

## Article

# Qashqadaryo Region: Current State and Institutional-Economic Mechanisms for Increasing the Competitiveness of the Services Sector

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**Abstract:** This article examines the current state of the services sector in Qashqadaryo Region and develops an institutional-economic mechanism for increasing its competitiveness. The study uses official regional statistics for January-October 2025, comparative analysis, structural decomposition, and a mechanism-based approach. The results show that the region's market services reached 41,670.7 billion soums with a growth rate of 112.7%, while small business generated 73.8% of total services. The main structural drivers are accommodation and food services, trade, transport, financial services, and information and communication. The scientific novelty of the article is the proposed integrated mechanism linking regulation, finance, infrastructure, digitalization, human capital, and local service clusters. Practical recommendations are offered for raising service quality, reducing territorial asymmetry, and strengthening private-sector participation.

**Keywords:** Services sector, competitiveness, Qashqadaryo Region, institutional mechanism, economic mechanism, small business, digitalization, regional development.

## Introduction

The services sector is becoming one of the most important sources of economic diversification, employment, entrepreneurship and regional competitiveness in Uzbekistan [1], [2], [11]. For Qashqadaryo Region, which historically combines agricultural, industrial, tourism and transport potential, the transition from extensive growth to quality-driven service development is particularly important [3], [4]. Competitiveness in services is not limited to price or volume; it also includes quality, accessibility, digital convenience, reliability, consumer trust, innovation capacity and the ability of local enterprises to participate in wider domestic and international value chains [7], [8], [12].

The object of this research is the services sector of Qashqadaryo Region. The subject of the research is the system of institutional and economic relations that shape the competitiveness of service enterprises and service infrastructure. The purpose of the article is to assess the current state of the regional services sector and to propose mechanisms that can increase its competitiveness under contemporary conditions of digitalization, private-sector expansion and regional economic policy [2], [5], [14], [15].

The relevance of the topic is determined by three factors. First, services are one of the fastest-growing components of the national economy [1]. Second, Qashqadaryo has a large

population base, important road and logistics routes, historical tourism assets around Shahrisabz, and potential for business, education, health and digital services [3], [4]. Third, the implementation of Presidential Resolution PD-78 of 27 February 2025 on creating favorable conditions for sustainable development of the services sector requires regional-level institutional mechanisms and measurable performance indicators [6].

### **Literature review**

Theoretical approaches to services competitiveness are based on the idea that service markets differ from goods markets because production and consumption often occur simultaneously, quality is strongly dependent on human capital, and customer experience becomes a strategic factor [8], [13]. Classical competitiveness theory emphasizes productivity, innovation and institutional quality, while modern service-economy literature adds digital platforms, logistics speed, data-based management and customer-oriented regulation [7], [8], [9], [15].

In regional economics, services competitiveness is usually explained through three groups of factors: demand-side capacity, supply-side productivity and institutional conditions [7], [9], [13]. Demand-side capacity includes population income, tourism flows, business activity and urbanization. Supply-side productivity depends on skills, technology, managerial culture and access to finance. Institutional conditions include licensing rules, local government coordination, infrastructure planning, public-private partnership and protection of fair competition [2], [9], [11].

Recent policy documents in Uzbekistan highlight the strategic role of services for job creation, private sector development and regional growth [6], [10], [11]. PD-78 is important because it defines target parameters, monitoring mechanisms and measures for transferring certain state services and functions to the private sector [6]. For Qashqadaryo, this creates an opportunity to move from simple expansion of service volume toward institutional modernization and competitiveness based on quality, specialization and digital access [3], [4], [5], [14].

### **Research methodology**

The article uses a mixed methodology. First, a statistical analysis was conducted using official data of the Qashqadaryo Regional Statistics Department for January-October 2025 and national statistics for 2025-2026 [1], [3], [4]. Second, comparative analysis was used to compare service types, growth rates, territorial shares and national-regional indicators. Third, structural analysis was used to identify the main components of the services sector and their contribution to competitiveness [7], [9], [13]. Fourth, an institutional mechanism approach was used to formulate practical recommendations [2], [5], [11].

