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Analysis of External and Internal Factors Influencing The Volume of Services Exports

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Abstract: Synthesis of external and internal factors of services export volume: influence on the national economic development: introduction of the research While services exports arise from a variety of intricate macroeconomic and sectoral circumstances, previous studies tend to look at growth in aggregate services sector rather than particular determinants of exports. Despite a wealth of studies on the relationship between inflation and service exports performance, the available literature has largely failed to consider the integrated analysis of the simultaneous impact of inflation, investment structure, wages, working capital and external environment factors on service export performance, hence the knowledge gap evident in this area, especially in the context of the developing economies like Uzbekistan. The research uses common scientific methods such as analysis and synthesis, induction and deduction, comparative analysis of macroeconomic indicators. Statistical data are analysed in the context of wages, inflation, investments, and service output to evaluate structural constraints and assess potential for growth. The results highlight the strong relationship between global economic conditions, exchange rate stability, inflation stabilization, the suitability of foreign trade policy and the distribution of domestic investment in a proportion that benefits service export dynamics. Service output and sector wages per capita in Uzbekistan are much lower than those of developed economies, and investment flows have a similarly high concentration in industry at the expense of services. Inflation and lack of working capital exacerbate the challenge of competing in world markets. The findings suggest that building private financial incentives, broadening investment in services, and anchoring macroeconomic stability are critical for the expansion of exports. The research suggests that macroeconomic monitoring of external and internal factors as well as the econometric assessment of the quality of services can help foster a rapid modernisation of the service sector and the strengthening of export capacity if they are properly aligned with the attention and monitoring planned for the service sector. These findings give policy conclusions for sustainable growth in service exports and long term resilience of economy.

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1. Introduction

The export of services develops under the influence of many factors. Depending on their source of impact on the volume of service exports, these factors can be divided into external and internal ones. External factors reflect the connection of service exports with the external environment, while internal factors are directly related to the movement and utilization of resources within the service sector. External factors influencing service exports are usually characterized by their complexity and variability. Internal factors, like

external ones, are also highly complex and changeable under the strong influence of various socio-economic phenomena. Identifying external and internal factors and correctly assessing their impact makes it possible to increase the volume of service exports and to substantiate them scientifically. Therefore, in order to increase and develop service exports and determine their future prospects, it is necessary to identify the internal and external factors that determine their quantitative and qualitative indicators and to analyze the degree of their influence. However, in some research works, scholars limit their analysis only to the factors affecting the development of the service sector. At the same time, increasing export volumes is also of great importance for sectoral development. For this reason, identifying the factors influencing the development of service exports, monitoring their changes, and analyzing them is considered a pressing task.

Literature Review

Renowned economists M. Friedman, A. Marshall, and A. Pigou analyzed the strong relationship between inflation, unemployment, and exports, studied their interrelations, and their theories have not lost their relevance to this day. Inflation negatively affects the competitiveness of goods and services exports by increasing production costs. At the same time, an increase in export volumes may also lead to financial instability. Nevertheless, the interconnections between macroeconomic categories should influence export development. Therefore, it is important to determine how inflation affects service exports. Although scholars such as R. McKinnon [1], L. S. Khudyakova [2], E. I. Nikitina [3], G. Amanova, and M. Rasulova [4], among others, have analyzed the impact of inflation on goods and services exports and imports and drawn important conclusions, they did not examine the specific impact of inflation on service exports, nor did they analyze whether an increase in the export volume of goods and services leads to higher inflation levels.

Foreign trade activity refers to the exchange of goods and services between countries. This process has been widely discussed in economic theory and explained through various approaches [5]. Therefore, it is necessary to study this issue in depth. From the perspective of the present day, this topic has been analyzed by scholars such as N. Sh. Salomov [6], N. Q. Juraev [7], B. B. Ismoilov [8], and others. Nevertheless, foreign trade is an age-old issue. Considering it not only from a contemporary perspective (regional development, acceleration of economic growth rates, etc.) but also from a historical perspective contributes to strengthening international cooperation.

2. Materials and Methods

In analyzing the external and internal factors affecting the increase in the volume of service exports and highlighting their scientific and practical significance, general scientific research methods such as analysis and synthesis, induction and deduction, as well as comparison, were employed.

