgia.

Weak links with other sectors of the economy. Services account for less than 10% of the total volume of production factors in the manufacturing industry. This limits the growth potential of the entire economy.

Limitations in the export of services. Despite the increase in foreign direct investment in the services sector, its share in exports remains low. This is particularly true for global innovative services such as ICT and professional services.

Uneven development of infrastructure. The quality of transport and digital infrastructure remains lower than in comparable countries, which hinders the potential for service sector development.

Prospects and areas of development. In order for the services sector to become a driver of sustainable growth, it is necessary to focus on three main areas: connectivity, competitiveness, and competencies.

For the public sector that regulates these processes, the following areas of work can be recommended:

✓ Strengthening personnel policy: financing IT education programs, certification, and university partnerships with IT companies.

✓ Supporting service exports: applying tax incentives for ICT exporters, encouraging participation in international fairs, and issuing quality certificates.

✓ Digitalizing public services: accelerating projects to convert services into digital formats (with a goal of digitalizing 70% of public services and increasing the volume of IT services), which leads to increased demand for B2B services and platforms.

For business structures:

- Invest in product serviceization (after-sales service, digital add-ons to goods).
- Focus on export-attractive niches: cloud services, data analytics, mobile development, localization of solutions for neighboring markets.
- Building an ecosystem of partnerships: connecting manufacturers with logistics providers and marketplaces to reduce transactional barriers.

The services sector in Uzbekistan is demonstrating steady growth and structural transformation in 2024-2025: the share of digital/IT services is rapidly increasing, and service exports are growing both from traditional services (tourism, transportation) and from the IT/telecom segment. To maintain the positive trend, systemic efforts are required to develop human capital, invest in digital infrastructure, improve regulatory conditions, and implement targeted measures to support service exports. Implementing these steps will allow for the integration of innovative services with production, increase the added value of national products, and strengthen Uzbekistan's position in international service markets.

Thus, the services sector is becoming an important pillar for Uzbekistan's sustainable and inclusive economic growth, strengthening its position in the regional and global economy.

#### **References**

1. Stat.uz - Analytical materials and statistics on the service sector - National Statistical Committee of the Republic of Uzbekistan (Analytical: indicators of the service sector, 2024).
2. SECO - A754 Economic Report 2024/25 UZBEKISTAN (overview of foreign trade in services; estimated volume of services ~11 billion USD in 2024). State Secretariat for Economy
3. Index / press — Foreign trade analytics, export of services in 2025 (January–July 2025: \$4.8469 million; structure: travel, transport, ICT).
4. UzDaily — statement on the goal of exporting IT services: reaching \$1 billion in 2025 and targeting \$5 billion by 2030. UzDaily.uz
5. Official statements by the President / government initiatives on digitalization: goals for digitalizing public services and increasing the volume of IT services. President of Uzbekistan
6. Analytical notes on the development of ICT in 2024 (industry reviews and news publications).