

"Innovative Development Pathways for the Service Sector and Industries in the Context of New Uzbekistan"

N. P. Imamov¹, Temirov Ruslan Rasul ugli², Khabibullayev Ramazan Botir ugli³

¹ Senior teacher, SamIS Department of "Language Teaching"

^{2,3} SamIS students

Abstract:

This article is devoted to the issues of innovative development of the service sector in the conditions of New Uzbekistan. The service sector, as one of the important sectors of the national economy, makes a significant contribution to the country's sustainable economic growth, employment generation and social development. The study provides an in-depth analysis of the current state of the service sector and identifies relevant areas of innovative development.

Keywords: Service sector, innovative development, digital transformation, economic growth, regression analysis, national economy, technological achievements, strategic development, human resources.

In the conditions of the new Uzbekistan, the service sector is of great importance as one of the main sectors of the national economy. Today, the processes of digital transformation and technological development on a global scale create the need to modernize this sector and accelerate its innovative development. The service sector is not only one of the main drivers of economic growth. It is not only an important factor in economic growth, but also an important factor in social development, playing a significant role in increasing employment, increasing incomes, and improving living standards.

The concept of "New Uzbekistan-2030", put forward by the President of Uzbekistan, envisages the implementation of strategic reforms aimed at the innovative development of all sectors of the

economy, including the service sector. ¹Within the framework of these reforms, comprehensive measures are being taken to widely introduce modern technologies in the service sector, improve the business environment and attract investments. However, in order to ensure the development of the service sector in accordance with international standards in the conditions of global competition, it is necessary to fully use existing opportunities and form new innovative approaches.

This study is aimed at developing scientific and methodological foundations for the innovative development of the services sector, increasing the effectiveness of reforms in this area and ensuring sustainable growth of the national economy . The article pays special attention to the implementation of digital transformation in the services sector, the use of technological advances and the development of human resources. In this sense, this study makes a significant contribution to diversifying the economy and increasing the competitiveness of the services sector.

The service sector is recognized as a leading sector in today's global economy, and its development is of great importance in ensuring the economic stability and competitiveness of countries. Scientific research has approached the innovative development of the service sector from different perspectives. Below, international and national literature on this issue is analyzed.

The importance of the service sector in the economy has been studied in several studies. For example, according to Baumol's service sector model, the service sector is one of the main factors of technological development, and innovation plays an important role in increasing economic efficiency (Baumol, 1967). ²At the same time, the national competitiveness model put forward by Porter (1990) justifies the need to diversify the economy through the introduction of innovations in service sectors.³

A report published by the OECD (2021) highlights the introduction of innovative technologies into the services sector as a factor in enhancing global economic competitiveness. These studies highlight the transformational potential of the services sector, especially through the introduction of digital technologies.⁴

Our state program, "Strategy of the New Uzbekistan" for 2023, pays special attention to stimulating the development of the services sector, introducing new technologies ⁵, and supporting business entities in this process .

The analysis of the literature shows that in the conditions of Uzbekistan, the innovative development of the service sector is an important component of the digitalization and modernization of the national economy. In this regard, there is an opportunity to achieve strategic goals through the use of international and national scientific developments.

In the process of conducting this research, a systematic approach to scientific knowledge, monographic observation, statistical abstract and logical thinking methods were widely used. Also, in the implementation of scientific research, the correlation-regression form of econometric analysis was used and the synthesis method was effectively used.

Innovative development of the service sector plays an important role in the implementation of structural modernization of the economy of Uzbekistan. Based on the indicators shown in the table, the growth rates of the service sector and their economic significance were analyzed as follows.

¹ Uzbekistan Republic The President's Strategy " Uzbekistan - 2030" about decree

²Baumol, WJ (1967). *Macroeconomics of Unbalanced Growth: The Anatomy of Urban Crisis*. The American Economic Review.

³Porter, ME (1990). *The Competitive Advantage of Nations*. Harvard Business Review.

⁴OECD. (2021). *Digital Transformation in Services*. Paris: OECD Publishing.

⁵ Uzbekistan Republic President decrees and decisions collection , 2023

1 - The data in the table reflect different development indicators in the economic dynamics of types of services:

Trade services have had a steady growth trend since 2017, reaching 110.6% in 2023. This indicates the effectiveness of measures to increase competitiveness in the sector. Communication and information services are the leading sector in terms of growth rates. In 2023, the growth rate was 125.5%, which confirms the active implementation of the transition to a digital economy. Despite the fact that transport services experienced a decline in growth rates (92.3%) in 2020 due to the pandemic, the indicator reached 110.6% in 2023, indicating a recovery phase.

