



RESEARCH ARTICLE

FEATURES AND DEVELOPMENT TENDENCIES OF SERVICES SPHERE IN UZBEKISTAN

¹Ollanazarov Bekmurod Davlatmuratovich, ²Saidov Dilshodbek Razzokovich,
^{*,3}Salaev Sanatbek Komilovich and ⁴Alimov Atabek Kerimbergenovich

¹Independent Researcher in the Specialty 08.00.05-"Economy Service Industries"
of Urgench State University (UrSU), Uzbekistan

²Senior Researcher in the Specialty 08.00.05-"Economy Service Industries", UrSU, Uzbekistan

³Dean of "Tourism and Economics" Faculty of UrSU, Doctor of Economic Sciences, Professor, Urgench,
Khorezm, Uzbekistan

⁴Senior Researcher at the Karakalpak, State University (KSU), Uzbekistan

ARTICLE INFO

Article History:

Received 18th April, 2016
Received in revised form
20th May, 2016
Accepted 15th June, 2016
Published online 16th July, 2016

Key words:

Services, Service economy,
Factors of economic growth, GDP growth,
Traditional services,
High technology services.

ABSTRACT

In this paper we looked through the features and trends of development of the service sector in Uzbekistan. For that we gave notion about service and service economy. Moreover we compare international and national classification of services, as well as in the paper given development tendencies and history of services sector in the global economy. Also we conduct comparative analysis of countries, due to the role of services sector in their GDP and employment. Consequently we looked through and analyzed development of services sector in Uzbekistan, change of its share in GDP as well as employment and its role in well being of the population. As a result we found out factors those effecting to the development of services sectors and divided them into two groups according to the their positive and negative effect. Those analyses give us chance to analyze the results of the reforms carried out in the service sector in the years of independence, moreover to give advices for further development of the sector in Uzbekistan.

Copyright©2016, Ollanazarov Bekmurod Davlatmuratovich et al. This is an open access article distributed under the Creative Commons Attribution License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.

Citation: Ollanazarov Bekmurod Davlatmuratovich, Saidov Dilshodbek Razzokovich, Salaev Sanatbek Komilovich and Alimov Atabek Kerimbergenovich, 2016. "Features and development tendencies of services sphere in Uzbekistan", *International Journal of Current Research*, 8, (07), 34416-34420.

INTRODUCTION

Nowadays, the service sector is occupying an increasingly strong position in the world economy. For many countries, it is characterized by the upward trend in the production of services, increase income of the workers, employment growth in this sector, increased competition, increased exports and imports of services. The changes taking place in the service sector is so important on a global scale, that the modern economy is defined as a "service" or "service economy". The term "service sector" is now widely used not only in the scientific community, but also commonly used in daily speech. However, despite the apparent clarity of the term, its interpretation is not unambiguous. In the scientific literature there are a number of alternative definitions of the scope of services considered it

from different perspectives. Conventionally, two types of definitions can be identified (Balaeva and Predvoditeleva, 2007). According to the first, more general category definitions, service sphere is treated as a sphere of economy with specific subject-subject relations and connections in the exchange (Klikich, 2004), or a wide range of economic activities aimed at meeting the personal needs of the population and the needs of production as well as the needs of society as a whole (Demidova, 2002) regardless of whether the services are provided to individuals or organizations.

The basis of the second category definitions is a prerequisite to provide services in the first place to the population, for example, according to one of the interpretations of the scope of services - is a set of sectors, sub-sectors and activities whose function in the system of social production is expressed in the production and sale of services and spiritual people good (Putgayzer et al., 1990).

*Corresponding author: Salaev Sanatbek Komilovich,
Dean of "Tourism and Economics" Faculty of UrSU, Doctor of
Economic Sciences, Professor, Urgench, Khorezm, Uzbekistan.

