

THE IMPORTANCE OF USING AND PROMOTING INNOVATIVE ACTIVITIES IN THE SERVICE SECTOR

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Abstract

This article outlines the importance of using and encouraging innovative activities in the service sector, the positive effects of innovations, and considerations on state support, and draws relevant conclusions.

Key words

service, innovation, modernization, support, graphic design, marketing, competitiveness, quality, export, new jobs

Innovative activities in the service sector primarily represent a set of systematic actions aimed at improving the service delivery process in line with modern requirements. Such activities cover the following main areas:

- development of new types of services, that is, the creation of services that did not previously exist, but that meet the needs of consumers;
- modernization of existing services, including their digitization, automation and personalization in accordance with customer needs;
- introduction of advanced technologies and innovative business models, for example: online services, services provided through mobile applications, cloud technologies, services based on artificial intelligence, etc.;
- implementation of solutions that increase convenience and efficiency for consumers, thereby improving the quality, speed and user experience of services.

For example, we can introduce mobile banking services in the banking sector, virtual tours in tourism, distance learning platforms in education, and telemedicine services in healthcare.

Innovative activity is recognized as an important strategic factor in the modernization of the services sector and increasing its competitiveness. The following positive changes are observed in the economy through the introduction of this activity:

- Increased competitiveness: innovative approaches create the opportunity to differentiate in the services market, which creates the basis for companies to gain an advantage;
- Improving the quality and speed of services: digitization, automation and technological innovations significantly increase the level of service provided to customers;
- Creating new jobs: innovations expand employment opportunities in new areas such as IT, graphic design, marketing, analytics;
- Stimulating domestic market demand: providing services in a more attractive, flexible and convenient form will increase the consumer activity of the population;



- Expanding export potential: innovative services can become products in high demand in international markets, which will serve to expand the geography of exports.

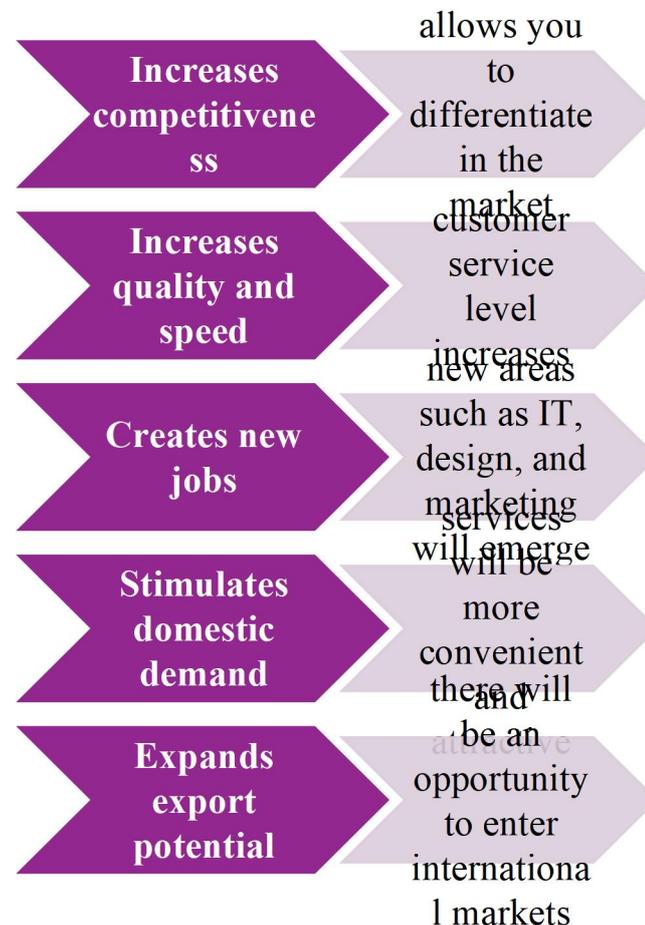


Figure 1. Positive effects of innovations in the service sector ¹

The role of the state in the development of innovation in the service sector is important, as this sector is largely dependent on the private sector, and investing in innovation is a high risk. Forms of state support include financial incentives, institutional support, legal and regulatory infrastructure.