After a short-term decline in 2020 (93.6%), the growth rate in accommodation and food services reached 128.1% in 2023. This indicates that the sector is developing through tourism and hotel services. Financial services have a high growth rate, reaching 145.7% in 2023. This indicates the introduction of financial technologies and the expansion of the services market.

During the pandemic in 2020, a decline was observed in all types of services. This was especially evident in sectors such as transport services (-7.7%) and housing services (-6.4%). However, starting in 2021, the services sector entered a recovery phase, and in 2023, growth was recorded across all indicators. The growth rates of communication, financial and housing services are closely related to the introduction of innovative technologies and digitalization processes. For example, reforms implemented to develop financial technologies and startup projects ensured high growth rates in this sector.

The growth rates of the service sector have a positive impact on the overall dynamics of the country's economy. The data in the table show that by 2023, growth was observed in almost all types of services. This confirms the effectiveness of the economic policy and innovative approaches implemented by the state.

In the conditions of Uzbekistan, the growth rates of the service sector indicate the stable development of the country's economy. The high growth rates of communication, financial and housing services confirm the effectiveness of innovations and state support measures. At the same time, a strategic approach is required to ensure stable growth rates in other types of services. The analysis of the table provides important indicators of diversification of the service sector and its orientation towards innovative development (Table 1).

Table 1. Growth rate of specified market services (compared to the previous year, in percent) (annual)⁶

Classifier	2017	2018	2019	2020	2021	2022	2023
Sales services	100.3	104.9	107.4	103.8	112.3	108.3	110.6
Communication and information services	121.3	115.9	108.3	123.8	126.4	128.8	125.4
Transportation services	109.9	104.5	106.7	91.4	115.7	111.8	107.2
Accommodation and catering services	112.1	107	107.3	80.3	132.3	122.3	113.5
Financial services	136.5	121.5	147	125.6	128	131.7	121.6
Real estate related services	106.6	107.9	104.7	90	123.1	110	112.6
Services in the field of architecture, engineering research, technical testing	124.7	118.1	115.5	93.3	117.9	105.9	101.5

⁶ Uzbekistan Republic General Directorate of Statistics , <https://www.stat.uz>

and analysis							
Rental services	102.1	110.4	98.3	98.4	118.7	112.6	102.4
Educational services	125.6	110.5	109.5	101	130.8	114.1	123.1
Healthcare services	116.9	113.4	114.7	94.8	128.5	113.4	112.3
Computer and household goods repair services	102.6	104.2	107.1	94.5	122.9	106.6	105.3
Personal services	100.7	102.2	105.4	94.7	114.4	107.1	106.3
Other services	111.8	121.2	116.3	99.7	113	114.4	125.7

These results can be used as a key indicator for determining innovative development directions and effectively managing resources.

In the conditions of the new Uzbekistan, innovative development of the service sector and industries is of great importance in ensuring the country's economic stability and competitiveness. The results of the study showed that in recent years, the growth rates in the service sector have been steadily increasing, in which the widespread introduction of information and communication technologies and support measures provided by the state have played a decisive role. However, the results of the analysis indicate a decrease in growth rates in some types of services and inefficient use of resources, which determines the need for further reform of the sector.

Within the framework of this study, innovative ways to develop the services sector are based on the following.

Firstly, the active introduction of digital technologies will improve the quality and efficiency of service provision; secondly, a strategic approach to state management of the sector, including effective measures to attract investment and develop human resources, will bring the services sector to a new level.

At the same time, using regression analysis, a forecast of growth rates in the services sector for 2024–2026 was made. The results show that financial services, information and communication services will maintain high growth rates in the future, which will serve as important drivers of economic development. However, in some sectors, including personal services and rental services, the indicators require stability.

Based on the research results, the following conclusions were drawn:

- Encourage the widespread use of advanced technologies in financial services and information technology in other service sectors.
- Addressing vulnerabilities during the pandemic and expanding opportunities for international trade.
- Organization of special training programs to improve the skills of personnel in the service sector and introduce innovative approaches.

Based on the above, effective implementation of strategies for innovative development of the services sector will open up new prospects for the economic development of Uzbekistan. Therefore, efforts aimed at integrating the sector with digital technologies and modernizing human resources should be continued.

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