

# The Role of The Service Sector in The Socio-Economic Development of The Republic of Uzbekistan

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**Abstract:** This article is dedicated to the development of the service sector in the Republic of Uzbekistan in recent years. The article analyzes the country's service sector, its key industries (trade, tourism, transport, finance), and their contribution to economic growth. It also examines the impact of state-reforms and political and economic stability on the service sector. The article presents the growth rate of Uzbekistan's service sector, its contribution to the national economy, and the prospects for future development, as well as strategies for the sector's advancement.

**Keywords:** Republic of Uzbekistan, economy, recent years, rapid development, service sector, economic growth, international economic competitiveness, trade, tourism, transport, finance, state reforms, political stability, analysis.

**Introduction:** The economy of the Republic of Uzbekistan has been rapidly developing in recent years, and an inseparable part of this process is the expansion of the service sector. The service sector not only contributes to the country's economic growth but also plays a vital role in enhancing international economic competitiveness. Uzbekistan's service sector has achieved significant growth across various industries, including trade, tourism, transport, and finance. The reforms implemented by the government, along with political and economic stability, have had a positive impact on the development of the service sector. This article analyzes Uzbekistan's service sector and the government reforms that have influenced its growth.

In recent years, comprehensive reforms have been implemented in the Republic of Uzbekistan aimed at supporting and developing the service sector. Specifically, the modernization of the service sector, the introduction of digitalization, and the implementation of innovations by the government have accelerated economic growth. This article analyzes the key measures taken for the development of the service sector in Uzbekistan, the positive results achieved through these initiatives, and future projections.

## METHODOLOGY

In the research process, a systematic approach, comprehensive assessment, comparative and comparative analysis, as well as statistical and dynamic approaches were used to analyze the organizational and legal foundations and economic mechanisms of the development of the service sector. These methods facilitated the study of processes and provided a deeper understanding of the sector's growth.

## RESULTS

The service sector of Uzbekistan experienced significant growth between 2016 and 2023. According to statistical data, the volume of retail and wholesale trade increased fourfold. Tashkent, with its central location, high population density, and advanced economic activities, remains the leading region for the service sector. The city of Tashkent holds the highest indicators in terms of service provision within the country, and as a result of the development of the service sector, the number of jobs has increased, and economic stability has strengthened.

The government's focus on the service sector has contributed to ensuring the economic stability of this industry. Since 2016, Uzbekistan's service sector has begun integrating with the global market, which has

played a crucial role in attracting foreign investments. Additionally, sectors such as tourism, trade, and finance have played a significant role in the growth of the service industry. According to data from 2022, the service sector accounted for 58% of the Gross Domestic Product (GDP) of the country.

A series of reforms aimed at developing the service sector in the Republic of Uzbekistan were implemented starting in 2020. The decision "On Measures to Support the Service Sector", adopted on June 16, 2020, had a significant impact on the development of the service sector in the country. Based on this decision, in 2021, 29,000 projects worth 18 trillion soms were implemented, and the volume of services provided increased by 20%.

The incentives and tax benefits provided by the government have facilitated the growth of small and medium-sized businesses, leading to the creation of new job opportunities. Additionally, the government has developed strategies aimed at increasing competition in the service sector, including tax benefits, relaxation of lending policies, and new infrastructure projects. Through the adoption of Decree No. PF-60 in January 2022, a comprehensive plan was developed to reduce the tax burden on the service sector until 2025, promote the digitalization of the economy, and implement new technologies. These reforms helped attract investments into the sector and strengthened the global competitiveness of Uzbekistan's service sector.

The reforms implemented in the tourism sector of the Republic of Uzbekistan have had a significant impact on the country's high economic growth. The "Concept for the Development of Tourism in the Republic of Uzbekistan for 2019-2025," approved in 2019, set the goal of increasing the number of foreign tourists to 9 million. Within the framework of this concept, measures were taken to develop tourism infrastructure, create new hotels and recreation centers, and improve the quality of tourist services. These initiatives contributed to the enhancement of the tourism sector and its positive impact on the national economy. As a result, by the end of 2023, Uzbekistan saw 6.6 million foreign tourists visit the country, marking a 26.6% increase compared to 2022. The growth of tourism not only contributed to economic growth but also had a positive impact on job creation, supporting local producers, and enhancing social stability. Furthermore, the development of the tourism sector strengthened the country's international image and facilitated its deeper integration into international trade and investment flows.

