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TAX MECHANISMS FOR DEVELOPING THE SERVICE SECTOR IN A GREEN ECONOMY: EVIDENCE FROM UZBEKISTAN

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A R T I C L E I N F O.

Keywords: green economy, tax mechanisms, service sector development, Uzbekistan, tax incentives, environmental taxation, sustainable development, green investment, fiscal policy, enterprise performance, energy efficiency, comparative analysis, econometric analysis

Abstract.

This study aims to evaluate the role of tax mechanisms in promoting the development of the service sector within the framework of a green economy in Uzbekistan. It focuses on how tax incentives and environmental fiscal policies influence sustainable business practices. The research employs a mixed-method approach combining comparative analysis and econometric evaluation. Service enterprises implementing green technologies are compared with conventional firms. Statistical and analytical tools are used to assess the relationship between tax incentives and enterprise performance. The results indicate that tax incentives significantly contribute to the adoption of green technologies in the service sector. Enterprises benefiting from reduced tax rates show higher efficiency, profitability, and environmental performance. A negative relationship between tax burden and green investment is observed. The study proposes a differentiated tax framework tailored to the service sector, integrating environmental sustainability into fiscal policy design in developing economies. The findings suggest that policymakers should expand tax incentives and introduce environmentally differentiated tax systems to accelerate green economic transition. The study is limited by data availability and regional focus. Future research should include cross-country comparisons and sector-specific datasets.

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Introduction

The transition to a green economy has become a strategic priority for many countries, including Uzbekistan. Sustainable development requires the integration of environmental considerations into economic policy, particularly in sectors with significant growth potential such as services.

The service sector plays an increasingly important role in Uzbekistan's economy, contributing significantly to GDP and employment. However, its environmental impact is often underestimated [1]. Energy consumption, waste generation, and resource use in service industries necessitate the adoption of green technologies and sustainable practices.

Tax policy is one of the most effective instruments for influencing business behavior. By adjusting tax rates, providing incentives, and introducing environmental taxes, governments can encourage enterprises to adopt eco-friendly technologies [2].

In Uzbekistan, recent reforms have aimed to modernize the tax system and support economic diversification. However, the integration of environmental objectives into tax policy remains limited. This creates a need for research on how tax mechanisms can support the development of a green service sector.

This study addresses this gap by analyzing tax mechanisms and their impact on service sector development in Uzbekistan [3]. It focuses on identifying effective fiscal tools that promote sustainability and competitiveness.

Methodology

This study applies a comparative analytical approach combined with econometric evaluation techniques to examine the role of tax mechanisms in developing the service sector within a green economy.

In the first stage, a comparative analysis is conducted between two groups of service enterprises in Uzbekistan:

- (1) firms implementing green technologies and sustainable practices, and
- (2) conventional firms operating without environmental innovations.

Key indicators such as profitability, tax burden, energy efficiency, and investment levels are compared to identify structural differences.

In the second stage, an econometric evaluation is performed using secondary data from enterprise reports and national statistical sources. The analysis focuses on assessing the relationship between tax incentives, green investment, and enterprise performance.

The data is analyzed using descriptive statistics, correlation analysis, and significance testing methods (t-tests and F-tests). These methods help determine the strength and reliability of relationships between variables.

The integration of comparative and econometric approaches ensures a comprehensive evaluation of how tax mechanisms influence sustainable development in the service sector.

Results

The empirical findings show significant differences between green and conventional service enterprises.

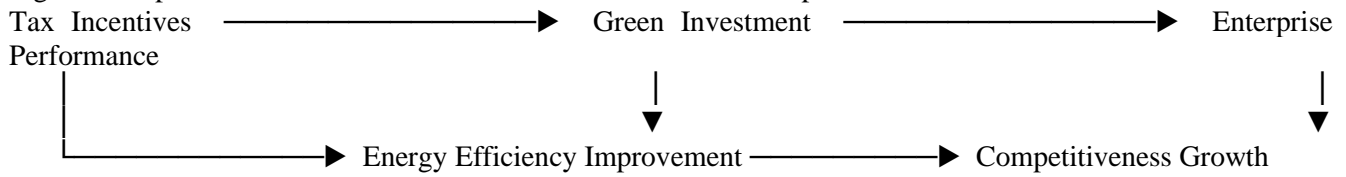
Table 1. Impact of Tax Mechanisms on Service Sector Performance¹

No	Indicator	Conventional Firms	Green Firms
1	Tax burden (%)	18	11
2	Profitability (%)	14	26
3	Energy efficiency	Low	High
4	Green investment (%)	5	19

Description: The table presents a comparative analysis of performance indicators between conventional and green service enterprises.

The results indicate that green enterprises benefit from lower tax burdens and higher profitability. Additionally, green firms demonstrate significantly higher levels of investment and energy efficiency.

¹ Author's calculations based on Uzbekistan statistical data

Figure 1. Impact of Tax Incentives on Green Service Sector Development²

Description: Figure 1 illustrates the conceptual relationship between tax incentives and the development of the service sector in a green economy. Tax incentives reduce the financial burden on enterprises, encouraging higher levels of green investment [4], [5], [6]. Increased investment leads to improved energy efficiency and sustainability practices, which ultimately enhance enterprise performance and competitiveness.

Discussion

The findings of this study provide strong evidence that tax mechanisms play a crucial role in promoting the development of the service sector within a green economy [7]. The comparative analysis clearly shows that enterprises implementing green technologies outperform conventional firms in terms of profitability, efficiency, and investment activity.

One of the key observations is the inverse relationship between tax burden and green investment. Lower tax rates and fiscal incentives encourage enterprises to allocate more resources toward sustainable technologies [8]. This supports the theoretical argument that tax policy can act as a catalyst for innovation.

Another important finding is the improvement in energy efficiency among green firms. This suggests that tax incentives not only influence financial performance but also contribute to environmental sustainability.

The results also highlight the importance of policy design. Uniform tax systems may fail to encourage environmentally responsible behavior. Instead, differentiated tax mechanisms that reward sustainability are more effective [9], [10], [11].

From a policy perspective, Uzbekistan has significant potential to develop a green service sector through targeted tax reforms. Introducing tax credits, exemptions, and reduced rates for environmentally friendly enterprises can accelerate this transition.

However, challenges remain [12]. These include limited awareness among businesses, lack of technical expertise, and insufficient monitoring systems. Addressing these challenges is essential for the successful implementation of green tax policies.

The study contributes to the literature by providing empirical evidence from a developing economy [13], [14], [15]. It demonstrates that tax mechanisms can simultaneously promote economic growth and environmental sustainability.

Conclusion

This study analyzed the role of tax mechanisms in developing the service sector within a green economy in Uzbekistan. The findings confirm that tax incentives significantly enhance enterprise performance and promote sustainable practices.

Green service enterprises demonstrate higher profitability, lower tax burdens, and improved efficiency compared to conventional firms. The results highlight the importance of integrating environmental objectives into fiscal policy.

In conclusion, differentiated tax mechanisms are essential for accelerating the transition to a green economy. Policymakers should prioritize the development of environmentally oriented tax systems to support sustainable growth in the service sector.

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² Author's own elaboration based on OECD (2020), World Bank (2022), and UNEP (2021) frameworks.

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