

**ECONOMIC MECHANISMS FOR THE DEVELOPMENT OF THE SERVICE  
SECTOR WITHIN THE FRAMEWORK OF THE NEW UZBEKISTAN  
DEVELOPMENT STRATEGY**

professor **Bayjanov Sarsengaliy Khalmuratovich**,

associate professor **Abishov Muxammed Sarsenbaevich**  
Karakalpak State University, Nukus, Uzbekistan

**Abstract.** The development of the service sector has become one of the most important drivers of economic growth in modern economies. In many countries, the service sector accounts for the largest share of gross domestic product and employment. This article examines the economic mechanisms for developing the service sector within the framework of the New Uzbekistan Development Strategy. The study analyzes theoretical approaches to service sector development, identifies key institutional and economic factors influencing its growth, and evaluates the role of government policy in supporting service industries. Particular attention is given to regional aspects of service sector development, including the Republic of Karakalpakstan. The research is based on statistical data, economic analysis, and international experience. The results show that improving infrastructure, strengthening institutional mechanisms, and promoting digital technologies are essential for sustainable development of the service sector in Uzbekistan.

**Keywords:** service sector, economic mechanisms, regional development, innovation, digital economy, Uzbekistan.

**Introduction**

In the modern global economy, the service sector plays a decisive role in ensuring sustainable economic growth and improving social welfare. Over the past few decades, the structure of national economies has undergone significant transformation, with the share of services steadily increasing in gross domestic product and employment. According to international studies, in developed economies the service sector accounts for more than 70 percent of GDP and a similar proportion of total employment [1, p.41].

The rapid expansion of service industries is associated with technological progress, globalization, and structural transformation of national economies. Services such as financial intermediation, information technologies, logistics, tourism, and professional consulting have become key components of modern economic systems.

Economic theory emphasizes that the development of the service sector contributes not only to economic diversification but also to increased productivity and innovation. As noted by Samuelson and Nordhaus, the transition from industrial to service-based economic structures reflects a new stage of economic development characterized by higher levels of knowledge intensity and technological integration [2, p.218].

In Uzbekistan, the process of economic modernization has significantly increased the importance of service industries. Over the past decade, the government has implemented numerous reforms aimed at improving the business environment, encouraging entrepreneurship, and expanding service infrastructure. These reforms are closely connected with the **New Uzbekistan Development Strategy**, which defines long-term priorities for economic growth and structural transformation.

The strategy emphasizes the development of the service sector as one of the main directions for increasing national competitiveness and improving the quality of life of the population. Expanding service activities is expected to create new jobs, stimulate regional economic development, and increase the efficiency of other sectors of the economy.

Therefore, studying the economic mechanisms that influence the development of the service sector is of great scientific and practical importance. Understanding these mechanisms makes it possible to identify effective policy measures and institutional reforms necessary for sustainable economic development.

### **Literature Review**

The theoretical foundations of service sector development have been extensively studied by economists and management scholars. Many researchers emphasize that the service sector plays a crucial role in modern economic systems and significantly influences the competitiveness of national economies.

According to Lovelock and Wirtz, services represent an essential component of value creation in modern markets. Their research highlights that the growth of service industries depends on the quality of infrastructure, innovation capacity, and effective management practices [3, p.62].

Kotler and Keller emphasize that successful development of service industries requires customer-oriented strategies, advanced marketing approaches, and the integration of digital technologies into business processes. These factors increase service efficiency and improve customer satisfaction [4, p.94].

In addition, international organizations such as the World Bank and the OECD have conducted numerous studies on the economic impact of the service sector. Their reports indicate that countries with a well-developed service sector tend to demonstrate higher economic growth rates and greater resilience to economic shocks [5, p.144].

Several studies have also examined the relationship between service sector development and regional economic growth. These studies suggest that expanding service industries in less developed regions contributes to reducing regional disparities and promoting balanced economic development.

In the context of Uzbekistan, researchers have analyzed the structural transformation of the national economy and the role of service industries in economic modernization. These studies emphasize the importance of improving institutional frameworks, developing infrastructure, and encouraging private sector participation in service activities.

Despite these contributions, further research is needed to identify effective economic mechanisms that can accelerate service sector development in Uzbekistan, particularly within the framework of the New Uzbekistan Development Strategy.

