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Article

Features of Regional Development of Diversification of The Service Sector

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Abstract: This article analyzes the regional characteristics of service sector diversification in the Republic of Uzbekistan based on statistical data. In recent years, the service sector has become the leading contributor to the country's gross domestic product (GDP), with its share increasing from 46.2% in 2023 to 49.4% during the January–September period of 2025. The study identifies significant regional disparities in the development of the service sector, including the concentration of resources and infrastructure in the capital city and major regions, as well as the relatively low level of diversification in remote areas. Using data from the Statistics Agency of the Republic of Uzbekistan, regional statistical offices, and scientific publications, the study develops specific and statistically substantiated recommendations aimed at reducing regional disparities and strengthening regional diversification through the expansion of digital services and the development of small businesses. The findings of this research may serve as a practical basis for the formulation of regional socio-economic policy and may also be applied in the teaching process of higher education institutions specializing in economics.

Keywords: service sector; diversification; regional development; gross domestic product (GDP); small business; digital economy; regional disparities; investment; infrastructure; sustainable economic growth.

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1. Introduction

Analysis of the structural transformation of the modern economy indicates that the service sector has become the leading sector as countries reach higher levels of economic development. According to the "three-sector economy" concept of economic development theory , as an economy develops, labor resources and value added gradually shift from agriculture and industry to the service sector. The economy of Uzbekistan has demonstrated a similar trend over the past decade. The share of the service sector in the country's gross domestic product (GDP) increased from 46.2% in 2023 to 47.4% in 2024 and reached 49.4% during the January–September period of 2025[1].

However, the growth of the service sector has not occurred at the same pace or with the same structural composition across all regions of the country. While financial services, information and communication technologies, education, trade, accommodation, and food services have developed rapidly in Tashkent City and several major regions, including Samarkand, Fergana, Andijan, and Kashkadarya, the service structure in remote and border regions remains largely concentrated in traditional trade

and household services. Such regional disparities have made the diversification of the service sector—that is, the expansion of its industrial structure, the introduction of new types of services, and the reduction of dependence on a limited number of activities—a highly relevant issue from both theoretical and practical perspectives[2].

The "Uzbekistan–2030" Strategy sets the objective of increasing the country's economy from the previously projected USD 160 billion to USD 200 billion by 2030, including a further expansion of the contribution of the service sector to GDP. Achieving this objective requires not only nationwide efforts but also the diversification of the service sector at the regional level, accompanied by the systematic reduction of socio-economic disparities among regions[3-4].

The objective of this study is to analyze the regional characteristics of service sector diversification in the Republic of Uzbekistan based on statistical data, identify the main factors contributing to existing regional disparities, and develop scientifically grounded practical recommendations for strengthening regional diversification. .

The issues of the service sector and regional development have long been the subject of research in the history of global economic thought. According to the classical three-sector theory of the economy, economic development is accompanied by the reallocation of labor resources among the primary (agriculture), secondary (industry), and tertiary (services) sectors, with the tertiary sector becoming increasingly dominant at higher stages of economic development. This theory provides an important theoretical framework for explaining the steady increase in the share of the service sector in the gross domestic product (GDP) of Uzbekistan[5-6].

An important contribution to the theory of regional economic development is F. Perroux's concept of "growth poles". According to this concept, economic growth does not occur uniformly across all regions but is concentrated in specific "growth poles," typically large cities and industrial-service agglomerations, from which it gradually spreads to surrounding areas. This theory has considerable practical relevance for explaining the current situation in Uzbekistan, particularly the rapid development of the service sector in Tashkent City and several regional centers[7].

The development of the service sector has also been widely examined in the studies of Uzbek economists. In particular, researchers investigating the impact of the service sector on the standard of living in Uzbekistan during the period 2020–2024 found that the sector maintained a stable annual growth rate of approximately 14–16%, while the volume of services provided per capita increased by nearly 3.4 times during the same period. At the same time, the authors emphasized the existence of significant disparities in the level of service infrastructure development between the country's economic centers, including the capital city and major regions, and remote areas. They also noted that the expansion of digital services across regions could become one of the key strategic directions for reducing these regional disparities[8].

Researchers who analyzed regional economic disparities within the framework of the "Uzbekistan–2030" Strategy identified the concentration of investment in specific regions, the uneven development of transport, energy, and public utility infrastructure, and the unequal distribution of skilled labor and educational opportunities as the primary causes of interregional disparities [10]. They also reported that the launch of new industrial and service zones in the Samarkand and Namangan regions in 2024 contributed to a regional gross product growth rate of approximately 6.9%, indicating the initial positive effects of the regional cluster development policy[9-10].