International and national classification of service areas

The service scope covers a significant number of activities, combined in group classifications used at different levels. Thus, within the WTO classification (WTO - World Trade Organization) allocate more than 150 kinds of services, grouped into twelve sectors:

1. Business services;
2. Telecommunications services;
3. Construction and related engineering services;
4. Distribution services;
5. Educational services;
6. Services related to environmental protection;
7. Financial services;
8. Services in the field of health and social welfare;
9. Tourism and related services;
10. Services for the organization of recreational, cultural and sporting events;
11. Transport services;
12. Other services not included in the listed (WTO Secretariat, 2011).

In addition to the WTO classification in the world used the classification of the Organization for Economic Cooperation and Development, International Standard Industrial Classification of All Economic Activities and others. In Uzbekistan, a service activity in addition to industry and agriculture reflected Statistical Classification of Products (SCP) (goods, works, services) by economic activity of the Republic of Uzbekistan adopted in 2014 with the State standard of products and services, which was introduced from 23.01. 2015 (State Standard of the Republic of Uzbekistan, 2014).

According to the standard, in addition to support services in the processing of diverse products, services in Uzbekistan are classified in 17 sectors:

1. Services in electricity transmission, gas, steam and air conditioning supply (35.12 -35.30);
2. Services of water supply, sewerage, waste collection and recycling (36.0-39.0);
3. Services in wholesale and retail trade; repair services of motor vehicles and motorcycles (45.0-47.0);
4. Services of transport and storage (49.0-53.0);
5. Accommodation and food Services (55.0-56.0);
6. Services in the field of information and communication (58.0-63.0);
7. Financial services and insurance services (64.0-66.0);
8. Real estate services (68.0);
9. Professional services, scientific and technical (69.0-75.0);
10. The administrative and support services (77.0-82.0);
11. Services in the field of public administration and defense; services in mandatory social security (84.0-85.0);
12. Services in the field of education;
13. Health services and social services (86.0-88.0);
14. Services in arts, entertainment and recreation (90.0-93.0);

15. Services of households as employers; a variety of goods and services produced by households for their own consumption (97.0-98.0);
16. Services Extra-territorial organizations and bodies (99.0);
17. Other Services (94.0-96.0).

It should be noted that each of these sectors includes from 10 to 500 different types of list of services provided by the public enterprises and organizations of various organizational-legal forms of ownership, as well as citizens (individuals). Thus, with services in modern economic space linked to virtually all activities and services are provided not only the traditional service and industrial pre-acceptance, provides warranty and post-warranty service of manufactured product, transportation, information support, etc. In this regard it should be noted the particular need a better understanding of the service sector, which is seen not as a single branch, but large-scale sector, which has an extensive and complex structure with moving boundaries (Avanesov, 2005).

The role of the services sector in the global economy

The trend of increasing the share of revenues from services in the world GDP delineated in developed countries in 1960-1970s. Currently, the World Bank estimated the contribution of the service sector is more than 70 percent of the world GDP for the date 1st January of 2015 (The World Bank. <http://www.worldbank.org>; <https://www.tradingeconomics.com/world/trade-in-services-percent-of-gdp-wb-data.html>). The countries, those their income share of from the service sector exceeded $\frac{3}{4}$ of GDP in 2014 are Luxembourg (88.3%), Cyprus (87.4%), Malta (85.5%), Denmark (76 , 3%), Monaco (86%), the Bahamas (90.6%), Spain (74.8%), the UK (79.6%), the USA (77.6%). In general it can be stated that more than 50% of GDP, almost all Western European countries (the EU (71.2%), Grenada (79.5%), Iceland (73.3%) and North America (Costa Rica (74.3%)), as well as some countries in Southeast Asia such as Hong Kong (92.8%), Singapore (69.7%) accounted for the service industry. In these states a high level of services, usually provided by a variety of types of service activities - financial and credit, education, home, travel, medical, telecommunication and other services (<https://www.cia.gov/library/publications/the-world-factbook/fields/2012.html>). It should be noted that not only increased the share of the service sector in the GDP of the country, and there is a significant increase in the proportion of people employed in the production of services. In many countries, this figure exceeds the corresponding value for industrial production. Thus, the largest share of employment in the service sector in 2014 accounted for Luxembourg, the UK, Israel (more than 80% of the employed population (Table 1). (<https://www.cia.gov/library/publications/the-world-factbook/fields/2012.html>))