The analytical framework is based on the following logic: current state assessment -> identification of structural and territorial problems -> institutional-economic mechanism design -> measurable implementation indicators. The main indicators are total volume of market services, growth rate, per capita market services, share of small business, service-type structure, district shares and growth rates [1], [3], [4]. The limitations of the research are connected with the fact that some official 2025 indicators are preliminary and formed with adjustments related to statistical observation of the informal economy [3], [4].

### **Analysis and results**

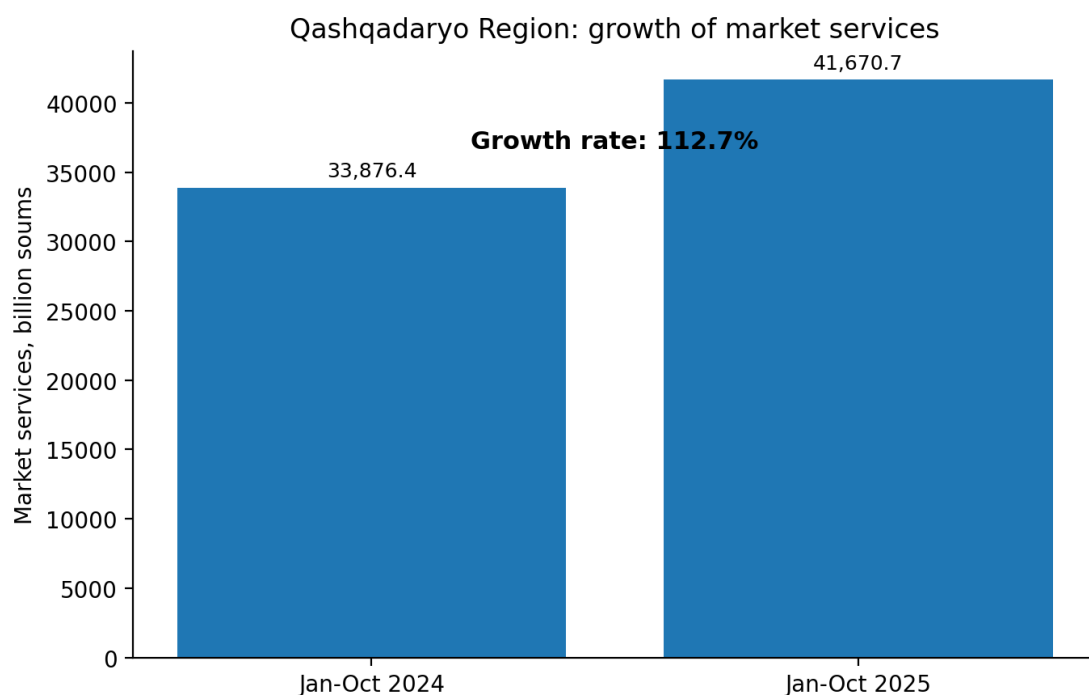
According to the Qashqadaryo Regional Statistics Department, in January-October 2025 the volume of market services in the region reached 41,670.7 billion soums, while the corresponding figure for January-October 2024 was 33,876.4 billion soums. The growth rate was 112.7%. Per capita market services amounted to 11,359.0 thousand soums, which was 1,921.4 thousand soums higher than in the same period of the previous year. Small business entities provided 30,754.2 billion soums of services, equal to 73.8% of the regional

total. These indicators show that the services sector is already a major platform for private entrepreneurship and local income generation.

**Table 1.** Key indicators of the services sector in Qashqadaryo Region.

Indicator	2024 Jan-Oct	2025 Jan-Oct	Interpretation
Total market services, billion soums	33,876.4	41,670.7	Rapid nominal expansion of the regional service economy
Growth rate, %	111.0	112.7	Acceleration compared with the previous year
Per capita market services, thousand soums	9,437.6	11,359.0	Improvement in service access and market density
Small business services, billion soums	n/a	30,754.2	Small business is the dominant service provider
Small business share, %	n/a	73.8	High entrepreneurial role in competitiveness

Source: compiled by the author based on Qashqadaryo Regional Statistics Department data [1].