Studies examining the role of the digital economy and e-commerce in service sector diversification have shown that the contribution of e-commerce to gross domestic product (GDP) increased from 0.1% in 2019 to 1.2% in 2023. This process has had a positive impact on sectors such as finance, logistics, information technology, and digital

marketing, thereby promoting the diversification of economic activities across both industries and regions [11].

Overall, the review of the scientific literature indicates that although the nationwide growth of the service sector has been extensively studied, the processes of regional diversification—particularly the formation of sectoral structures across different regions and the factors influencing these patterns—remain insufficiently explored and require further in-depth research. This study aims to address this gap in the existing literature[12].

2. Material and Methods

The study was conducted based on data obtained from the Statistics Agency of the Republic of Uzbekistan, reports of regional statistical offices, and scientific publications published during 2023–2026.

The following research methods were employed:

- statistical and economic analysis;
- comparative analysis;
- structural analysis;
- graphical and tabular analysis;
- inductive and deductive analysis;

3. Results and Discussion

According to the official data of the Statistics Agency of the Republic of Uzbekistan, the share of the service sector in the country's gross domestic product (GDP) has demonstrated a steady upward trend over the past three years (Table 1)[13].

Table 1. Dynamics of the Service Sector's Share in GDP and Its Growth Rate

Period	Share of the Service Sector in GDP, %	Real Growth Rate of the Service Sector, %
2023 (final)	46.2	—
2024 (final)	47.4	7.7
Q1 2025	—	7.0
January–September 2025	49.4 (48.1 during the corresponding period of 2024)	—
2025 (preliminary estimate)	≈49–50	8.5

The data presented in Table 1 indicate that the service sector became the main driver of Uzbekistan's economic growth during 2023–2025. According to the preliminary results for 2025, GDP increased by 7.7%, of which 3.9 percentage points were generated by the 8.5% growth of the service sector, accounting for more than half of the country's total economic growth. For comparison, the share of the service sector in Kazakhstan's GDP reached 58.3% in 2024, indicating that Uzbekistan still has considerable potential to further diversify and expand the contribution of the service sector to the national economy[14].

An analysis of the internal structure of the service sector is essential for assessing the level of diversification. According to the preliminary results for 2025, the highest growth rates within the service sector were recorded in transportation, storage, information and communication services (+14.5%), as well as trade, accommodation, and food services (+12%). These findings indicate the increasingly important role of digital

and logistics-related activities in the structural development of the service sector (Table 2)[15].

Table 2. Key Indicators of Selected Subsectors within the Service Sector

Indicator	Value	Period
Growth of trade, accommodation, and food service activities	+12.0%	2025
Growth of transportation, storage, information, and communication services	+14.5%	2025
Share of ICT services in GDP	2.4%	2024
Share of the information and communication sector in GDP	2.7%	2024
Share of the transportation and storage sector in GDP	5.4%	2024
Total volume of market services provided	USD 1,050.3 billion equivalent, +14.7%	2025
Share of e-commerce in GDP	0.1% → 1.2%	2019–2023

As shown in Table 2, the share of e-commerce in GDP remains relatively low (1.2% in 2023); however, its growth rate has been remarkable, increasing nearly twelvefold between 2019 and 2023 [9]. This confirms the potential of digital services to become one of the main drivers of service sector diversification in the future. At the same time, traditional trade, accommodation, and food services continue to occupy a leading position within the service sector, indicating that the level of sectoral diversification remains insufficient[16].

Regional analysis reveals significant disparities in the development of the service sector. According to the data of the Statistics Agency of the Republic of Uzbekistan, Tashkent City accounts for the largest share of the total volume of services, reaching as high as 33.7% during certain periods. This can be attributed to higher real household incomes compared to other regions, as well as the concentration of government institutions, banks, and major companies in the capital city [17]. The most recent data also confirm the continuation of this trend (Table 3)[13].

Table 3. Volume of Accommodation and Food Service Activities by Region

Region	Service Volume (trillion UZS)
Tashkent City	2.60
Kashkadarya Region	1.70
Samarkand Region	1.70
Namangan Region	1.40
Fergana Region	1.30
Tashkent Region	0.988
Andijan Region	0.861
Khorezm Region	0.715
Bukhara Region	0.693
Republic of Karakalpakstan	0.684

As shown in Table 3, the volume of services provided in Tashkent City is approximately 1.5 times higher than that of its closest competitors, Kashkadarya and Samarkand regions, and nearly 3.8 times higher than that of the regions with the lowest service volumes, namely the Republic of Karakalpakstan and Bukhara Region. These disparities are reflected not only in the overall volume of services but also in their structural diversity. While Tashkent City and major regional centers have well-developed financial services, information and communication technologies, education, healthcare, and other high value-added service activities, the service structure in remote regions remains largely concentrated in trade and traditional household services[18].