The development of the service sector plays a crucial role in the process of poverty reduction. Research conducted by the International Labour Organization indicates that a 1% growth in the service sector leads to a 1.5% reduction in poverty. This highlights the significant impact that the expansion of the service sector can have on improving living standards and addressing socio-economic challenges. In Uzbekistan, the impact of government support for small and medium-sized businesses through the development of the service sector is increasing. The growth of employment opportunities in the service sector and the establishment of new entrepreneurial entities have contributed to poverty reduction. This support has played a key role in improving the socio-economic conditions of the population, fostering entrepreneurship, and creating sustainable job opportunities.

One of the key steps in the development of Uzbekistan's service sector has been the improvement of the "e-Government" system. In 2019, there were 173 electronic government services, and by 2022, this number increased to 368, with 242 of them specifically tailored for business entities. This, in turn, helped simplify and regulate the business environment, as well as improve the quality and transparency of government services. Uzbekistan's digital infrastructure also expanded significantly, with the length of optical fiber communication lines increasing from 20.3 thousand kilometers in 2017 to 118 thousand kilometers in 2022. This growth greatly enhanced internet services and data exchange speeds, thereby strengthening the competitiveness of the service sector.

The process of registering small business entities in Uzbekistan has been simplified. The number of small business entities, which was 128,000 in 2017, increased to 325,000 by 2022, showing a 2.2-fold growth. These changes created favorable conditions for the development of small and medium-sized businesses in the service sector. At the same time, the creation of new entrepreneurial entities has increased opportunities for economic growth and job creation. The logistics system also saw positive changes. The volume of cargo transportation, which was 1,146.2 million tons in 2017, reached 1,398.9 million tons by 2022, improving the system's efficiency and impacting the service sector.

There was also significant growth in the financial sector. Between 2016 and 2023, financial services grew 5.1 times. The involvement of private and foreign banks helped strengthen the competitiveness of the sector. As an example, the number of banks decreased to 1,016 by December 1, 2022, compared to 1,520 on January 1, 2018. This reflects the sector's ongoing

development and its greater efficiency.

Uzbekistan has also achieved significant progress in the healthcare sector. In 2022, 7,320 private medical institutions were operating, marking a 2.8-fold increase. Additionally, in the education sector, the number of private preschool institutions grew from 250 in 2017 to 833 in 2022, while the number of non-state higher education institutions increased from 1 in 2018 to 55.

The communications sector also saw remarkable growth, with services expanding 2.8 times. The capacity of international data transmission networks increased from 64.2 Gbit/second to 1,800 Gbit/second. These changes have enhanced the global competitiveness of the service sector and created opportunities for the strengthening of international trade relations.

The rapid development of Uzbekistan's service sector has had a significant impact on economic growth. In the first nine months of 2023, the service sector grew by 6.5% of GDP, which is higher than the overall GDP growth, indicating the sector's economic importance. As of early 2024, the number of small business entities reached 277,100, and the volume of services provided by them amounted to 224.4 trillion soms . This highlights the crucial role of small businesses in the service sector.

The "Uzbekistan – 2030" strategy outlines the goal of increasing market services threefold by developing the service and service-related sectors. It also emphasizes the modernization of services in IT, education, healthcare, tourism, hospitality, and transport. Furthermore, the strategy focuses on the development of modern market services and infrastructure in medium and large cities, as well as districts with populations exceeding 300,000. This approach aims to ensure balanced growth and improve access to essential services across the country.

## CONCLUSION

The service sector of the Republic of Uzbekistan has become one of the key drivers of economic growth. The reforms and incentive programs implemented by the government have significantly contributed to the development of the service sector. Growth in sectors such as tourism, trade, finance, and transport has ensured the country's economic stability. Furthermore, government support has had a positive impact on reducing poverty, creating new job opportunities, and maintaining economic stability. The development of the service sector, through the introduction of innovations and digitalization, will also help integrate the country more deeply into the global economic system. In the future, additional measures will be taken within the framework of the "Uzbekistan – 2030"

strategy to further advance the service sector.

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