



DIGITAL INNOVATIONS AS A FACTOR IN THE DEVELOPMENT OF THE SERVICE SECTOR

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Abstract. *The article examines issues of innovative development of the service sector in the context of the digital transformation of the economy. Special attention is paid to the processes of modernization and diversification of the service sector aimed at improving its efficiency, competitiveness, and sustainability. The impact of digital technologies on structural changes in the service market in Uzbekistan, the expansion of online services, the introduction of intelligent platforms, and the automation of business processes are considered. Priority segments of the service sector are analyzed, and practical recommendations are proposed for forming an effective state policy aimed at expanding the range and improving the quality of services.*

Keywords: *service sector, modernization, diversification, digital transformation, service economy, service-oriented development model, innovative services, structural changes, competitiveness, Uzbekistan.*

Introduction. In recent years, Uzbekistan has demonstrated a stable transition toward a service-oriented model of economic development. The results of structural reforms, economic liberalization, and increased entrepreneurial activity have contributed to the significant expansion of the service sector and its growing contribution to the formation of gross domestic product and employment. In 2024, the share of services in the country's GDP reached 47.4%, while about half of the labor force was employed in the service sector. During the period from 2017 to 2024, the volume of services nearly doubled, and economic growth was mainly ensured by

the development of transport and logistics, financial, information and communication, and tourism services.

Transport and logistics, trade, the financial sector, ICT, and tourism are developing most dynamically. The country's geographical location creates favorable conditions for expanding transit potential, modernizing logistics infrastructure, and introducing digital transportation management systems. Financial services and digital technologies are characterized by accelerated growth due to the development of remote banking services, electronic payment systems, and fintech solutions. Tourism is also becoming an important integrated sector of the economy. In 2023, more than 6.6 million foreign tourists visited the country, accompanied by the expansion of cultural, ecological, and event tourism services.

Despite positive dynamics, problems related to the modernization and diversification of the service sector remain. There is a territorial concentration of modern services in large cities, especially in the capital, which increases regional disparities in access to quality services. Limiting factors include uneven development of digital and transport infrastructure, insufficient Internet quality in certain regions, and high connection costs.

Particular importance is attached to improving the institutional environment, including updating the regulatory framework to support platform business models, e-commerce services, and digital data protection. A significant problem remains the shortage of qualified personnel in service management, digital technologies, and foreign languages, which restrains the development of high-income and export-oriented segments such as ICT, financial services, and medical tourism.

The prospective development of the service sector is associated with reforming the education system, expanding dual education, strengthening cooperation between businesses and universities, and implementing retraining programs. International assessments show that further liberalization of the service

market and deepening institutional reforms can ensure significant economic growth, while in some sectors expansion rates may reach 23-45%.

Thus, modernization and diversification of the service sector are considered strategic directions of the country's socio-economic development, exerting a multiplier effect on industry, agriculture, and the welfare of the population.

Digital Innovations and Modernization of the Service Sector

Taking into account global trends in the development of the service economy, modernization and diversification of the service sector in Uzbekistan should be comprehensive and systemic in nature. They imply simultaneous improvement of technological, institutional, organizational-managerial, and human resource components, as well as expansion of the range of services provided.

A key direction of modernization is the digital transformation of the service sector, including the introduction of online platforms, mobile applications, and automated information systems for managing service processes. The use of digital technologies ensures continuity of services, reduction of transaction costs, and increased transparency of market interactions. The country is already implementing projects for the digitalization of tourism, logistics, financial, and educational services, contributing to the formation of new business models and expanding opportunities for small and medium-sized enterprises.

Technological modernization of infrastructure plays an important role in improving the quality and accessibility of services, especially in capital-intensive sectors such as transport, communications, energy, and public utilities. The introduction of intelligent management systems, digital sensors, and automated monitoring platforms contributes to improving the reliability of services and reducing operating costs. Of particular importance is the development of transport and digital infrastructure for tourism and regional service clusters, including the construction of modern hotels and the expansion of environmentally friendly accommodation facilities.

The institutional environment significantly influences the pace of modernization in the service sector. Improving the regulatory framework, simplifying administrative procedures, developing competition, and protecting consumer rights create conditions for attracting investment and stimulating innovative activity. Measures to support digital platforms, e-commerce services, and online payment systems remain highly relevant.

Modern service enterprises are shifting toward customer-oriented management models based on digital analytics, CRM systems, and flexible management methods, allowing them to improve service quality and consumer satisfaction. International experience shows that the formation of service ecosystems and integrated product offerings contributes to increased sustainability and profitability of businesses, especially in tourism, logistics, and industrial services.

An important direction is the development of human capital. Personnel modernization involves the formation of digital, managerial, and communication competencies, as well as the development of lifelong learning skills. Priority is given to training specialists for ICT, the financial sector, tourism, and creative industries, as well as expanding the practice of dual education and cooperation between educational institutions and businesses.

Diversification of the service sector is associated with the development of new types of service activities, including information technology outsourcing, consulting, educational, and medical services. At the enterprise level, diversification is implemented through the expansion of additional services, increasing profitability and income sustainability of companies. Territorial diversification of services through the formation of tourism and logistics clusters based on regional advantages also has significant potential.

Conclusion. Therefore, modernization and diversification of the service sector are strategic factors of sustainable socio-economic development of the Republic of Uzbekistan. A comparison of international experience and national

specifics allows us to conclude that a comprehensive approach including digital, institutional, and personnel modernization is advisable.

Systematic modernization provides a multiplier effect manifested in employment growth, increased incomes, and enhanced competitiveness of the economy. Of particular importance is the development of knowledge-intensive and export-oriented services capable of generating long-term sources of economic growth.

For the successful implementation of modernization and diversification, coordinated actions of the state, business, and educational institutions are required, aimed at:

- Digital transformation of service processes, introduction of online platforms, mobile applications, and information management systems.
- Development of platform business models and integration of services with industry, agriculture, and tourism clusters.
- Institutional support for innovative services, including legal regulation of digital platforms, e-commerce, and data protection.
- Investment in human capital, including training specialists for ICT, the financial sector, tourism, and creative industries, development of dual education, and advanced training programs.

Implementation of these directions will ensure sustainable growth of the service sector, increase its contribution to GDP and employment, and strengthen Uzbekistan's position in the regional and global economy. A comprehensive and systematic approach to modernization of the service sector creates conditions for the formation of a competitive, innovative, and sustainable economy.

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