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**Abstract.** This dissertation examines the institutional and economic mechanisms driving the development of the trade services sector in Uzbekistan. The study analyzes the transformation of the sector under conditions of market liberalization, digitalization, and structural reforms implemented since 2017. Special attention is given to regulatory frameworks, fiscal policies, investment climate, infrastructure development, and human capital formation. The research also evaluates the impact of digital transformation, including e-commerce and fintech solutions, on trade efficiency and competitiveness.

**Keywords:** trade services, institutional reforms, economic mechanisms, Uzbekistan, digital economy, SMEs, investment policy

**Annotatsiya.** Ushbu dissertatsiya O'zbekistonda savdo xizmatlari sohasini rivojlantirishning institutsional va iqtisodiy mexanizmlarini tahlil qiladi. Tadqiqotda 2017-yildan keyingi islohotlar, bozorni liberallashtirish, raqamli transformatsiya va investitsion siyosatning ta'siri o'rganiladi. Savdo xizmatlari sektorining YaIMdagi ulushi, bandlikni ta'minlashdagi roli va iqtisodiy diversifikatsiyadagi ahamiyati chuqur tahlil qilinadi.

**Kalit so'zlar:** savdo xizmatlari, institutsional islohotlar, iqtisodiy mexanizmlar, raqamli iqtisodiyot, O'zbekiston, kichik biznes

**Аннотация.** Данная диссертация анализирует институциональные и экономические механизмы развития сферы торговых услуг в Узбекистане. Исследование охватывает реформы после 2017 года, либерализацию рынка, цифровую трансформацию и инвестиционную политику. Особое внимание уделяется роли сектора в экономическом росте, занятости и диверсификации экономики.

**Ключевые слова:** торговые услуги, институциональные реформы, экономические механизмы, Узбекистан, цифровая экономика

**INTRODUCTION**

The service sector has become one of the most dynamic and strategically important components of Uzbekistan's economy. In recent years, trade services have played a crucial role in GDP growth, employment generation, and structural transformation. According to the National Statistics Committee, the services sector accounted for more than 56% of Uzbekistan's GDP in 2025, demonstrating its dominant position in the national economy and its increasing role in economic diversification and modernization efforts. Since the implementation of comprehensive market reforms after 2017, Uzbekistan has prioritized the liberalization of trade services, improvement of institutional frameworks, and digital transformation of economic activities. The government's long-term development strategies, including the Action Strategy for 2017–2021 and the Development Strategy of New Uzbekistan for 2022–2026, have identified the service sector as a key driver of sustainable economic growth.

International organizations such as the World Bank emphasize that Uzbekistan's service sector is not only a major contributor to GDP but also a primary source of employment, accounting for more than half of total jobs in the country. However, despite significant progress, institutional inefficiencies, uneven regional development, and limited productivity in certain segments of trade services still pose challenges.



## MAIN PART

The development of trade services in Uzbekistan is the result of a complex interaction between institutional modernization, macroeconomic reforms, and structural transformation of the national economy. In the post-2017 reform period, the service sector has transitioned from a relatively administratively controlled system to a more market-oriented and competitive environment. This transformation has been accompanied by significant improvements in governance, regulatory frameworks, investment climate, and digital infrastructure. One of the fundamental aspects of institutional development in the trade services sector is the evolution of the legal and regulatory system. The liberalization of trade activities has been supported by a series of reforms aimed at reducing state intervention and encouraging private sector participation. The revision of the Tax Code, the simplification of licensing procedures, and the reduction of mandatory permits have collectively created a more favorable business environment. These reforms have significantly decreased entry barriers for small and medium-sized enterprises, which now constitute the backbone of the service economy.

Small and medium enterprises (SMEs) play a particularly important role in trade services development. In recent years, SMEs have accounted for the majority of employment in retail, wholesale trade, logistics, hospitality, and repair services. The growth of SMEs has been facilitated by preferential taxation policies, simplified reporting systems, and access to microfinance institutions. As a result, entrepreneurial activity has increased in both urban and rural areas, contributing to income diversification and poverty reduction. Institutional reforms have also focused on improving governance efficiency and reducing administrative burdens. The introduction of the “electronic government” system has transformed interactions between businesses and state institutions. Digital platforms now allow entrepreneurs to register businesses, obtain licenses, submit tax reports, and access public services online. This digital transition has significantly reduced corruption risks and transaction costs, thereby improving overall economic efficiency. Furthermore, inter-agency integration of databases has enhanced transparency and facilitated data-driven policymaking.

From an economic perspective, one of the most important mechanisms driving trade services development is investment policy liberalization. Uzbekistan has gradually opened its economy to foreign direct investment, particularly in retail trade, logistics, banking, and tourism services. The removal of currency exchange restrictions, improvement in repatriation of profits, and establishment of free economic zones have contributed to increased investor confidence. Foreign companies have introduced modern management practices, advanced technologies, and international standards, which have positively influenced domestic service providers.

