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Article

Development of Service Enterprises and Trends In The Transformation of The Service Market

Yoriyeva Dilafruz Oltinovna[1]

1. Independent Researcher, Bukhara State University, Uzbekistan

* Correspondence: d.o.yoriyeva@buxdu.uz

Abstract: The service sector plays an increasingly vital role in national economies, contributing significantly to GDP growth, employment, and socio-economic stability. In the context of Uzbekistan's economic transformation, the service sector has become one of the most dynamic and rapidly developing areas. Despite its strategic importance, disparities in service sector development persist across regions, and the mechanisms driving this growth, particularly at the local level, remain underexplored. While national-level statistics reflect overall progress, comprehensive regional analyses that examine sectoral dynamics, growth distribution, and per capita service output are limited, especially in regions like Bukhara. This study aims to analyze the trends in the development of service enterprises and the transformation of the service market in Uzbekistan from 2020 to 2024, with a focus on regional disparities, activity types, and economic contribution. The findings reveal that the volume of services in Uzbekistan grew by 10.4 times during the study period, with the service sector's share in GDP rising from 35.5% to 56.3%. In the Bukhara region alone, the volume of services increased by over 3.5 times, demonstrating regional progress, yet unevenly distributed. Sectors such as financial services, healthcare, education, and digital communications exhibited particularly high growth. This study provides a unique regional and sector-specific perspective on service sector evolution, incorporating per capita analysis and strategic implications. The results underscore the need for targeted policy interventions, investment in digital infrastructure, and capacity-building to ensure inclusive and balanced service sector development across all regions.

Keywords: service provision, market economy, diversification, economic growth, risk of bankruptcy, gross regional product, efficiency

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1. Introduction

In a market economy, the service sector plays a crucial role in the socio-economic development of countries [1]. As an integral component of the national economy, it is vital for providing quality services to the population, creating jobs, and increasing the volume of gross domestic product (GDP). The growth rates of service enterprises are closely tied to the dynamics of market demand, the creation of new types of high-quality services, and shifts in consumer needs. Analyzing the factors and trends in the development of the service sector is considered one of the most pressing issues from both scientific and practical standpoints[2].

In particular, the development of enterprises operating in the service sector is closely linked to the process and is determined by the market structure, development trends, changes in market conditions, competitive environment, and consumer behavior[3]. The

modern services market is undergoing a process of diversification, characterized by the implementation of innovative technologies, expansion of digital services, and intensified competition among industry entities. From this perspective, analyzing the dynamics of service market development and identifying its key factors are of crucial importance for scientific research.

Literature review

Focusing on the analysis of literature related to the topic, S. Lee, D. Ribeiro, D. Olson, and S. Roig examined the service industry as a crucial foundation of the national economy, while M. Scerri and R. Agarwal conducted scientific research on measuring productivity using the SEPIA (Service Enterprise Productivity in Action) model - a framework for assessing service enterprise efficiency[4].

N.Barnett, G.Parry, M.Saad, L.Newnes, and Y.Goh studied the formation of a system for offering goods and services by manufacturing enterprises, specifically their increasing specialization in the production of service-oriented offerings.

Numerous scientific studies have been conducted in academic circles regarding the significant differences between the production of goods and the provision of services. Notably, research by C. Lovelock, R. Young , S. Sampson, C. Froehle , and S. Vargo, R. Lusch has examined two main distinguishing factors: the intangible nature of services and the role of customers in service delivery. These factors have been studied as the primary distinguishing elements between goods production and service provision.

2. Materials and Methods

The article analyzes how the growth rates of service enterprises are closely linked to the dynamics of market demand, the creation of new types of quality services, and changes in consumer needs. This analysis is conducted by examining changes in the service sector's share of the country's GDP. Comparative analyses were carried out based on statistical data for the period 2020-2024, including the Gross Regional Product (GRP) and volume of services provided in the Bukhara region, the volume of services provided in the constituent territories of the Bukhara region, and the per capita volume of services rendered in the constituent territories of the Bukhara region[5].

3. Results and Discussion

The service sector is considered one of the key branches in the sustainable economic growth of New Uzbekistan. To gain a deeper understanding of the essence of this issue, it is important to evaluate the role of the service sector in the country's economic life. This can be observed in general terms through the changes in the service sector's share of the country's GDP (Table 1).