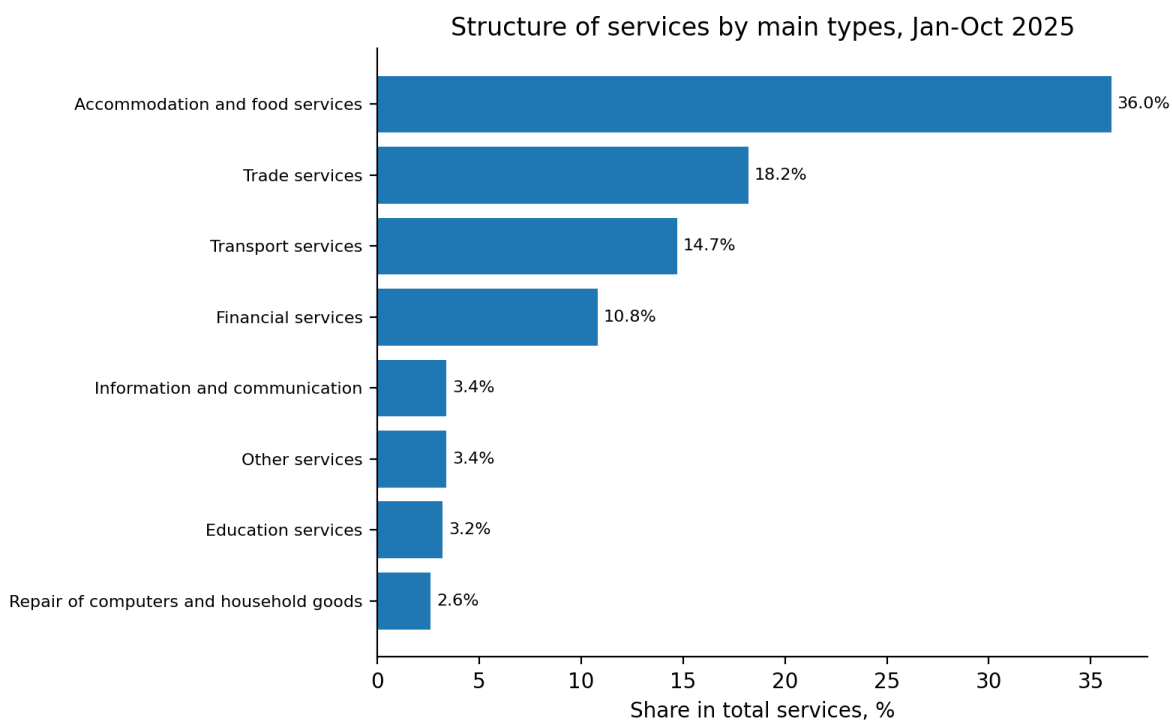
**Figure 1.** Dynamics of market services volume in Qashqadaryo Region, January-October 2024-2025.

The structure of the sector is highly concentrated in several activities. Accommodation and food services accounted for 36.0% of the total, trade services for 18.2%, transport services for 14.7%, financial services for 10.8%, and information and communication services for 3.4%. This structure reflects both strengths and risks. The strength is that the region has a broad consumer and tourism-oriented service base. The risk is that high concentration in accommodation, food and trade may limit productivity growth if digital, professional, financial, engineering and knowledge-intensive services do not expand faster.