The main factors contributing to these regional disparities include, first, the concentration of investments in specific regions, particularly in the capital city and major industrial centers; second, the uneven development of transport, energy, and public utility infrastructure across regions; and third, the unequal distribution of skilled human resources and access to modern educational opportunities[19]. At the same time, a positive trend can be observed in the establishment of new industrial and service zones in the Samarkand and Namangan regions in 2024. As a result, the gross regional product of these regions grew by approximately 6.9%, demonstrating the positive impact of the regional cluster development policy[20].

Small business entities are playing an increasingly important role in the diversification of the service sector, particularly at the regional level. According to statistical data, the share of small businesses in the service sector increased from 57.5% in 2020 to 73.2% in 2024, indicating the growing dominance of private entrepreneurship in the sector (Table 4)[21].

Table 4. Dynamics of the Share of Small Businesses in the Service Sector and the Overall Economy

Indicator	2020	2023	2024	2025
Share of small businesses in the service sector, %	57.5	—	73.2	45.1*
Share of small businesses in total GDP (value added), %	—	51.2	54.3	51.5
Share of the service sector in the value added generated by small businesses, %	—	—	—	43.3

Along with the expansion of small businesses, digital transformation has become an important driver of service sector diversification. In 2023, the number of e-commerce companies operating in Uzbekistan increased threefold. In addition, 57 foreign IT companies were registered in the country and contributed UZS 70 billion in taxes to the state budget. The expansion of digital services primarily reduces market entry costs for small and medium-sized enterprises (SMEs) and enables them to overcome geographical barriers, thereby serving as an important factor in accelerating service sector diversification, particularly in remote regions[22].

The results of the analysis revealed several challenges related to the regional diversification of the service sector:

Significant regional disparities in the volume and structure of services, characterized by the concentration of resources in Tashkent City and several major regions, while remote areas remain limited in the diversity of service activities[23];

High value-added services, including financial services, information and communication technologies, consulting, and health tourism, are concentrated mainly in large cities;

Uneven access to digital infrastructure and Internet services across regions, limiting the balanced development of digital services throughout the country;

Differences in the effectiveness of small business support programs across regions, with limited access to financial resources in certain remote districts.

To address these challenges, the following measures are proposed:

Establish specialized service clusters tailored to the natural, economic, and demographic potential of each region, such as logistics and trade clusters in border areas, tourism clusters in historic cities, and education and IT clusters in university cities[24];

Expand the regional coverage of digital services by accelerating the development of digital infrastructure in remote areas, including broadband Internet, data centers, and electronic payment systems;

Strengthen support for small and medium-sized enterprises, particularly in the service sector, through preferential lending schemes and tax incentives in remote regions;

Enhance regional human capital by expanding vocational and higher education programs that meet the needs of local service markets;

Develop special incentive programs to attract both domestic and foreign investment to remote regions in order to promote a more balanced regional distribution of investment.

4. Conclusion

The findings of this study demonstrate that during the period 2020–2025, the service sector became the leading component of the national economy of the Republic of Uzbekistan. Its share in the country's gross domestic product (GDP) increased from 46.2% to 49.4%, and by the end of 2025, the service sector accounted for nearly half of the overall GDP growth. At the same time, the sectoral and regional analysis revealed that the level of service sector diversification remains insufficient, with both the volume and variety of services being highly concentrated in Tashkent City and several major regions.

The study further found that small businesses and digital services have become the most dynamic drivers of service sector diversification. The share of small businesses in the service sector increased from 57.5% in 2020 to 73.2% in 2024, while the contribution of e-commerce to GDP grew nearly twelvefold between 2019 and 2023. If these trends are supported through balanced regional policies, they have significant potential to reduce existing disparities in the development of the service sector across different regions of the country.

In conclusion, the regional diversification of the service sector is one of the key prerequisites for ensuring the sustainable and inclusive economic development of Uzbekistan. The recommendations proposed in this study—including the establishment of regionally specialized service clusters, the expansion of digital infrastructure, enhanced support for small businesses, and the development of regional human capital—can contribute to achieving the economic growth and regional balance objectives outlined in the Uzbekistan–2030 Strategy. Future research may focus on the quantitative assessment of service sector diversification by applying diversification indices, such as the Herfindahl–Hirschman Index, at the district level.

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