In many of those countries services sector plays a very important role but they do not belong to the group of highly technological services. It is noteworthy that in these countries such services are often dominant, which related individual services industry. This concern first of all states possessing unique natural resources, or the countries in which there are monuments of world cultural heritage. The main role in their

economies play tourism industry, the financial and credit system, transport and some other branches of the services of industry.

Table 1. 20 countries with the highest employment in the service sector

S.No.	Country	Share of employment in the service sector, %
1.	Antigua and Barbuda	82,0
2.	Israel	82,0
3.	Luxembourg	80,6
4.	United Kingdom	80,4
5.	The Netherlands	80,0
6.	Andorra	79,0
7.	Iceland	78,0
8.	United Arab Emirates	78,0
9.	Suriname	78,0
10.	Jordan	77,4
11.	Singapore	77,4
12.	Finland	77,2
13.	USA	76,8
14.	Argentina	76,0
15.	Canada	76,0
16.	Norway	76,0
17.	Uruguay	76,0
18.	Peru	75,5
19.	Australia	75,0
20.	Barbados	75,0

Source: (<http://infotables.ru/strany-i-goroda/43-ekonomicheskaya-statistika-stran-mira/428-protsent-zanyatosti-v-zroslogo-naseleniya-stran-mira-tablitsa>)

Thus, the share of services in GDP amounted to 66.3% in Jordan, 71.1% in Jamaica, 62.6% in Paraguay, Tunisia - 61.2% in 2014 (<https://www.cia.gov/library/publications/the-world-factbook/fields/2012.html>). In today's economy are the full service facilities of world trade. Due to the intangibility of services this kind of external economic relations are sometimes called "invisible" exports and imports. (Klikich, 2004) The exports and imports of services can be worn as a separate character, and accompanied products trade in industrial production in the world market (for example, insurance, legal, banking and similar services). According to the WTO, in 2014 the volume of exports of commercial services in the world amounted to 4.94 trillion US dollars, and imports 4.74 trillion US dollars, while in 1980, respectively 365 and 402 billion US dollars (www.wto.org). The world leader in the field of commercial services trade is the United States, whose share in world exports and imports of commercial services amounted to 14.1% and 9.6% in 2014. After the US share of world exports and imports in commercial services is higher in the UK 6.8% and 3.9%, Germany 5.5% and 6.9%, France 5.4% and 5.1% in China 4.5% and 8.1%, respectively (https://www.wto.org/english/news_e/pres15_e/pr739_e.htm).

Active development of the service sector is due to the influence of several factors, among which is one of the internationally recognized authorities in the field of service management of organizations K. Lavlok highlights such as:

- Policy of the state;
- Business trends;
- Improving the information technology;
- Social change;
- Internationalization (Lovelock, 2005).

Instruments of influence on the service sector, related to the conducting the state policy, easing government regulation,

privatization of service organizations, reduction of restrictions to trade in services, tougher laws aimed at increasing the degree of protection of the rights of consumers and employees, strengthening the protection of the environment, etc. By the trends of business, the most significant for the development of services include the expansion of service activities industry, franchising distribution, moderate and continuous growth dynamics of the number of service organizations in all regions, the orientation of organizations to improve the quality of services, focusing attention on consumer needs, tightening the hiring requirements personnel. IT development is manifested in the integration of computer and telecommunication technologies, more and more intensive use of computer technology and the Internet, the emergence of new and improvement of traditional services. Favorable social changes are increasing incomes of the population, the transformation of lifestyles. Enhance cultural and educational, the standard of living, which is accompanied by an increase in the consumption of services. Finally, the internationalization factor is reflected in the output service organizations into new markets; intensify mergers and acquisitions at the international level, the expansion of the activities of multinational service companies, an increase in the number of foreign trips consumer services, etc.

