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THE ECONOMIC IMPORTANCE OF CLUSTERING IN THE SERVICE SECTOR

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Abstract: This article highlights the role of the service sector in the modern economy, its stages of development, and its importance in state policy. It also analyzes the application of clustering theory in economic processes, its advantages, and practical experiences in Uzbekistan. The study concludes that clustering in the service sector is an important factor in enhancing competitiveness and efficiency.

Keywords: Service sector, economic system, cluster, economic cluster, competitiveness, integration, innovation.

At the end of the last century, the introduction of new information technologies led to the complication of production processes, the expansion of service sectors, and the emergence of new types of activities. The content of services and their significance in the economy and society changed considerably. As a result, the interdependence between material production industries and the service sector strengthened, with their products increasingly integrating into industrial branches.

The introduction of new information technologies at the end of the last century led to the complication of production processes, the expansion of service sectors, and the emergence of new types of activities. The meaning of services and their importance in the economy and society changed, the interconnection between material production sectors and the service sector increased, and their products became increasingly integrated into industrial sectors. The global economic crisis of 2007–2009 severely affected all sectors of the economy. However, the service sector proved to be more resilient to the manifestations of the crisis compared to other parts of the economy.

The service sector, supported by modern infrastructure, is often classified as a post-industrial economic system. In economically developed countries, the service sector accounts for more than 60% of employment, representing the main part of the economy.

The service economy may relate to one or both of the following economic phenomena:

- The growing importance of the service sector in developed countries. In the current Fortune 500 list, compared to previous decades, there are more service companies and fewer manufacturers.
- The relative importance of services in product offerings. In developing countries, the service industry is mainly concentrated in financial services, hospitality, retail, healthcare, social services, IT, and education. Today, products contain higher service components than in previous decades.

In Uzbekistan, many presidential decrees and measures have been developed to improve the service sector. For example, Presidential Decree PQ-5113 (May 11, 2021) 'On measures for the rapid development of the service sector' defined targeted parameters for service sector development for 2021–2023. Furthermore, to increase the volume of services 1.5 times and create about 1.5 million new jobs, Presidential Decree PQ-104 (January 27, 2022) 'On additional measures to develop the service sector' was adopted.

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In the last quarter-century, many countries first theoretically and then practically developed cluster theory, which became an important element of large corporations, national economic complexes, and individual industries' strategies. Interest in clusters emerged in response to challenges and risks associated with modern economic models. In conditions of macroeconomic instability, the formation of clusters ensures the relatively stable development of separate economic systems and entities, serving as an alternative to the classical concept of enterprises. Currently, many clusters are successfully developing in Uzbekistan in agriculture, construction, IT, high-tech industry, chemical and petrochemical sectors, and others. For example, the Cabinet of Ministers' Resolution No. 834 (October 16, 2017) 'On organizational measures for establishing youth entrepreneurship clusters' was adopted, and the draft resolution 'On the unified concept of cluster and cluster policy in Uzbekistan' was approved.

A cluster is a replaceable element of a localized sector of production or services that is self-sustaining. An economic cluster is a group of interconnected organizations (companies, corporations, universities, banks, etc.) concentrated in a particular area: suppliers of products, components, and specialized services; infrastructure; research institutes; universities; and other complementary organizations that increase the cluster's competitive advantages.

In Western literature, there are many definitions of clusters. In 1990, Porter defined an industrial cluster as a group of industries connected by buyer-supplier relationships and shared technologies. According to Porter's theory, a cluster is a group of geographically proximate, interconnected companies (suppliers, producers, etc.) and institutions (educational institutions, government agencies, infrastructure companies) operating in a particular sector. Porter argued that a nation's competitiveness should be examined from the standpoint of the competitiveness of international companies. He emphasized that the ability of clusters to use internal resources efficiently is critical. He also developed the system of national competitive advantages called the 'competitive diamond.'

During his research, Porter analyzed more than 100 industries in ten countries. The most competitive multinational companies were often concentrated in a single country or even a specific region rather than being widely dispersed. This shows how the presence of one or more globally competitive firms can have a positive impact on their surrounding environment—suppliers, consumers, and competitors—which in turn strengthens the competitiveness of the companies themselves.

Economists have provided various interpretations of clusters:

- Schmitz (1992): A cluster is a group of firms in the same industry located close to one another.
- Swann & Prevezer (1996): Clusters are groups of firms in the same industry located within the same geographic area.
- Rosenfeld (1997): A cluster is a concentration of firms with synergistic capabilities due to geographic proximity and interconnections.
- Feser (1998): Clusters are interconnected and supporting institutions whose interactions determine competitiveness.
- Elsner (1998): A cluster is a group of firms linked vertically and horizontally, emphasizing the quality of relationships among supporting firms and institutions.
- Steiner & Harmann (1998): Clusters are groups of firms interconnected through labor markets or technological links across sectors, communities, research, and development.
- Roelandt & den Hertog (1999): Clusters are networks of interconnected firms (specialized

suppliers) that form a value chain.
- Egan (2000): A cluster is conceived as an industrial organization dependent on networks of firms and state institutions whose final products extend beyond regional boundaries.
- Crouch & Farrell (2001): Clusters reflect the tendency of businesses to locate near each other, even if the local area does not play a major role.
- Van den Berg, Braun & van Winden (2001): Clusters are localized networks of organizations interconnected through products, services, or knowledge exchange.
- Visser & Boschma (2002): Clusters are concentrations of firms in the same field within the same region.

The diversity in interpreting clusters is due to scholars focusing on different defining features of clusters and offering methodologies for organizing the economy regionally accordingly.

The service sector is one of the main components of the modern economy and plays a vital role in national economic development. This sector consists of different branches and serves various directions of the economy. Applying clustering in the service sector is an effective tool for increasing competitiveness and ensuring integration of local industries. Studying the theoretical and methodological foundations of clustering in the service sector and learning from international experience can help improve competitiveness and efficiency. This is an important step in the development of the national economy.

The service sector, as one of the main components of the modern economy, plays an important role in national economic development. The clustering approach in services helps to enhance competitiveness, accelerate innovation, and strengthen the integration of local industries. Using international experience to further develop the efficiency of the service sector in Uzbekistan is an important step toward the country’s sustainable economic growth.

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