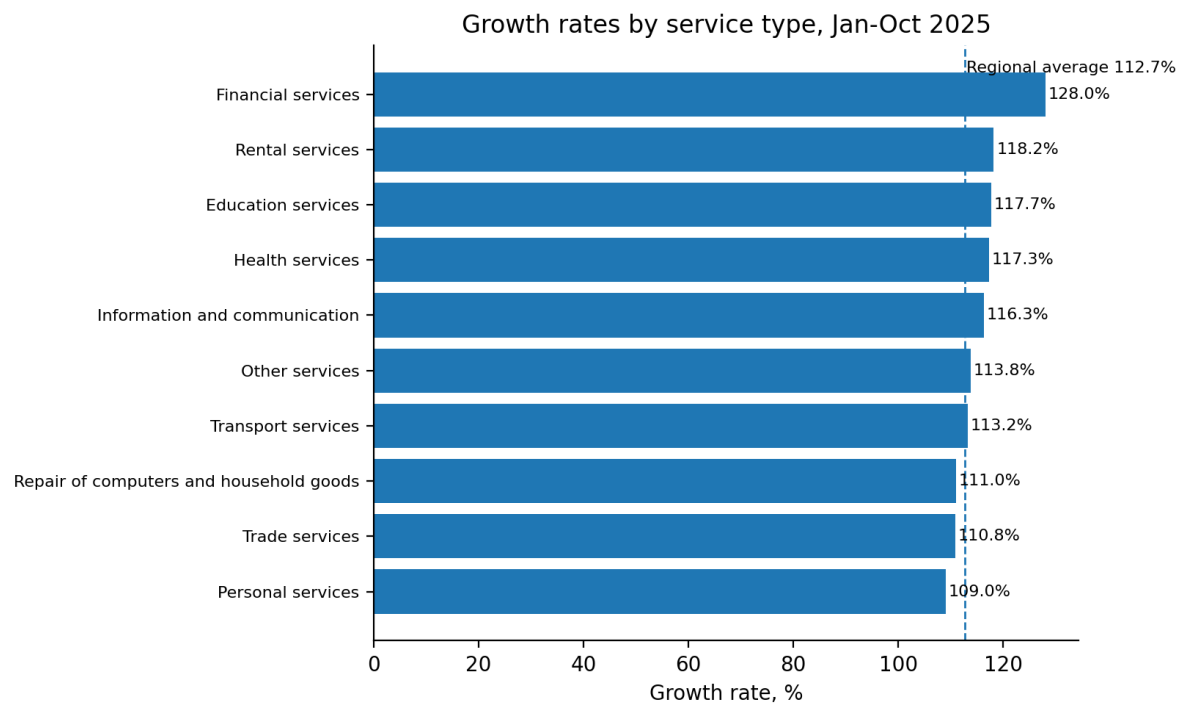
**Table 2.** Service types by volume, growth and share.

Service type	2024, bn soums	2025, bn soums	Growth, %	Share, %
Accommodation and food services	12,400.9	15,002.0	108.8	36.0
Trade services	6,462.9	7,576.3	110.8	18.2
Transport services	4,855.4	6,137.2	113.2	14.7
Financial services	3,458.2	4,489.6	128.0	10.8
Information and communication	1,107.9	1,438.0	116.3	3.4
Other services	1,143.9	1,436.1	113.8	3.4
Education services	1,012.6	1,337.9	117.7	3.2
Repair of computers and household goods	907.3	1,098.9	111.0	2.6
Personal services	820.9	1,072.7	109.0	2.6
Real estate services	520.4	607.8	106.4	1.5
Health services	481.6	612.8	117.3	1.5
Rental services	448.6	578.8	118.2	1.4
Architecture, engineering and technical testing	255.8	282.7	101.2	0.7

Source: compiled by the author based on official regional service statistics [1].



**Figure 2.** Main structure of Qashqadaryo services by activity type, January-October 2025.



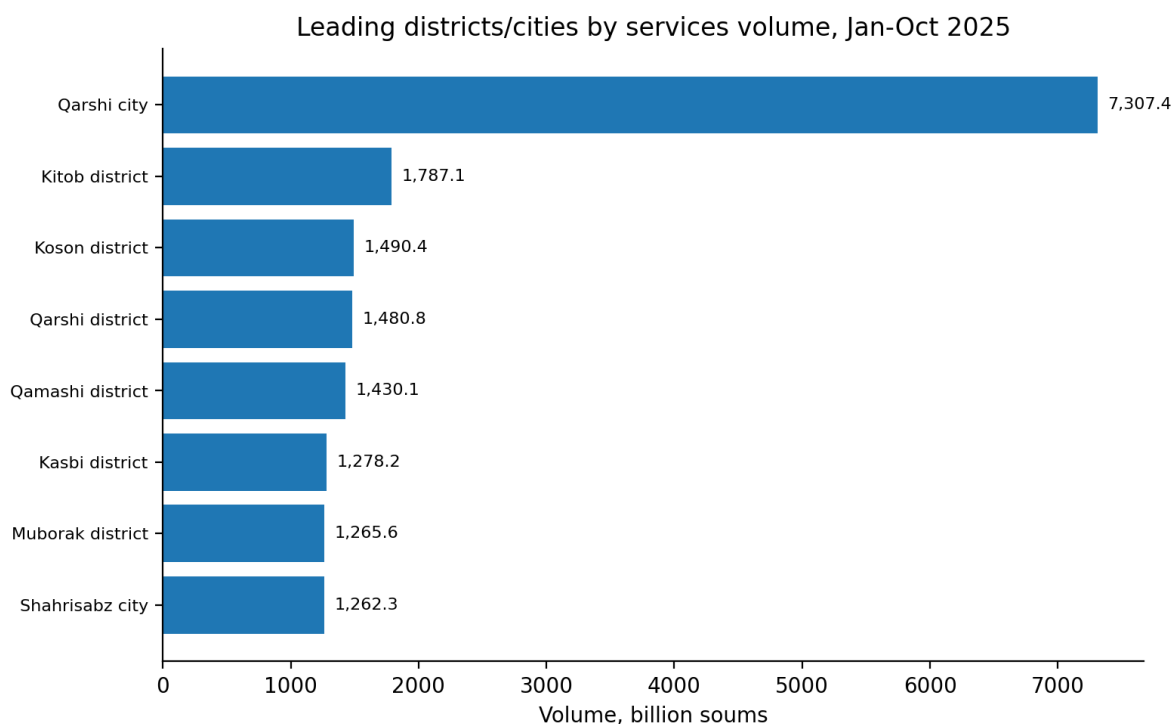
**Figure 3.** Growth leaders among service activities, January-October 2025.