Trends and factors of development of services sphere in Uzbekistan

For Uzbekistan, as in many countries of the world, the nature of a pronounced trend of increasing the share of service sector in GDP. Becoming a full member of the world community Uzbekistan began to actively introduce new trends in the development of the national economy. Until becoming independence not enough attention was paid to the development of the service sector, but the recent decades are characterized by an increase in the role of the services sector in the global economy, as well as in Uzbekistan. For industrialized countries, the average annual rate of GDP growth in the service sector over the last two decades have averaged 6% and significantly higher on the value of GDP growth in the production of goods (about 2.5%). Similar trends have been observed for a number of developing countries, such as Uzbekistan, where the rate of production in the fields of the service sector highly increasing. For a long time domestic service sector was far behind in terms of development from the same sector of the economy of the majority of the CIS countries, Western Europe and North America. During 1970 – 1980 s in many countries there was a period of rapid growth of the service sector in the economy of the former Soviet sphere of services is not played a leading role, even though there were clear achievements in the areas of health, education, culture and a number of other services. But now for the modern structure of Uzbekistan's GDP is characterized by a rapidly growing share of services. The most important factor in the provision and sustainable economic growth is the service sector. As international experience shows, this area now has a dominant position in the formation of GDP, employment, well being of the population. At the end of 2015 ensured the dynamic development of the service sector. The volume of paid services increased by 10.8 percent, retail trade - by more than 15 percent. The share of services in GDP has reached 54.5 per

cent, where it was 49 per cent in 2010. (Report of the President of Uzbekistan Islam Karimov, 2016)

Table 2. Structure of the GDP of the Republic of Uzbekistan during 1990-2015

Field of activity	Years			
	1990	2000	2010	2015
Industry	17,6	14,2	24,0	28,0
Agriculture	33,4	30,1	17,5	15,4
Services	33,8	37,0	49,0	54,5
Others	15,2	18,7	9,5	2,1
Investments in fixed assets	18,0	22,9	25,0	23,1
The share of small business	0,0	31,0	52,5	56,7

Source: compiled by the authors based on the data of Statistics of the Republic of Uzbekistan State Committee

Formation of a new system of social and economic relations ever since independence Uzbekistan has had a very beneficial effect on the development of domestic service. In this area accounts for over a 33 percent of created new jobs in each year, especially for young professionals graduating from vocational colleges. The President of Republic of Uzbekistan in his report noted that in the years of independence, especially in the period 2000-2015 fundamentally changed the structure of the services provided. The increasing popularity among the population get modern high-tech services, such as mobile phone services, high speed internet, cable TV connection, remote-WIDE banking services, maintenance services and repair of agricultural technologies and automotive engineering, process equipment. From 2010 till 2015 the share of traditional kinds of household and communal services has decreased from 16 to 9.5 percent, while the share of high-tech services increased to 21.2 percent. Among the high-tech services in the most intensively developed communication services in recent years and information, which increased 3.3 times and for the over past five years - by 24.5 percent. Recognizing the special and important role of ICT in the economy and society, in 2013 adopted a comprehensive program for the development of national information and communication system of the Republic of Uzbekistan for the period 2013-2020. Implemented as part of this program, projects have allowed in 2014 to complete the transfer of all exchanges of the republic with the analog system to the use of a digital signal, which significantly increased the rate of use of international information networks (Report of the President of Uzbekistan Islam Karimov, 2014).