3. Results and Discussion

The external factors influencing the development of service exports include the following: global economic growth; exchange rates; inflation levels; demand for services; economic growth rates of individual countries; foreign trade policy; external and internal political stability; and the state of international relations.

Global economic growth indicates the development of foreign economic relations between countries. Conversely, its slowdown reflects weak development of international trade relations. For example, the pandemic that occurred worldwide in 2021 posed a serious threat to the global economy. This epidemic led to disruptions in international trade supply chains. As a result of panic-driven sell-offs by investors, leading stock exchanges around the world experienced crises. Such conditions had a negative impact on the export and import of goods and services between countries.

Exchange rates are among the most important factors directly affecting the export of goods and services. Their fluctuations constantly create challenges for economic entities

engaged in export and import operations, particularly in decision-making, pricing of export-oriented goods and services, and maintaining balance in foreign markets. Stable growth in exchange rates stimulates the export and import of goods and services.

Inflation and exports are macroeconomic categories that are inversely related. Inflation directly affects the development of the service sector and the increase in its export volume. For this purpose, the impact of inflation on service exports was analyzed.

An increase in demand for services contributes to the development of service exports. Demand is a key element of the market, and its growth shapes supply. These two elements ensure market equilibrium. Therefore, analyzing changes in demand for services is an important task.

The development and economic growth of countries stimulate the development of goods and services exports of other countries [9]. Economies with high growth rates are often major consumers of services and encourage rapid development of the service sector. This effect is especially noticeable among neighboring countries. The rapid development of European countries can serve as an example.

Foreign trade policy is one of the important factors in the development of service exports. In the process of globalization, the economic development of countries is closely linked to foreign trade activities. Sustainable growth and development of the national economy are associated with factors such as efficient use of resources, entry into new markets, attraction of innovation and technology, and an increase in export volumes.

Foreign trade activity is a crucial component of the national economy. Through export and import operations, countries enter international markets and generate income by selling their products. At the same time, imports expand the range of goods and services in the domestic market, increase competition, and stimulate the production of higher-quality products.

External and internal political stability are also among the important factors influencing the development of goods and services exports. One of the main objectives of a country's foreign policy is to establish an environment of peace, stability, and security within its territory and surrounding regions [10]. The circulation of goods and services between countries largely depends on these conditions.

The creation of new jobs in the service sector and the reduction of poverty are strongly influenced by the volume of gross services. Today, Uzbekistan belongs to the group of developing countries in terms of the average volume of gross services produced per capita.

Table 1. Gross Services Output per Capita and Labor Productivity in Selected Countries and Uzbekistan, 2024

Years	Fixed Assets, thousand UZS	Working Capital, thousand UZS
2017	22,678.6	16,968.2
2018	71,094.1	24,331.3
2019	79,016.2	33,295.4
2020	91,000.5	40,561.7
2021	111,014.2	54,722.3
2022	113,241.1	62,589.2
2023	114,895.7	69,857.6
2024	115,674.6	73,659.7
2025	116,564.5	80,768.6

For example, in 2024 the provision of working capital in the service sector increased almost fivefold compared to 2017, while the level of fixed assets increased by 5.1 times. During the same period, the population increased by 1.2 times and real household incomes by approximately 3.2 times (Table 5). This implies that demand for services in

both domestic and global markets has grown much faster than the growth of production capacity [15]. Therefore, despite the annual increase in fixed assets and working capital, they remain insufficient to fully meet consumer demand. Consequently, analyzing the adequacy of working capital and fixed assets in relation to service production and exports remains an urgent research task.

4. Conclusion

The increase in the volume of service exports depends on global economic growth rates, exchange rate fluctuations, inflation levels, the state of demand for services, economic growth rates of individual countries, foreign trade policy, external and internal political stability, and international relations. Changes in these external factors significantly affect the growth or decline of service exports. Therefore, it is recommended to continuously monitor and analyze each of these factors. Ignoring changes in external conditions may negatively affect the rapid development of the service sector.

To analyze the factors influencing service export growth, the following approaches are recommended:

1. Analyzing the dynamics of changes in external and internal factors;
2. Comparing changes in external and internal factors with those of a base year;
3. Applying econometric methods to assess the impact of external and internal factors.

The implementation of these recommendations will contribute to the development of the service sector and an increase in export volumes.

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