The highest growth rate among the main service types was observed in financial services, which expanded by 128.0%. Rental services grew by 118.2%, education services by 117.7%, health services by 117.3%, and information and communication services by 116.3%. This pattern is positive for competitiveness because it shows movement toward higher-value services. However, the relatively low share of knowledge-intensive segments indicates that the region still needs institutional support for digital business services, consulting, engineering, e-commerce logistics and creative services.

**Table 3.** Services sector development by city and district, January-October 2025.

City/district	Volume, bn soums	Share, %	Growth, %
Qarshi city	7,307.4	17.5	118.3
Shahrisabz city	1,262.3	3.0	110.5
Guzor district	921.0	2.2	112.2
Dehqonobod district	780.4	1.9	113.5
Qamashi district	1,430.1	3.4	112.1
Qarshi district	1,480.8	3.6	115.8
Koson district	1,490.4	3.6	112.9
Kitob district	1,787.1	4.3	112.6
Mirishkor district	1,099.6	2.6	111.7
Muborak district	1,265.6	3.0	113.1
Nishon district	1,080.8	2.6	112.8
Kasbi district	1,278.2	3.1	113.0
Kokdala district	410.4	1.0	112.0
Chiroqchi district	672.0	1.6	112.9
Shahrisabz district	1,240.7	3.0	111.8
Yakkabog district	1,129.1	2.7	112.5

Source: compiled by the author based on Qashqadaryo Regional Statistics Department data [1].



**Figure 4.** Leading cities and districts by service volume.

Territorial analysis indicates a strong concentration of services in Qarshi city, which accounted for 17.5% of the regional total. Kitob district, Koson district, Qarshi district, Qamashi district and Kasbi district form the next group of active service territories. The lowest shares were observed in Kokdala and Chiroqchi districts. This asymmetry is typical for regions where urban centers concentrate trade, finance, education, health and digital services. For competitiveness policy, the main challenge is not to reduce the role of Qarshi city, but to create service corridors and local clusters around Shahrisabz tourism, Kitob natural-recreational potential, logistics routes, agricultural service hubs and district-level digital service points.