### **Research Methodology**

This study employs a combination of theoretical and empirical research methods to analyze the economic mechanisms of service sector development.

The theoretical component of the research is based on a review of economic literature related to service sector development, structural transformation of economies, and institutional economics. These theoretical perspectives provide a conceptual framework for analyzing the role of services in economic growth.

The empirical component of the research is based on statistical data obtained from national and international sources. Data from the State Committee of the Republic of Uzbekistan on Statistics, the World Bank, and other international organizations were used to analyze trends in service sector development.

The research also applies comparative analysis to examine international experience in service sector development. By comparing different economic models, the study identifies best practices that can be adapted to the conditions of Uzbekistan.

In addition, the study uses analytical and statistical methods to evaluate the dynamics of service sector growth and its contribution to regional economic development. Special attention is given to the Republic of Karakalpakstan, where service industries play an important role in supporting local economic development.

In recent years, the service sector in Uzbekistan has demonstrated steady growth and has become one of the most dynamic segments of the national economy. Structural reforms, economic liberalization, and institutional changes have created favorable conditions for the expansion of service industries.

The government has implemented a wide range of reforms aimed at improving the business environment, supporting entrepreneurship, and developing infrastructure. These reforms have significantly increased the role of services in the national economy.

According to official statistics, the share of services in Uzbekistan's gross domestic product has been steadily increasing. The growth of service industries reflects the transformation of the national economy toward a more diversified and innovation-oriented structure.

Economic research shows that service sector development contributes significantly to employment growth and income generation. As noted in international studies, expanding service industries can stimulate economic diversification and reduce dependence on traditional sectors such as agriculture and raw materials [3, p.68].

In Uzbekistan, the service sector includes a wide range of activities such as retail trade, transportation, tourism, financial services, telecommunications, and information technology services. The expansion of these industries has created new economic opportunities for businesses and individuals.

Statistical analysis demonstrates that the service sector has experienced consistent growth over the past decade. The following table presents data on the volume of services in Uzbekistan.

**Table 1**  
**Dynamics of Service Sector Development in Uzbekistan**

Year	Volume of services (bln soums)	Growth rate (%)
2019	150,889	113
2020	168,123	111
2021	198,450	118
2022	243,517	122
2023	296,480	121

Source: State Committee of the Republic of Uzbekistan on Statistics [6, p.87].

The data presented in Table 1 show that the volume of services has increased significantly over the past five years. This growth reflects both increased demand for services and the expansion of service enterprises.

One of the main factors contributing to this growth is the development of small and medium-sized businesses. These enterprises play a central role in providing services in sectors such as retail trade, transportation, tourism, and personal services.

Regional development plays a crucial role in the expansion of service industries. In Uzbekistan, significant attention has been given to improving service infrastructure in different regions.

The Republic of Karakalpakstan represents an important region for analyzing the dynamics of service sector development. Despite various socio-economic challenges, the region has demonstrated steady progress in expanding service industries.

**Table 2**

**Service Sector Development in the Republic of Karakalpakstan**

Year	Volume of services (bln soums)	Growth rate (%)
2020	6,850	100
2021	7,520	109
2022	8,610	114
2023	9,780	113
2024	11,050	113

Source: compiled by the authors based on statistical data [6, p.94].

The data indicate that the service sector in Karakalpakstan has experienced stable growth in recent years. This growth is largely driven by the expansion of retail trade, transportation services, and tourism-related activities.

The development of service industries in Karakalpakstan also contributes to employment growth and increased economic activity in the region. Small businesses play a particularly important role in providing services to local communities.

The development of the service sector depends on the effectiveness of economic mechanisms that support business activity and innovation. These mechanisms include government policies, investment strategies, institutional reforms, and digital transformation.

Government policy plays a critical role in promoting service sector development. In Uzbekistan, the government has implemented several initiatives aimed at supporting service enterprises.

These initiatives include:

- tax incentives for small and medium-sized enterprises;
- financial support programs;
- infrastructure development projects;
- regulatory reforms aimed at improving the business environment.

Such measures contribute to increasing the competitiveness of service enterprises and attracting investment into the sector.

Investment in infrastructure is another key factor influencing the development of service industries. Infrastructure projects such as transportation networks, logistics centers, and digital communication systems create favorable conditions for business activity.

