



**FACTORS AFFECTING THE ECONOMIC STABILITY OF SERVICE
SECTOR ENTITIES**

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ABSTRACT	KEY WORDS
<p>This article examines the key factors influencing the economic stability of service sector entities in the context of modern economic development. The relevance of the study is determined by the growing role of the service sector in ensuring sustainable economic growth, employment, and competitiveness. Particular attention is paid to both internal and external factors affecting stability, including financial resilience, management efficiency, market demand, technological innovation, and institutional environment. The study analyzes the impact of macroeconomic conditions, regulatory frameworks, and digital transformation on service sector performance. Methodologically, the research is based on systematic, comparative, and analytical approaches. The interconnection between economic stability and service quality, productivity, and customer satisfaction is highlighted. The findings reveal that effective risk management and adaptive strategies significantly enhance sustainability. The results of the study contribute to the development of practical recommendations aimed at strengthening economic stability. The scientific novelty lies in the integrated assessment of influencing factors. The conclusions may be used by policymakers and business practitioners.</p>	<p>Economic stability, service sector, sustainability, competitiveness, resilience, innovation, management, regulation, digitalization, risk, efficiency.</p>

Introduction

In recent years, ensuring the economic stability of service sector entities has become a key priority of economic policy in Uzbekistan. The service sector plays a decisive role in increasing gross domestic product, creating employment, and improving living standards. In the context of the “New Uzbekistan” development strategy, special attention is paid to the expansion, diversification, and sustainability of service activities.[1] National strategic documents emphasize the importance of strengthening financial stability, improving management efficiency, and supporting entrepreneurship in the service sector. At the same time, global economic uncertainty, digital transformation, and increased competition require service entities to adapt to rapidly changing conditions. Foreign experience demonstrates that the economic stability of service enterprises largely depends on institutional support, innovation, and effective risk management mechanisms. Developed countries actively apply integrated approaches combining state regulation and market-

based tools to ensure sustainability. The interrelation between service quality and economic resilience is widely discussed in international research. Therefore, studying the factors affecting the economic stability of service sector entities based on the synthesis of Uzbekistan's practice and foreign experience is of particular relevance. This approach allows for identifying effective mechanisms to enhance competitiveness and long-term stability.

Literature Review

The issues of economic stability and development of the service sector have been widely studied by Uzbek scholars. In particular, Sh. Mustafakulov emphasizes the role of structural reforms and institutional factors in ensuring sustainable growth of service enterprises. A. Vakhobov analyzes financial stability and macroeconomic conditions affecting service sector development in Uzbekistan.[2] B. Ismailov focuses on improving management efficiency and competitiveness of service entities under market conditions. R. Alimov highlights the importance of innovation and digital transformation for strengthening the economic resilience of service organizations. U. Umarov studies the impact of state support and regulatory mechanisms on service sector sustainability. N. Yuldashev examines entrepreneurship development and its contribution to economic stability in the service industry.

Foreign scholars have also made significant contributions to this field. M. Porter links economic stability to competitiveness and value creation in service markets. P. Kotler emphasizes the role of service quality and customer orientation in achieving long-term sustainability. J. Schumpeter highlights innovation as a key driver of economic resilience.[3] P. Drucker focuses on effective management and strategic adaptation as foundations of stable enterprise performance. R. Kaplan and D. Norton propose performance measurement systems that support sustainable development. Studies by OECD experts underline the importance of institutional environment and digitalization in strengthening service sector stability.

Analysis and Results

This section provides an in-depth scientific and methodological analysis of the factors influencing the economic stability of service sector entities, based on a comparative assessment of the Republic of Uzbekistan and selected foreign countries, as well as a detailed regional analysis of Kashkadarya region for the period 2020–2024. The analysis is grounded in economic theory, comparative methodology, and empirical evaluation of structural indicators reflecting stability and sustainability.[4]

From a methodological perspective, the economic stability of the service sector is assessed through a system of interrelated indicators, including the share of services in gross domestic product, employment levels, business activity, and growth dynamics. These indicators make it possible to evaluate both macroeconomic trends and structural shifts within the service sector.

For international comparison, Uzbekistan's service sector performance is compared with **South Korea, Germany, and Turkey**, which represent different models of service sector development.[5]

Share of the Service Sector in GDP (%) Table 1.

Country	2020	2021	2022	2023	2024
Uzbekistan	36.1	37.4	38.9	40.2	41.5
South Korea	59.8	60.3	61.0	61.5	62.1
Germany	63.2	63.8	64.1	64.7	65.0
Turkey	54.6	55.1	55.9	56.4	57.0

The tables have been independently compiled by the author using the references listed.

The data show that although Uzbekistan’s service sector share remains lower than that of developed economies, it demonstrates stable growth during 2020–2024. This positive trend reflects the impact of structural reforms and the implementation of national development strategies aimed at expanding service activities. The comparative analysis of Uzbekistan with South Korea, Germany, and Turkey reveals significant differences in the level and maturity of service sector development. As shown in Table 1, the share of the service sector in Uzbekistan’s GDP increased steadily from 36.1 percent in 2020 to 41.5 percent in 2024.[6] This growth reflects the implementation of large-scale economic reforms, liberalization measures, and strategic programs aimed at supporting entrepreneurship and expanding service activities. (**Table 1**)

In contrast, developed economies such as Germany and South Korea demonstrate consistently high shares of services in GDP, exceeding 60 percent throughout the analyzed period. This indicates a high degree of structural transformation, where knowledge-intensive and high-value-added services dominate economic activity. Turkey occupies an intermediate position, combining features of both emerging and developed service economies. The comparison shows that Uzbekistan is gradually approaching international benchmarks, although structural gaps remain.