Table 1. Comparative analysis of GDP and services volume dynamics in the Republic of Uzbekistan for 2015-2024

Years	GDP of the country, trillion sum	GDP growth rate, in %	Volume of services provided in the country, trillion soums	Growth rate of services provided, %	Share of services provided in GDP, %
1	2	3	4	5	6
2015	0,2214	100,0	0,0785	100,0	35,5
2016	0,2554	115,4	0,0971	123,7	38,0
2017	0,3565	161,1	0,1188	151,3	33,3
2018	0,4737	214,5	0,1509	192,2	31,9
2019	0,5947	269,2	0,1937	246,8	32,6

2020	0,6680	302,3	0,2200	280,3	32,9
2021	0,8205	371,5	0,2844	362,3	34,7
2022	0,9956	450,7	0,3669	467,4	36,9
2023	1,2045	544,8	0,6498	827,8	53,9
2024	1,4555	658,4	0,8184	1042,5	56,3

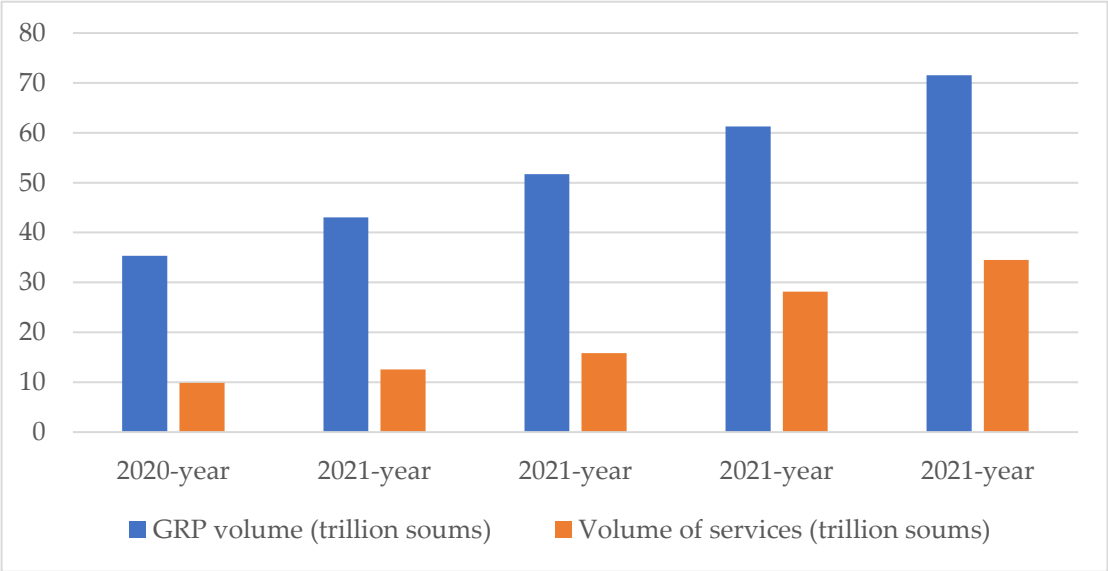
As evident from the data in this table, the GDP of our country increased 6.6-fold during the period from 2015 to 2024. The growth rate of services provided during this same timeframe amounted to 10.4 times. As a result, the share of the service sector in the country's GDP increased from 35.5% to 56.3%.

It should be acknowledged that to develop each sector and evaluate the results of effective activities, it is necessary to determine the indicators that represent it. Over the past five years, the average growth rates of market services provided in the Republic of Uzbekistan have been consistently increasing across regions[6].

Statistical data show that over the past five years, the service sector in the Republic of Uzbekistan has developed rapidly, with significant differences in growth rates observed across regions. In particular, the city of Tashkent stands out as the leading region with a growth rate of 117.6 percent. Similarly, Jizzakh and Syrdarya regions experienced an increase of 114.5%, while in the Navoi region and the Republic of Karakalpakstan, the average growth rate of the service sector was 113.4%. Growth indicators of around 112 percent were recorded in Bukhara, Namangan, and Khorezm regions, while in Samarkand region, this indicator showed an increase of 112.2 percent. Meanwhile, the Fergana region recorded 112.1 percent growth, and the Tashkent region 111.4 percent. Analysis indicates that the Surkhandarya region had the lowest growth rate in the service sector at 110.3 percent[7].

