

PRIORITY DIRECTIONS OF SERVICES AND SERVICE SECTOR IN THE DEVELOPMENT OF ECONOMIC SECTORS

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Abstract. *This article describes the features of the sphere of services and services in the development of sectors of the economy of our country, problems and priority areas that inhibit the development of the sphere of services and services.*

Keywords: *GDP, the service sector, healthcare, education, social services, small and medium-sized enterprises (SMEs), Transportation and Logistics, Information Technology (IT) Services.*

The service sector plays a pivotal role in the development of economic sectors across the globe. Here's how:

Contribution to GDP: In many developed economies, the service sector contributes the most to the Gross Domestic Product (GDP). This includes industries such as banking, insurance, retail, hospitality, healthcare, education, and professional services. A robust service sector can drive overall economic growth by increasing GDP.

Employment Generation: The service sector is often a significant source of employment. Jobs in retail, hospitality, healthcare, education, IT services, and many others provide opportunities for a diverse range of skills and educational backgrounds. This employment generation helps to reduce unemployment rates and improve living standards.

Innovation and Technology: The service sector is closely intertwined with innovation and technology. Advancements in information technology have transformed service delivery in sectors like finance, telecommunications, and healthcare. Technology-driven innovations have improved efficiency, reduced costs, and expanded access to services, contributing to economic development.

Supporting Other Sectors: The service sector provides essential support to other sectors of the economy. For example, financial services facilitate investment and capital formation, which is crucial for the growth of manufacturing and infrastructure sectors. Similarly, transportation and logistics services enable the smooth functioning of supply chains, supporting industries like agriculture, manufacturing, and retail.

Exports and Foreign Exchange: Many services are tradable across borders, contributing to exports and foreign exchange earnings. This includes sectors such as tourism, IT services, consulting, and financial services. Countries with a competitive service sector can earn significant revenue from exporting services, thereby improving their balance of payments and supporting economic growth.

Quality of Life Improvement: Services like healthcare, education, and social services directly contribute to improving the quality of life of citizens. Access to quality healthcare and education enhances human capital, leading to higher productivity and economic growth in the long run.

Urbanization and Infrastructure Development: As economies develop, there's a tendency towards urbanization and increased demand for infrastructure and urban services such as transportation, utilities, waste management, and public administration. The development of these services is crucial for supporting urban growth and improving the overall living standards of the population.

In summary, the service sector plays a multifaceted role in the development of economic sectors by contributing to GDP, employment generation, innovation, supporting other sectors, facilitating exports, improving quality of life, and supporting urbanization and infrastructure development. Its significance continues to grow in today's knowledge-based and technology-driven global economy.

The service sector, which includes a wide range of activities, plays a crucial role in the modern economy, stimulating job creation, economic growth and improving the well-being of society. Unlike traditional manufacturing industries, this sector focuses on providing intangible solutions to its customers, covering a range of services in such diverse areas as finance, education, healthcare, technology, hospitality, tourism, etc.¹⁸

In January-December 2023, the share of Tashkent city in the total volume of market services amounted to 41.1%, or 193 227.7 billion soums. Compared to 2022, the growth rate in this region reached 113.7%. The volume of market services rendered in the Syrdarya region was fixed at the level of 6 099.0 billion soums, or 1.3% of their total volume. The growth rate was 110.9%.¹⁹

¹⁸ file:///C:/Users/user/Downloads/5.Services%20(1).pdf

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The volume of market services rendered by region

<i>Name of service types</i>	<i>The volume of services, in billion soums</i>		<i>Specific weight, in %</i>	<i>Growth rates, in %</i>
	<i>2022</i>	<i>2023</i>		
Republic of Uzbekistan ²⁾	366 891,0	470 286,5	100,0	113,7
Rep. Karakalpakstan	10 595,3	12 876,6	2,7	110,8
<i>regions:</i>				
Andijan	17 804,0	21 793,4	4,6	111,3
Bukhara	15 848,8	19 344,0	4,1	111,0
Jizzakh	8 127,3	10 378,3	2,2	112,8
Kashkadarya	15 967,7	19 518,4	4,2	111,0
Navoi	9 322,8	11 520,7	2,4	112,5
Namangan	14 693,4	17 822,9	3,8	111,1
Samarkand	22 953,6	28 992,0	6,2	113,7
Surkhandarya	12 838,4	15 493,7	3,3	110,5
Syrdarya	5 018,8	6 099,0	1,3	110,9
Tashkent	25 919,7	31 934,8	6,8	110,8
Fergana	22 131,8	26 592,8	5,7	110,5
Khorezm	10 480,4	13 266,1	2,8	114,6
Tashkent city	144 533,7	193 227,7	41,1	118,7

While the service sector in many countries, including Uzbekistan, contributes significantly to economic development, there are several challenges and problems that hinder its full potential. Here are some existing problems in the service and service sectors in the development of economic sectors:

Lack of Infrastructure: In some regions of Uzbekistan, particularly rural areas, there may be inadequate infrastructure to support the development of certain service industries. This includes transportation networks, communication systems, and utility services, which are essential for the efficient delivery of services.