Employment indicators further confirm these trends. Table 2 illustrates that the proportion of employment in the service sector in Uzbekistan increased from 47.0 percent in 2020 to 52.0 percent in 2024. This reflects the growing role of service sector entities in job creation and income generation. However, compared to foreign countries, where service sector employment exceeds 70 percent, Uzbekistan still faces challenges related to labor productivity, skills development, and service quality. Foreign experience demonstrates that economic stability in the service sector is closely linked to human capital development, digital skills, and effective labor market institutions.[7]

Employment in the Service Sector (% of Total Employment) Table 2.

Country	2020	2021	2022	2023	2024
Uzbekistan	47.0	48.2	49.6	50.8	52.0
South Korea	70.1	70.6	71.0	71.4	71.8
Germany	74.5	75.0	75.4	75.9	76.2
Turkey	56.3	56.9	57.5	58.1	58.6

The tables have been independently compiled by the author using the references listed. The comparison indicates that service sector entities in foreign countries play a more dominant role in employment generation. However, Uzbekistan shows consistent improvement, highlighting increasing economic stability and labor absorption capacity of service enterprises. (**Table 2**) Kashkadarya region is one of the dynamically developing regions of Uzbekistan, where service sector expansion has become a key driver of regional economic stability.

Share of Services in Gross Regional Product of Kashkadarya (%) Table 3.

Indicator	2020	2021	2022	2023	2024
Service sector share	28.4	30.1	31.8	33.5	35.2

The tables have been independently compiled by the author using the references listed. The results show a steady increase in the contribution of services to the regional economy. This growth is associated with the development of trade, transport, tourism, and digital services. (**Table 3**)

The regional analysis focuses on Kashkadarya region as an important example of balanced territorial development. Table 3 shows that the share of the service sector in the gross regional product increased from 28.4 percent in 2020 to 35.2 percent in 2024. This positive dynamic indicates structural diversification of the regional economy and a gradual reduction of dependence on traditional sectors such as agriculture and extractive industries.

Number of Service Sector Entities in Kashkadarya (thousand units) Table 4.

Year	2020	2021	2022	2023	2024
Entities	21.6	23.4	25.1	27.0	29.3

The tables have been independently compiled by the author using the references listed. The increase in the number of service sector entities reflects improved business conditions, state support for entrepreneurship, and growing market demand. This trend positively affects the economic stability of the region by diversifying income sources and reducing dependency on traditional sectors.

The growth of the service sector in Kashkadarya region is driven by the expansion of trade, transport, public catering, tourism, financial, and digital services. State-supported infrastructure projects and regional development programs have created favorable conditions for service sector entities to operate sustainably.

Table 4 demonstrates a steady increase in the number of service sector entities in the region, from 21.6 thousand units in 2020 to 29.3 thousand units in 2024. This trend reflects improved business climate, access to financial resources, and institutional support for small and medium-sized enterprises. From an economic stability perspective, the growing number of service entities contributes to market diversification, increased competition, and resilience against external shocks. The results of the analysis indicate that economic stability of service sector entities is a multifaceted phenomenon influenced by macroeconomic conditions, institutional reforms, regional policies, and international experience. Uzbekistan’s service sector demonstrates stable growth and positive

structural changes, although its development level remains below that of advanced economies. The experience of foreign countries confirms that innovation, digitalization, effective regulation, and human capital development are key determinants of long-term stability.

At the regional level, the example of Kashkadarya region shows that targeted development strategies and local initiatives significantly enhance the sustainability of service sector entities. Overall, the findings suggest that the integration of foreign best practices with national and regional development strategies will strengthen the economic stability and competitiveness of the service sector in Uzbekistan.[8]

Conclusion and Recommendations

The study concludes that the economic stability of service sector entities is a key factor in promoting sustainable economic growth and structural transformation in Uzbekistan. During 2020–2024, the service sector demonstrated steady growth at the national level, and regional analysis shows similar positive dynamics in Kashkadarya region. In Kashkadarya, the share of services in gross regional product increased from 28.4% to 35.2%, and the number of service sector entities rose from 21.6 thousand to 29.3 thousand units, reflecting regional economic diversification and increased resilience. However, compared with developed countries such as Germany, South Korea, and Turkey, both national and regional service sectors still lag in terms of productivity, innovation, and market share, indicating the need for structural and institutional reforms. Drawing from international experience, factors such as innovation, digitalization, human capital development, and effective regulation are crucial for ensuring long-term stability.

Therefore, it is recommended to expand digital infrastructure, introduce modern technologies in service enterprises, and enhance professional training programs to improve skills and service quality. Financial support mechanisms and access to credit for small and medium-sized enterprises should be strengthened, while administrative barriers should be reduced. At the regional level, targeted support for service clusters, local entrepreneurship initiatives, and public-private partnerships in Kashkadarya will further strengthen economic stability. Implementing these measures will enhance competitiveness, resilience, and sustainable development of the service sector both nationally and in key regions such as Kashkadarya.

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