BG Pulse Journal USA
ISSN:1947-2536 http://www.bgpulseusa.com/index.php/bg

CREATING FAVORABLE CONDITIONS TO STIMULATE THE DEVELOPMENT OF THE SERVICE SECTOR

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https://doi.org/10.5281/zenodo.20234621

Abstract. The article examines approaches to creating favorable conditions for stimulating the development of the service sector. Particular attention is paid to the analysis of factors influencing the growth and modernization of this sector, as well as to the development of strategies and measures aimed at improving the economic, legal, and social environment for businesses and consumers. Special emphasis is placed on innovative management methods, the implementation of digital technologies, and the improvement of service quality.

Keywords: investor, income, project profitability, risk, service sector, competitiveness, lending, financial structure.

The service sector plays a crucial role in the modern economy, serving as one of the main drivers of economic growth, employment, innovation, and social welfare. In the context of globalization and rapid technological progress, the development of the service industry has become an important factor in increasing national competitiveness and improving the quality of life of the population. Today, services occupy a leading position in the economies of many countries, contributing significantly to gross domestic product, investment activity, and labor market expansion.

Creating favorable conditions for the sustainable development of the service sector requires a comprehensive approach that includes economic, legal, institutional, and technological measures. Governments and business entities must work together to improve the investment climate, enhance access to financial resources, strengthen market infrastructure, and support entrepreneurship. In addition, the introduction of digital technologies and innovative management methods plays a key role in increasing the efficiency and quality of services provided.

The relevance of this topic is determined by the growing importance of the service sector in ensuring economic stability and sustainable development. Despite its rapid growth, the sector still faces a number of challenges, including insufficient investment, limited access to credit, high market competition, and the need for continuous modernization. Therefore, the development of effective strategies aimed at stimulating the service sector remains an important task for policymakers, researchers, and business representatives.

The service sector in modern conditions is one of the key components of the national economy, having a significant impact on employment levels, the quality of life of citizens, and the pace of the country's economic growth. The development of this sector contributes to the expansion of entrepreneurial activity, the enhancement of economic competitiveness, and the formation of a favorable investment climate. In the context of globalization and the digital transformation of the economy, the role of services is constantly increasing, while their diversity is becoming an important factor in the sustainable socio-economic development of the state.

Creating favorable conditions to stimulate the development of the service sector is an important task of state economic policy. For the effective functioning and expansion of this industry, it is necessary to improve the regulatory and legal framework, develop infrastructure, introduce innovative technologies, support small and medium-sized businesses, and enhance the quality and accessibility of services provided. Of particular importance is the formation of a competitive environment that promotes greater efficiency of service enterprises and better satisfaction of the population's needs.

The relevance of the studied topic is determined by the fact that, under modern economic conditions, the service sector is becoming one of the main sources of job creation, increased household income, and economic stability. Despite its considerable development potential, this industry faces a number of problems related to insufficient investment, limited access to financial resources, a shortage of qualified personnel, and imperfections in state support mechanisms.

The purpose of this work is to study the main directions for creating favorable conditions to stimulate the development of the service sector, as well as to analyze the factors affecting the efficiency of its functioning. To achieve this goal, it is necessary to examine the importance of the service sector in the economy, identify the existing problems of its development, and determine possible ways to solve them.

Due to the insufficient volume of investments directed into the service sector, its competitiveness remains low. Therefore, creating conditions for the preferential investment of funds into the service industry can help solve a very important problem — increasing competitiveness.

The main problem in attracting, allocating, and utilizing budgetary and borrowed resources is the absence of a balanced mechanism of interaction between state and private financial structures in relation to potential domestic and foreign investors. Therefore, there is a growing need to develop a financial mechanism adapted to the current economic conditions of the New Uzbekistan. Possessing a considerable number of capital-intensive infrastructure priorities, investment emphasis is placed on the implementation of resource- and energy-intensive projects. Within the framework of macroeconomic development and the stabilization of the state's foreign economic policy, this tendency is justified to a certain extent. Priority is given by the state to projects that contribute to the development of the domestic production sector engaged in manufacturing import-substituting products. Due to the absence of a state financial guarantee mechanism for domestic producers, attracting long-term investments becomes problematic, which negatively affects the implementation of more profitable projects.

The attraction of budgetary funds, as well as international credits (loans) through financial institutions, leads to active lending to domestic enterprises. One of the drawbacks in this process is that, despite the shortage of available borrowed financial resources, under the existing financial investment mechanism, part of the provided credit funds is immediately spent by borrowers for current needs, while another part is accumulated in deposit accounts of commercial banks. The latter may use these funds for interbank operations, meaning that they are not always used for their intended purpose.

A negative aspect of this process is the short-term nature of lending. As a result, the efficiency of state-provided loans decreases, while at the same time the profitability of commercial (private) banks from interbank operations increases. There is also an increased risk for banks regarding the non-repayment of provided financial resources by borrowers. It is necessary to minimize state risks when financing socially significant and infrastructure projects through financial institutions and banks.

Therefore, a favorable investment climate (effective legislation, efficient regulation, tax incentives, etc.) reduces uncertainty and encourages entrepreneurs to invest in those sectors of the economy where the state defines fiscal and financial incentives based on investment optimization programs. In our opinion, the greatest benefits should be granted to domestic investors, since the practices of foreign investors demonstrate the consequences of such negative phenomena for the national economy as:

- preference given to trade and dumping prices at the expense of entrepreneurship development;
- the concentration of large entities on short-term high-profit projects while simultaneously carefully monitoring opportunities for a rapid withdrawal from certain domestic markets;
- the tendency to transfer outdated technologies to the service sector compared to Western standards and to limit investments mainly to second-hand equipment;
- large entities often enter the service sector on a 50:50 partnership basis and then quickly attempt to obtain a controlling stake and managerial advantages;
- despite the existence of joint ventures with local partners, they rapidly diversify into subsidiaries with 100% foreign ownership in other industries;
- there are constant attempts to employ local specialists or workers without official registration for specific positions, which leads to direct losses in tax revenues to the state budget;
- by relocating to economically weaker countries, they often use environmentally harmful equipment or replace it with more technologically advanced modern equipment only later;
- taking advantage of their financial position, foreign investors attempt to influence local authorities and often seek to resolve issues at the level of regional administrations and remote districts (cities).

Thus, the development of the service sector is an important condition for increasing the country's economic potential and improving the welfare of the population, which determines the need to develop and implement effective measures aimed at creating a favorable environment for its further growth. The existence of the above-mentioned shortcomings does not mean that direct investment in the service sector should be strictly limited; rather, it is necessary to create mechanisms for monitoring and controlling investors' activities.

At the same time, the republic should establish certain barriers to the import of finished products that can be manufactured domestically, in the form of high customs duties, mandatory procurement of components from local suppliers, and various fiscal measures, so that it becomes more profitable for foreign enterprises not to import such goods but to carry out targeted investments. The creation of such conditions is also important because the service sector, firstly, enters global markets more easily, thereby increasing the country's overall competitiveness, and secondly, stimulates processing, manufacturing, and ultimately the development of the production of goods and services.

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