Examining this through the example of the studied object, we can observe a consistent increase in the volume of services within the changes in gross regional product (GRP) in the Bukhara region over the past five years. Based on this analysis, the GRP amounted to 35.32 trillion soums in 2020 and reached 71.56 trillion soums by 2024. The analyzed indicator shows stable growth, increasing by more than 2.0 times. The change in the volume of services in the Bukhara region amounted to 9.84 trillion soums in 2020 and reached 34.49 trillion soums by 2024[8]. The volume of services provided demonstrated steady growth, increasing by more than 3.5 times. The share of services in the GRP of the Bukhara region in 2024 will exceed 48%. Consequently, the service sector plays a crucial role in the region, and its development contributes to ensuring economic stability (Figure 1).

Figure 1. Gross Regional Product (GRP) of Bukhara region and volume of services rendered during 2020-2024



In developing the economy, every sector, whether in production or services, must possess the quality of elasticity in response to changes in external factors. One of the advantages of the service sector is its low capital intensity, the ability to quickly recover expenses, and a lower risk of bankruptcy. Consequently, a stable economic growth has been observed in the volume of services provided across the structural subdivisions of the region (**Table 2**).

Table 2. Volume of services provided in the constituent regions of Bukhara province from 2020 to 2024 (trillion soums)

Sub-territories	**2020-year**	**2021-year**	**2022-year**	**2023-year**	**2024-year**	**Change in 2024 compared to 2020, (in percent)**
Bukhara region	**9,84**	**12,57**	**15,85**	**19,29**	**34,49**	**351**
Bukhara city	3,74	4,65	6,04	7,51	9,21	246
Kagan city	0,35	0,44	0,59	0,73	0,88	251
Alat District	0,37	0,45	0,53	0,63	0,77	208
Bukhara District	0,57	0,67	0,83	0,99	1,20	211
Vabkent District	0,45	0,82	1,04	1,19	1,47	327
Gijduvan District	1,30	1,68	1,94	2,31	2,81	216
Kagan District	0,32	0,42	0,54	0,64	0,78	244
Karakul District	0,44	0,55	0,69	0,84	1,01	230
Karaulbazar District	0,19	0,24	0,31	0,40	0,47	247
Peshku District	0,55	0,69	0,88	1,06	1,25	227
Romitan District	0,52	0,69	0,88	1,07	1,29	248
Jandar District	0,59	0,69	0,85	1,03	1,25	212
Shafirkan District	0,44	0,56	0,71	0,87	1,04	236

Analysis of the volume of services provided in the constituent territories of Bukhara region shows that between 2020 and 2024, the volume of services provided in these areas demonstrated stable growth. Notably, the volume of services in Bukhara region increased from 9.84 trillion soums to 34.49 trillion soums, achieving a growth rate of 351 percent. However, economic growth did not proceed at the same pace across all areas. As evident, Vobkent district led the constituent territories with a growth of 327 percent. Relatively

close indicators were achieved by Kogon city with 251 percent, Romitan district with 248 percent, Bukhara city with 246 percent, and Kogon district with 244 percent growth. These significant increases in the constituent territories are associated with the expansion of the service sector. However, Olot district and Bukhara district showed relatively slower growth with indicators of 208 percent and 211 percent, respectively. This suggests the need to develop an action plan for introducing new types of services in these constituent territories[9].

According to the results of 2024, a significant growth was observed in the services market, with the total volume of services provided increasing by 351% compared to 2020, amounting to 34.49 trillion soums. Notably, this indicates an increase in the competitiveness of enterprises operating in the service sector. We believe that there is potential for economic development in this field by determining the share of enterprises engaged in these activities in the service market, examining the industries within the market structure, and analyzing the dynamics of their development.

Firstly, communication and information services in 2024 increased by 241 percent compared to 2020, which indicates the development of the digital economy in the Bukhara region. It should be acknowledged that the provision of financial services also recorded a high growth rate, increasing by 271 percent. The achievement of positive results in the provision of financial services is explained by the effective utilization of investment opportunities in the sustainable economic growth of the region[10].

Secondly, the growth rate in the transport services sector was also high, reaching 253 percent compared to 2020. Motor transport services, in particular, increased by 243 percent. While this indicator suggests the development of the industry, on the other hand, the decrease in tourist flow between countries due to the COVID-19 pandemic led to a decline in demand for transport services by 2020. At the same time, the province's reliance on land roads for international and domestic trade, and their full utilization, provides an opportunity to increase the efficiency of transport services[11].