Quality of Services: In certain service sectors such as healthcare and education, there may be issues related to the quality and accessibility of services. Rural areas and underserved communities often face challenges in accessing quality healthcare and education, leading to disparities in outcomes.

Skill Gaps and Training Needs: The service sector requires a skilled workforce to deliver high-quality services. However, there may be skill gaps and mismatches between the skills demanded by employers and those possessed by the workforce. Investment in education and training programs tailored to the needs of the service sector is essential to address this challenge.

Regulatory Barriers: Complex and outdated regulations can act as barriers to entry and growth in the service sector. Burdensome licensing requirements, bureaucratic red tape, and inconsistent enforcement of regulations can hinder entrepreneurship and investment in service industries.

Informality and Lack of Formalization: In some service sectors, there may be a high prevalence of informal employment and businesses operating outside the formal

regulatory framework. Informality can lead to issues such as tax evasion, exploitation of workers, and lower quality of services.

Technological Adoption: While Uzbekistan has been making strides in modernizing its service industries, there may still be challenges in adopting and integrating new technologies effectively. Limited access to technology, inadequate digital infrastructure, and resistance to change within traditional service providers can impede technological progress in the sector.

Access to Finance: Access to finance is crucial for the growth and expansion of service businesses. However, small and medium-sized enterprises (SMEs) in the service sector may face challenges in accessing credit and financing due to factors such as lack of collateral, limited financial literacy, and risk aversion among lenders.

Market Fragmentation: In some service sectors, such as tourism and hospitality, market fragmentation and lack of coordination among stakeholders can lead to inefficiencies and missed opportunities for growth. Strengthening industry associations and promoting collaboration among businesses, government agencies, and other stakeholders can help address this challenge.

Addressing these problems requires concerted efforts from both the government and the private sector. Policies aimed at improving infrastructure, enhancing the quality of services, promoting skills development, streamlining regulations, encouraging formalization, fostering technological innovation, expanding access to finance, and fostering collaboration among stakeholders can help unlock the full potential of the service sector in driving economic development in Uzbekistan.

In the context of Uzbekistan's economic development, prioritizing certain directions within the service and service sectors can contribute significantly to overall economic growth and diversification. Here are some priority directions:

Tourism Development: Uzbekistan possesses a rich cultural heritage and historical attractions that make it a promising tourism destination. Prioritizing the development of tourism infrastructure, promoting tourist-friendly policies, and enhancing marketing efforts to attract international visitors can unlock the potential of the tourism sector as a major contributor to economic growth and job creation.

Financial Services: Strengthening the financial sector is essential for supporting economic growth and investment in other sectors. Prioritizing reforms to improve access to finance, enhance financial literacy, and promote the development of capital markets can help mobilize savings, facilitate investment, and spur entrepreneurship and innovation.

Information Technology (IT) Services: Investing in the IT sector can drive innovation, improve productivity, and create high-value job opportunities. Prioritizing initiatives to develop digital infrastructure, support startups and tech entrepreneurship, and promote digital literacy can position Uzbekistan as a regional hub for IT services and outsourcing.

Healthcare and Education: Improving access to quality healthcare and education is essential for human capital development and inclusive growth. Prioritizing investments in

healthcare infrastructure, healthcare delivery systems, medical education, and vocational training can enhance healthcare outcomes, workforce productivity, and overall well-being.

Transportation and Logistics: Enhancing transportation and logistics infrastructure is crucial for facilitating trade, connecting markets, and supporting economic diversification. Prioritizing investments in roads, railways, ports, and logistics hubs can reduce transportation costs, improve supply chain efficiency, and attract investment in sectors such as manufacturing and agriculture.

Hospitality and Leisure Services: Developing the hospitality and leisure sector can create employment opportunities and stimulate domestic and international tourism. Prioritizing investments in hospitality infrastructure, promoting cultural events and festivals, and enhancing the quality of tourist services can enhance the attractiveness of Uzbekistan as a tourist destination and support local businesses.

Professional Services: Strengthening professional services such as legal, accounting, consulting, and engineering can support business growth, improve corporate governance, and attract foreign investment. Prioritizing reforms to enhance the regulatory environment, promote transparency, and build capacity in professional services can facilitate economic development and integration into global value chains.

E-Government Services: Expanding e-government services can improve public service delivery, enhance administrative efficiency, and promote transparency and accountability. Prioritizing investments in digital government infrastructure, promoting online service delivery, and fostering digital skills development can streamline government operations, reduce bureaucracy, and improve the business environment.

By prioritizing these directions within the service and service sectors, Uzbekistan can harness its economic potential, promote sustainable development, and improve the well-being of its citizens. Collaboration between the government, private sector, and civil society will be essential to implement policies and initiatives that support the development of these priority sectors.

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