Of course, the positive results of stimulating innovation in the service sector are evident. In particular, interest in innovative activities increases, the private sector invests more, service exports and economic growth rates increase, and the quality of service provision in a competitive environment improves dramatically.

If we look at the analysis of the innovative development of the services sector in Uzbekistan, the state of the sector shows that in recent years the services sector has become an important driver of the economy. According to the Statistics Agency, in 2023 the services sector accounted for 36-38% of GDP. The main types of services are: trade, transport, finance, communications, education, healthcare and tourism. At the same time, digital services (electronic payments, online shopping, IT outsourcing) are developing rapidly.

¹ Aliev Y.E. "Innovative Economy". Textbook, Tashkent, Economics, 2019.



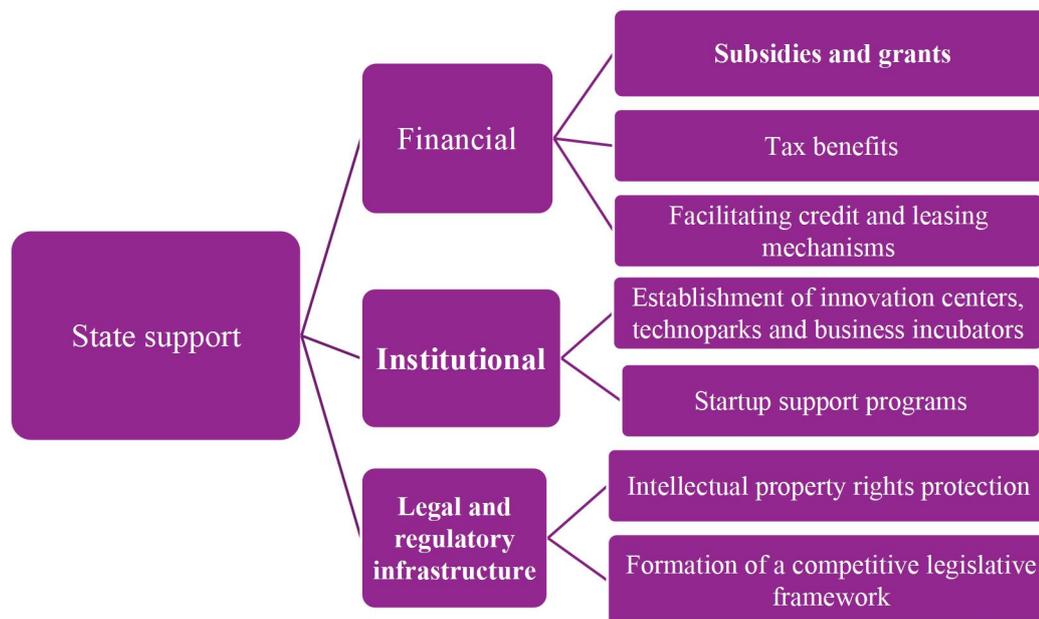


Figure 2. State support in the service sector ²

According to preliminary statistical indicators for 2023, the share of the services sector in Uzbekistan's GDP increased from 41.6 percent to 43.4 percent. At the same time, the share of the agricultural, forestry and fishery sectors decreased from 24.9 percent to 24.3 percent, the share of the industrial sector from 27.0 percent to 26.1 percent, and the share of the construction sector from 6.5 percent to 6.2 percent. The volume of GDP per capita in 2023 at current prices amounted to 29,291.4 thousand soums or 2,495.6 US dollars.

According to data provided by the Statistical Agency under the President of the Republic of Uzbekistan, the total volume of services provided in 2023 amounted to 470,286.5 billion soums. The share of small businesses in this indicator amounted to 47.7 percent, and the volume of services per capita amounted to 12,915.6 thousand soums. The share of enterprises and organizations in the service sector amounted to 70.7 percent.

An analysis of the growth rates of the total volume of market services provided during 2019-2023 shows that financial services increased by 4.5 percent, trade services by 2.5 percent, transport services by 1.8 percent, other services by 1.8 percent, communication and information services by 1.6 percent, educational services by 1.0 percent, and accommodation and catering services by 0.5 percent. Thus, over the past five years, the total volume of market services has increased by 13.7 percent.