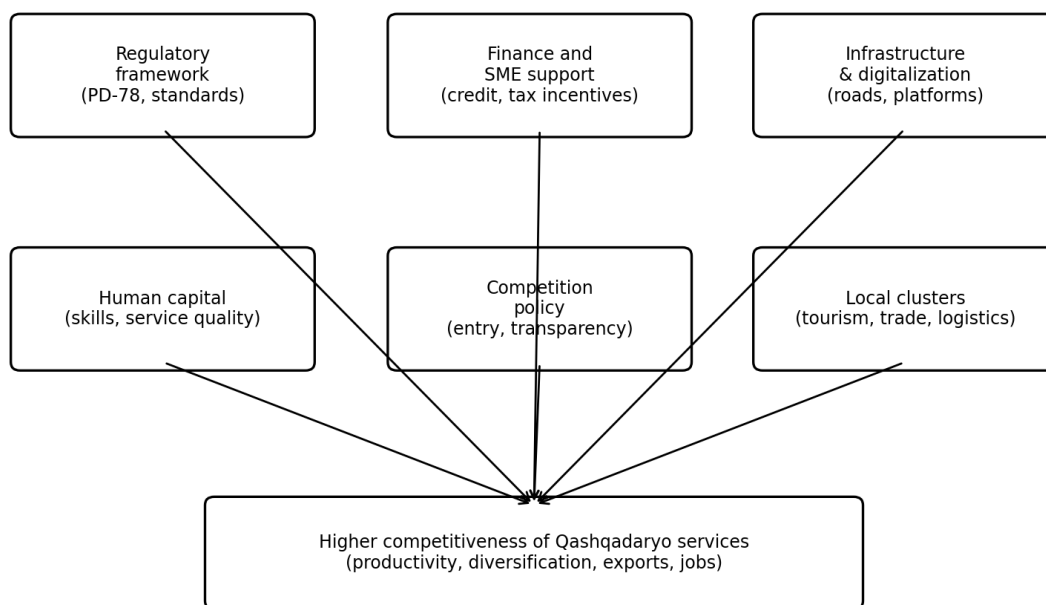
**Table 4.** Institutional-economic mechanism for increasing competitiveness.

Mechanism block	Current problem	Proposed instrument	Expected effect
Regulatory framework	Fragmented standards and uneven quality control	Local service quality standards, simplified permits, transparent monitoring	Higher trust and lower transaction costs
Finance and taxation	Limited investment capacity of micro and small service firms	Preferential credit, leasing, guarantee instruments and targeted tax incentives	Modernization of equipment and expansion of service supply
Infrastructure	District-level gaps in roads, utilities, markets and logistics	Service infrastructure mapping and public-private partnerships	More equal territorial access to services
Digitalization	Low digital maturity among many service providers	E-commerce training, digital payment adoption, online booking and delivery integration	Productivity growth and wider market reach

Human capital	Insufficient service culture and professional skills	Short-cycle training with colleges, universities and employers	Better quality, customer satisfaction and employment
Competition policy	Risk of informal practices and weak market transparency	Open data dashboards, consumer feedback systems and fair entry rules	Stronger competition and lower barriers for new firms

Source: developed by the author.

**Institutional-economic mechanism for services competitiveness**



**Figure 5.** Proposed institutional-economic mechanism for Qashqadaryo service competitiveness.

The mechanism proposed in this article is based on the principle that competitiveness arises when institutions, infrastructure, finance and skills work as one system. Regulation alone cannot create competitive services if enterprises do not have access to finance or skilled personnel. Similarly, credit support will not generate sustainable results if local infrastructure and market information remain weak. Therefore, regional policy should combine institutional reforms with economic incentives and measurable indicators.

**Table 5.** SWOT analysis of Qashqadaryo services sector competitiveness.

Strengths	Weaknesses	Opportunities	Threats
Large population base; strong role of small business; growing finance, education, health and ICT services; tourism potential of Shahrisabz and mountain districts.	Territorial concentration in Qarshi city; limited scale of high-value professional services; uneven digital skills; infrastructure gaps in several districts.	Implementation of PD-78; private-sector transfer of selected services; development of tourism, logistics and e-commerce; university-business cooperation.	Informal service activity; quality differentiation; shortage of skilled employees; competition from more developed service centers in

*Source: developed by the author.*

### **1. Financial and investment mechanism**

Financial instruments should be differentiated by service type. For mass consumer services, microcredit, leasing and working-capital loans are appropriate. For digital, logistics, education and health services, longer-term investment loans, innovation grants and guarantee schemes are needed. The 128.0% growth of financial services in January-October 2025 indicates an expanding financial base, but the next stage should connect finance directly to productivity and quality upgrading.

A regional service development fund or targeted credit line could prioritize projects with measurable outputs: new jobs, digital payment adoption, customer service standards, export-oriented services and district-level access. The mechanism should avoid simple distribution of loans and instead focus on competitiveness outcomes.