Thirdly, healthcare and education services recorded growth of 373 and 319 percent respectively by 2024 compared to 2020. While this indicator is related to the social welfare of the region's population, we can observe that the percentage growth is high, but the overall share remains low. Services related to real estate increased by 233 percent, which indicates the intensification of urbanization processes and a proportional rise in both supply and demand in the real estate market[12].

Fourthly, high growth rates were also observed in the sectors of household appliance repair, personal services, and other types of services. Specifically, household appliance repair services increased by 337 percent, personal services by 350 percent, and other types of services by 428 percent. These growth indicators signify an increase in household incomes and an improvement in the standard of living. Based on the aforementioned and several other criteria, it can be stated that the volume of services provided per capita is considered one of the indicators determining the population's standard of living[13].

The next indicators analyzed are the dynamics of per capita service provision volumes across the constituent territories of Bukhara region from 2020 to 2024.

In this case, the volume of services rendered per capita (Asx) is determined by dividing the total volume of services rendered (Xh) by the population (As). For this, the following formula is used:

$$\mathrm{Asx} = \frac{\mathrm{Xh}}{\mathrm{As}} \qquad (1)$$

The information and comparative analysis of the service sector presented above were not provided without reason. To properly understand this, it is also appropriate to study this sector in our country. Today, comprehensive attention is being paid to ensuring the effectiveness of work carried out in the service sector. In this regard, the service sector is, on one hand, connected with the socio-economic system, and on the other hand, serves as the main criterion for ensuring competitiveness. As a result, significant improvements are

taking place. The indicator presented in the study serves as a basis for developing the service sector in the region. This is because the greater the volume of services provided per capita, the more opportunities there are for competition in this field.

The dynamics of changes in this indicator for the Bukhara region over the years are presented in **Table 3.**

Table 3. Volume of services provided per capita across the constituent territories of Bukhara region for 2020-2024 (million soums)

Sub-territories	2020-year	2021-year	2022-year	2023-year	2024-year	Change in 2024 compared to 2020, (in percent)
Bukhara region	**5,09**	**6,41**	**7,95**	**13,89**	**16,74**	**329**
Bukhara city	13,32	16,46	21,07	25,72	30,98	233
Kagan city	5,79	7,16	9,47	11,40	13,51	233
Alat District	3,77	4,43	5,16	6,13	7,32	194
Bukhara District	3,43	3,96	4,77	5,64	6,69	195
Vabkent District	3,19	5,80	7,21	8,09	9,83	308
Gijduvan District	4,26	5,44	6,16	7,23	8,64	203
Kagan District	4,01	5,29	6,58	7,66	9,10	227
Karakul District	2,67	3,30	4,15	4,93	5,84	219
Karaulbazar District	10,69	12,73	16,32	20,31	23,51	220
Peshku District	4,43	5,48	6,88	8,13	9,46	214
Romitan District	3,63	4,76	5,98	7,14	8,46	233
Jandar District	3,41	3,93	4,72	5,63	6,68	196
Shafirkan District	2,46	3,09	3,89	4,72	5,58	227

The volume of services per capita in the structural regions of Bukhara province showed significant growth rates from 2020 to 2024. Specifically, this indicator increased from 5.09 million soums in 2020 to 16.74 million soums by 2024, representing a growth of 329 percent[14]. The expansion of the service sector is linked to the development of the regional economy and the volume of services per capita. Notably, Vobkent district experienced the highest growth rate, reaching 9.83 million soums with an increase of 308 percent. This dynamic in the service sector shows high percentage growth but a lower share in overall terms. For instance, in Bukhara city, while the volume of services per capita amounts to 30.98 million soums, the percentage increase is 233. This indicates the city's large population[15].

4. Conclusion

The analysis of the service sector development from 2020 to 2024 revealed that the volume of services per capita varied across districts, demonstrating a differentiated character. Indeed, Kogon and Shofirkon districts achieved high results in the service sector with a growth of 227 percent. While this process is associated with the development of the district's economy, the low population in these districts also contributed to this high growth percentage. Notably, Qorovulbozor district stands out as one of the areas that has achieved significant progress in the service sector with a growth of 220 percent. It should be acknowledged that the volume of services per capita increased at lower rates in some districts: Olot district by 194 percent, Bukhara district by 195 percent, and Jondor district by 196 percent.

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