According to economic studies, infrastructure development significantly increases service sector productivity and reduces transaction costs [4, p.102].

In Uzbekistan, significant investments have been directed toward modernizing transportation infrastructure, expanding digital networks, and improving tourism facilities.

Digital technologies are transforming traditional service industries and creating new economic opportunities. Online banking systems, e-commerce platforms, and mobile applications are rapidly expanding the scope of service activities.

Digital transformation increases the efficiency of service delivery and improves customer satisfaction. As a result, digital technologies play an increasingly important role in the development of modern service industries.

### **Discussion**

The analysis conducted in this study demonstrates that the service sector plays a crucial role in economic development and structural transformation.

The experience of Uzbekistan shows that government support, infrastructure development, and digital transformation are key factors driving service sector growth.

At the same time, several challenges remain. These challenges include regional disparities in service infrastructure, limited access to financial resources for small enterprises, and insufficient technological capacity in certain industries.

Addressing these challenges requires coordinated policy measures and increased investment in infrastructure and innovation.

International experience also suggests that successful development of the service sector requires strong institutional frameworks and effective regulatory systems.

Based on the analysis conducted in this study, it can be concluded that the service sector has significant potential for further development in Uzbekistan. However, achieving sustainable growth requires the implementation of comprehensive policy measures aimed at strengthening institutional frameworks, improving infrastructure, and encouraging innovation.

First, it is necessary to expand the role of digital technologies in service sector development. Digital platforms significantly increase service efficiency and reduce operational costs. The expansion of e-commerce, online banking, and digital public services will improve access to services and stimulate economic activity [5, p.156].

Second, improving regional infrastructure is essential for balanced economic development. In many regions, including the Republic of Karakalpakstan, service industries still face infrastructure limitations. Investment in transportation, logistics networks, and communication technologies can significantly enhance regional service markets.

Third, supporting small and medium-sized enterprises is crucial for service sector expansion. Small businesses represent the backbone of service industries in many economies. Providing access to financial resources, improving regulatory frameworks, and encouraging entrepreneurship will stimulate the growth of service enterprises.

Fourth, it is important to strengthen human capital development in the service sector. Training programs, professional education, and skill development initiatives will improve workforce productivity and increase service quality.

Finally, the integration of international experience into national economic policy can accelerate the development of service industries. Many countries have successfully implemented policies aimed at promoting service exports, digital transformation, and innovation-driven growth.

Regional development represents one of the most important dimensions of service sector expansion. The development of service industries in regional areas contributes to economic diversification and reduces disparities between regions.

In the Republic of Karakalpakstan, the expansion of service activities can significantly improve economic conditions and create new employment opportunities. Tourism development, logistics services, retail trade, and information technology services represent promising areas for future growth.

Special economic programs aimed at improving regional infrastructure and supporting local entrepreneurship can accelerate the development of service industries. Government initiatives that encourage investment and innovation in regional economies are particularly important.

Furthermore, the development of tourism infrastructure in the Aral Sea region offers new opportunities for expanding service activities. Tourism development can stimulate related industries such as transportation, hospitality, and cultural services.

Therefore, regional development strategies should incorporate policies aimed at strengthening service sector capacity and improving the competitiveness of regional economies.

### **Conclusion**

The service sector has become one of the most important components of modern economic systems and plays a key role in ensuring sustainable economic growth. The analysis presented in this study demonstrates that the development of service industries in Uzbekistan is closely connected with economic reforms, institutional changes, and technological progress.

The implementation of the **New Uzbekistan Development Strategy** has created favorable conditions for expanding service activities. Government policies aimed at improving the business environment, supporting entrepreneurship, and developing infrastructure have significantly contributed to the growth of service industries.

The research findings indicate that the development of the service sector in Uzbekistan depends on several key factors, including government support mechanisms, investment in infrastructure, digital transformation, and human capital development.

Particular attention should be given to regional development aspects. The expansion of service industries in regions such as the Republic of Karakalpakstan can significantly contribute to economic diversification, employment growth, and improved living standards.

In order to ensure sustainable development of the service sector, it is necessary to strengthen institutional mechanisms, promote innovation, and expand digital technologies. The implementation of these measures will increase the competitiveness of the national economy and support long-term economic growth.

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