### **2. Infrastructure and territorial cluster mechanism**

Qashqadaryo needs a territorial service cluster approach. Qarshi city can function as a regional business, finance and education hub. Shahrisabz city and Shahrisabz district can specialize in tourism, hospitality, gastronomy and cultural services. Kitob and Yakkabog districts can develop recreational and eco-tourism services. Muborak, Nishon and Guzor districts can strengthen transport, logistics, maintenance and industrial services. Such specialization would reduce territorial inequality and improve the visibility of each district in the regional service economy.

Infrastructure investments should be linked to service demand. For example, tourism zones need sanitation, parking, digital booking, multilingual information, guide services and safety standards. Logistics areas require warehouses, cold-chain elements, courier services and road connections. Education and health clusters require digital registration, quality management and partnership with private providers.

### **3. Digital transformation mechanism**

Digitalization is a cross-cutting competitiveness factor. Even small restaurants, repair workshops, hotels, medical centers and training centers can increase competitiveness through online visibility, digital payments, customer reviews, delivery platforms and electronic accounting. A regional digital services program should include training modules for entrepreneurs, templates for online promotion, integration with marketplace platforms and support for cybersecurity and consumer protection.

The development of e-commerce and delivery services is already affecting transport and postal-courier activities. Official statistics note that the expansion of online purchases through platforms such as Ozon, Wildberries, AliExpress, Express24, MyTaxi Delivery, Yandex Go and Uzum Tezkor has stimulated demand for postal and courier services. Qashqadaryo can use this trend by creating local logistics points and digital trade support centers.

### **4. Human capital and service quality mechanism**

Service competitiveness is strongly dependent on people. The region needs short, practical training programs in customer service, hospitality, accounting, digital marketing, logistics management, language skills, food safety, tourism guiding and business communication. Shahrisabz State Pedagogical Institute and other educational institutions can become local partners for service quality upgrading through continuing education and certification programs.

A service quality index can be introduced at district level. It may include customer satisfaction, complaint resolution, digital payment availability, staff training coverage,

hygiene and safety compliance, and transparency of prices. Public ranking of service points and districts would stimulate competition and trust.

**Table 6.** Proposed monitoring indicators for 2026-2030.

Indicator	Baseline logic	Target direction	Responsible institutions
Growth of market services	Regional growth rate was 112.7% in Jan-Oct 2025	Maintain real growth above national regional average	Regional hokimiyat, Statistics Department
Share of high-value services	ICT, finance, education, health and engineering shares remain limited	Increase knowledge-intensive services share	Economic departments, universities, private firms
Per capita services	11,359.0 thousand soums in Jan-Oct 2025	Raise district-level per capita access	District hokimiyats, service centers
Digital payment coverage	Digitalization is uneven across small providers	Expand digital payments and online booking	Banks, payment operators, SMEs
Service quality index	No unified district service quality dashboard	Introduce annual public dashboard	Consumer protection bodies, hokimiyat
Small business service productivity	Small business share is 73.8%	Increase output per firm and formalization	Tax authorities, Chamber of Commerce

*Source: developed by the author.*

### Conclusion and proposals

The analysis confirms that Qashqadaryo Region has a dynamically growing services sector. In January-October 2025, market services reached 41,670.7 billion soums, and the growth rate was 112.7%. The high share of small business - 73.8% - demonstrates the entrepreneurial character of the sector. The most important activities are accommodation and food services, trade, transport, financial services, and information and communication services.

At the same time, the competitiveness of the regional services sector is constrained by territorial concentration, uneven infrastructure, insufficient digital maturity, limited development of knowledge-intensive services and differences in service quality. Qarshi city remains the main service center, while several districts require stronger institutional and infrastructural support.

The article proposes an integrated institutional-economic mechanism consisting of six blocks: regulatory framework, finance and taxation, infrastructure, digitalization, human capital and competition policy. The mechanism should be implemented through territorial service clusters, targeted credit instruments, public-private partnerships, digital transformation programs, service quality standards and open monitoring dashboards.

The following proposals are recommended: (1) create a regional services competitiveness program for 2026-2030; (2) develop service clusters in Qarshi, Shahrisabz, Kitob, Muborak and other districts according to local specialization; (3) introduce a district-level service quality index; (4) expand digital payments and platform-based service delivery; (5) support SMEs with finance linked to productivity and formalization; (6) establish university-business training programs for service personnel; and (7) monitor implementation using transparent statistical indicators.

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