

# The Socio-Economic Significance Of Developing The Service Sector

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**Abstract:** This article examines the socio-economic significance of developing the service sector as a key driver of modern economic growth and social stability. It outlines the historical evolution of services, particularly the impact of the industrial revolution in shifting economies from production-centered to service-oriented models. The paper explores essential factors to consider in the transformation of service industries, including innovation, localization, and improved service delivery standards. Special attention is paid to Uzbekistan's national programs and strategic initiatives aimed at expanding and modernizing its service sector. Furthermore, the article analyzes how service development fosters employment opportunities, enhances living standards, and supports sustainable economic progress.

**Keywords:** Service sector, socio-economic development, economic growth, employment, consumer demand, business model, localization, entrepreneurship, Uzbekistan economy, service transformation, quality of life, modernization.

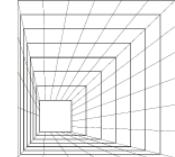
**Introduction.** The service sector plays a crucial role in fulfilling both economic (providing paid services to the population, generating profit, and paying taxes) and social functions (helping to increase workers' free time). Services have a significant impact on meeting personal and social needs, and they carry the values of consumption across various dimensions—physical, intellectual, and social. The activities of organizations and individual entrepreneurs in the service sector make a substantial contribution to the national economy. The service sector provides the following:

1. Growth of the national economic potential;
2. Employment for the population;
3. Savings in consumers' time and money;
4. Improvement in people's quality of life;
5. Development of production.

## The Role of the Service Sector in the Social and Economic Life of a Country

The activities of organizations and entrepreneurs in the service sector contribute significantly to the national economy. In developed countries, the service sector accounts for more than half of the Gross Domestic Product (GDP). The service sector supports the growth of a country's economic potential and employment, with up to 70% of the working-age population in developed countries engaged in services. The sector is diverse and complex, designed to meet the needs and specific requests of customers. It is widely recognized that without well-organized services, there cannot be a developed economy or modern state. In the mid-1980s in Russia, despite the high demand for services, a situation arose where demand for services declined due to rising prices. This decline was attributed to material shortages, inadequate technical maintenance of service companies, and other objective factors. It became evident that service providers needed to improve their service quality and customer culture. The first companies to offer high-quality services were cooperatives and individual entrepreneurs, who began to restructure the household services system. The public's interest in these services grew because they offered better quality compared to state-owned companies. These cooperatives and entrepreneurs created additional job opportunities for workers released from the state sector.

One of the most important social functions of the service sector is increasing consumers' free time by reducing unproductive household labor. For example, for every ruble spent on



private services, 1.5 hours of labor was freed in households. Furthermore, the time spent on receiving services decreased. Another significant social function of the service sector is the expansion of service types and better fulfillment of demand based on individual needs. This led to greater fulfillment of needs in household services (social function) and increased participation in the creation of Gross Social Product, as well as market segmentation (economic function). For instance, household services such as shoe repairs, electronic device repairs, and maintenance of household appliances contributed to considerable savings in household budgets. The development of the service sector and the demand for services are primarily driven by the growth of industrial production and the increase in the purchasing power of the population. Industrial enterprises produce goods that require repair and technical services, leading to the expansion of service sector activities. Moreover, the development of industries stimulates the growth of service activities, and vice versa.

New economic relations in Russia created favorable conditions for the development of service activities. Economic reforms improved the functioning of service organizations, leading to the emergence of new forms and methods of service, and the appearance of new service types. By the end of the 20th century, service sector activities had become more economically profitable than production, as service companies experienced quicker turnover of funds and required fewer initial investments.

In 1990, the volume of paid services provided to the population amounted to 44 billion rubles, and by 1995, the volume of services had decreased by 18% in comparable prices. The growth of service provision resumed only in 1999. From 1999 to 2003, the average annual growth rate of services was 4.5%. Between 1992 and 1995, the development of small businesses in Russia also influenced the service sector, as smaller service companies adapted more quickly to changes in market and economic conditions compared to production enterprises. Over the past decade, Russia has actively utilized foreign experience in the service sector, leading to increased demand for services. The growing affluence of certain consumer groups created new demands and needs for services. Wealthier consumers, with higher purchasing power, started demanding a wider range of services that could improve their quality of life. Service organizations began to focus more on meeting the individual needs of consumers and adapting to stricter quality demands. Competition between local and foreign organizations entering the Russian market grew rapidly, providing additional incentives for the development and improvement of service companies. As a result, new service directions emerged to meet the modern needs of consumers and organizations (banking services, tourism, information services, security services for personal, informational, and financial protection). Over the last decade, the share of household services and services in sanatoriums decreased, while communication services, utilities, medical services, and educational services saw a significant increase.

In the 1990s, demand for certain household services provided by service companies declined due to a significant reduction in household incomes and the availability of more convenient and economically viable products for laundry, photocopying, and similar tasks. The disappearance of product shortages reduced the need for repair services and custom tailoring. Meanwhile, the emergence of new, user-friendly cameras increased demand for photographic services. The development of pre- and post-sale services in consumer electronics helped ensure the competitiveness of these products and supported the integration of service and production activities.

### **Conclusion:**

The development of the service sector plays a crucial role in the socio-economic advancement of any country. It not only contributes to economic growth by increasing GDP and creating employment opportunities but also enhances the quality of life by meeting diverse



individual and social needs. The transformation of the service industry, supported by industrial progress and innovative business models, highlights the need for improved service quality, customer satisfaction, and flexibility in meeting modern demands. In the context of Uzbekistan, government programs and reforms aimed at expanding and modernizing the service sector present significant opportunities for economic diversification and sustainable development. Strengthening this sector will ensure increased competitiveness, better living standards, and a more resilient national economy.

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