According to the results of statistical analysis, in 2023, the highest share in the services sector is accounted for by trade services (23.5 percent) and transport services (23.1 percent). When examining the services sector by type of activity, road transport accounted for the largest share in the total volume of transport services - 47.3 percent. In the capital, Tashkent, the volume of transport services reached 19,804.4 billion soums, with a growth rate of 119.1 percent. The volume of market services provided in road transport in the republic reached 51,272.7 billion

² Yo'ldoshev N.Q., Akbarxodjaeva Z.Z. "Innovative Management". Textbook, Tashkent, Economics, 2019



soums, accounting for 10.9 percent of the total volume of market services provided. In January-December 2023, retail trade services accounted for 61.9 percent of the total volume of the trade sector.

In innovative development trends, digitalization is developing rapidly, and more than 70% of public services have been converted to electronic form. (my.gov.uz);

Fintech - Mobile payments and online banking are widespread;

Startup ecosystem - The number of youth technoparks and IT parks is increasing (for example, IT Park Uzbekistan). Innovations are also being used in education and healthcare, mainly due to the expansion of online classes and telemedicine services.

Along with the development of the service sector, problems are also encountered. In particular, we can note the insufficient investment in innovations, low personnel qualifications, the presence of regional disparities, that is, the slow development of innovative services in the regions. The effectiveness of state support policies in the service sector is determined by existing programs and policies. The "Digital Uzbekistan - 2030" strategy serves to improve the digitization of public services and the development of the service sector based on modern technologies.

The IT Park and the "One Million Uzbek Coders" program are helping to positively address the issues of supporting new startups and encouraging the export of IT services. Business incubators and technoparks established in all regions are also contributing to increasing efficiency by providing grants, tax breaks, and subsidies for innovative projects for young people and entrepreneurs. The analysis of efficiency in the sector has a number of positive aspects, including an increase in the number of startups and the export of services (IT, education, tourism). Along with achievements, this sector also faces some shortcomings. We can see that support for innovative activities in service provision is mainly concentrated in the city of Tashkent and large centers. Monitoring and evaluation mechanisms are weak, and innovation ecosystems are not yet fully formed.

In conclusion, we emphasize that as a result of the study and analysis of information on the use of innovative activities in the service sector and the importance of incentives in state support, the need to establish regional innovation centers was identified. Tax and financial incentives should be strengthened, that is, the possibility of introducing "tax holidays" for IT and service startups will be created. This indicates the need to organize cooperation with international technoparks by attracting foreign startups and establishing cooperation in the regions. Also, the development of the education and training system is considered relevant today, and it is necessary to introduce modern vocational training programs suitable for the service sector. In addition to using the existing opportunities in our country, it is advisable to introduce innovations based on foreign experience. Based on the experience of South Korea, the state has made significant investments in IT services, education, and healthcare, which will have an impact on development in our country. It is also advisable to take into account the organization of innovation clusters and technoparks in each region and the encouragement of innovative activities with tax incentives. Based on the experience of Estonia, the transition of the entire state administration to a digital mode, the creation of conditions for foreigners to conduct online business through the "E-residency" system, the introduction of special visas and light taxes for startups will give positive results. In the modern economy, the comprehensive development of the service sector, the introduction of innovative activities, the provision of financial resources and modern infrastructure to business entities, as well as their systematic support and encouragement by the state, are considered important strategic tasks. World experience shows that the service sector has become the main driver of demand growth in all sectors. It is also important for Uzbekistan to study and implement advanced international practices in accordance with local conditions.



The development of the education and training system is considered relevant today, and it is necessary to introduce modern vocational training programs suitable for the service sector. Also, in addition to using the existing opportunities in our country, it is advisable to introduce innovations based on foreign experience. Based on the experience of South Korea, the introduction in our country of the large state investments in IT services, education, and healthcare will have an impact on development. It is advisable to introduce short-term courses for service personnel to teach modern technologies and to harmoniously develop technological and human infrastructure for innovations in the service sector.

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