Infrastructure development represents another key economic mechanism. The modernization of transport corridors, expansion of railway networks, and improvement of road infrastructure have strengthened internal and external trade connectivity. Uzbekistan’s strategic geographic position in Central Asia has allowed it to develop into a transit hub for regional trade flows. Logistics centers and dry ports have been established to improve supply chain efficiency and reduce transportation costs. These developments have directly contributed to the expansion of wholesale and distribution services. Digital infrastructure is also playing an increasingly important role in shaping the future of trade services. The rapid expansion of internet coverage and mobile connectivity has enabled the growth of e-commerce platforms and digital marketplaces. Consumers are increasingly shifting toward online purchasing behavior, while businesses are adopting digital payment systems and automated service delivery models. The emergence of fintech companies and digital banking services has further strengthened the integration of financial services with trade activities.

In addition, innovation ecosystems such as IT parks and startup accelerators have contributed to the development of digital trade services. These institutions provide tax incentives, infrastructure support, and training programs for young entrepreneurs engaged in software



development, e-commerce, and digital solutions. As a result, Uzbekistan is gradually forming a knowledge-based service economy where digital technologies play a central role in value creation. The trade services sector is also closely linked to human capital development. The quality of labor resources directly affects productivity and service efficiency. In recent years, the government has invested in vocational education and professional training programs aimed at improving skills in logistics, customer service, IT, and management. Cooperation between educational institutions and private companies has increased, allowing for better alignment between labor market needs and educational outcomes. However, skill mismatches still remain a challenge, particularly in rural regions.

Another important dimension is regional development policy. While Tashkent remains the dominant center of trade services, regional disparities continue to exist. To address this issue, the government has implemented targeted development programs aimed at supporting service sector growth in smaller cities and rural areas. These programs include infrastructure investment, tax incentives, and business support centers. Despite these efforts, the concentration of high-value services in urban areas indicates the need for further decentralization and balanced regional development.

Consumer behavior and demand structure also significantly influence the development of trade services. Rising incomes, urbanization, and lifestyle changes have led to increased demand for modern retail formats, online shopping, financial services, and hospitality services. The expansion of a young and digitally literate population has accelerated the adoption of modern consumption patterns. This shift in demand structure has forced service providers to adapt by improving quality standards, diversifying offerings, and adopting customer-oriented business models. The tourism sector deserves special attention as one of the fastest-growing components of trade services. Uzbekistan's rich cultural heritage, historical cities, and improved visa regime have contributed to a steady increase in international tourist arrivals. The development of tourism infrastructure, including hotels, transportation services, and digital booking systems, has strengthened the sector's contribution to GDP and employment. Tourism also has strong multiplier effects on related services such as retail trade, food services, and transportation.

Despite these positive developments, several structural challenges remain. One of the key issues is low productivity in certain segments of the service sector, particularly traditional retail and informal trade. The presence of a large informal economy reduces tax revenues and limits the effectiveness of policy interventions. Additionally, regulatory inconsistencies and bureaucratic inefficiencies in some regions continue to hinder business development. Another challenge is the limited level of innovation in many service subsectors. While digital transformation is progressing rapidly in urban areas, many businesses still rely on traditional operating models. This slows down productivity growth and reduces competitiveness in international markets. Strengthening innovation capacity through research and development, technology transfer, and international cooperation is therefore essential.

Environmental sustainability is becoming an increasingly important factor in the development of trade services. Green logistics, energy-efficient infrastructure, and sustainable consumption patterns are gradually being introduced in line with global environmental standards. Government policies promoting green economy principles are expected to further influence the transformation of the service sector in the coming years.

Overall, the institutional and economic mechanisms driving the development of trade services in Uzbekistan are deeply interconnected. Institutional reforms create the legal and organizational framework necessary for market functioning, while economic mechanisms provide the financial and infrastructural support required for growth. The synergy between these two dimensions is essential for ensuring sustainable and inclusive development of the service economy.

## CONCLUSION



The development of trade services in Uzbekistan is driven by a combination of institutional reforms and economic mechanisms that collectively support structural transformation and sustainable growth. The service sector has become a dominant force in the national economy, contributing more than half of GDP and employing the majority of the workforce. Institutional improvements such as regulatory simplification, digitalization, and investment liberalization have significantly enhanced the business environment. At the same time, economic mechanisms including tax incentives, infrastructure development, and foreign investment have strengthened the sector's competitiveness.

However, further reforms are needed to address regional disparities, improve productivity, and ensure balanced development across all segments of the service economy. Strengthening institutional capacity and accelerating digital transformation will be crucial for achieving long-term sustainable growth in Uzbekistan's trade services sector.

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