Particular attention is paid to increase the availability of ICT services for the population, including those living in remote regions of the country. So, in 2014, built more than 2 thousand kilometers of fiber-optic communication lines in the country, including remote areas such as the Kungrad, Boysun, Uzun, Muinak. Year by year in country growing number of internet users, which now stands at more than 10.2 million people, in other words one third of the total population. Thus the throughput capacity of the internet in country increased is by 4 times, and the access speed - 1.5. In addition, the internet cost is reduced compared to 11.6 percent last year. Due to the installation over the past year more than 500 new mobile subscribers of the modern high-tech communications base stations are nearly 20 million people, and the volume of services provided to communication increased by almost 26 percent (Report of the President of Uzbekistan Islam Karimov,

2014). We have to admit that there is still insufficient development of services in rural areas. Indicators of services per capita in rural areas are still far behind the performance of the city. Great potential for development of this sphere in rural areas are telecommunication services, banking and financial services and utilities. Development in the service sector of Uzbekistan is influenced by both positive and negative influencing factors. *To include the negative factors*, such as the low level of competition between enterprises of the service sector; in the sphere of public sector services economy to rapidly changing conditions in consumer demand; shortcomings in the legal acts regulating the activities of service organizations and others. *The positive factors include:* a significant increase in the number of service organizations; the appearance of the Uzbek foreign competitors the market with experience of the service sector in their respective countries; the strengthening of the non-state sector of the economy, including small businesses and private entrepreneurship and others. But the service sector still has a dominant position in the economy of many countries with different types of political, economic development, population, etc. In general we can say that the significance of the service sector has increased in the global economic space. Service sector of Uzbekistan has undergone dramatic changes in recent years. Worldwide trends in socio-economic processes and the reorganization of the domestic economy contributed not only to the achievement of the service sector of Uzbekistan high growth rates, but also create an excellent basis for further development

REFERENCES

- "Our main goal - despite the difficulties, determined to go forward, consistently continuing the ongoing reforms, structural changes in the economy, creating even more opportunities for the development of private property, entrepreneurship and small business," the report of the President of the Republic of Uzbekistan Islam Karimov at the enlarged meeting of the Cabinet Ministers dedicated to the socio-economic development in 2015 and the most important priorities of economic program for 2016 // UzA.uz
- Avanesov G.A. 2005. Service activities: historical and contemporary practice, entrepreneurship, management. M.: Aspect Press.
- Balaeva O.N. Predvoditeleva M. Scope of services in the global economy: trends // World Economy and International relation.-2007.-№ 3.
- Demidova L. 2002. Services professionals in a post-industrial economy // World Economy and International relation, Number 2 (13).
- <http://infotables.ru/strany-i-goroda/43-ekonomicheskaya-statistika-stran-mira/428-protsept-zanyatosti-vzroslogo-naseleniya-stran-mira-tablitsa>
- <http://infotables.ru/strany-i-goroda/43-ekonomicheskaya-statistika-stran-mira/428-protsept-zanyatosti-vzroslogo-naseleniya-stran-mira-tablitsa>
- <https://www.cia.gov/library/publications/the-world-factbook/fields/2012.html>
- https://www.hse.ru/data/2015/11/02/1078233778/its2015_e.pdf
- <https://www.tradingeconomics.com/world/trade-in-services-percent-of-gdp-wb-data.html>

https://www.wto.org/english/news_e/pres15_e/pr739_e.htm

Klikich L.M. 2004. The evolution of the service sector: non-equilibrium approach. M.: ICCA.

Lovelock K. 2005. Marketing services: Personnel, technology and strategy. -M, St. Petersburg, Kiev. Williams.

Putgayzer V.M. Koriagina T.I. and T.I. Arbuzov dr. 1990. Sphere of services. The new concept of development.-M.: Economics.

Report of the President of Uzbekistan Islam Karimov at the meeting of the Cabinet of Ministers dedicated to the socio-

economic development in 2014 and the crucial priorities of economic program for 2015 // UzA.uz

State Standard of the Republic of Uzbekistan. "The statistical classification of products (goods, works, services) by economic activity of the Republic of Uzbekistan O'zDSt 2914: 2014 // [stat.uz.ru / classifiers / skp / 3skp.pdf](http://stat.uz.ru/classifiers/skp/3skp.pdf)

The World Bank. <http://www.worldbank.org>.

WTO Secretariat, 2011. Press release//PRESS/628. Geneva. April 7. P. 21-23.

www.wto.org
