

DEVELOPMENT OF SERVICE INDUSTRIES IN SAMARKAND REGION AND THEIR CONTRIBUTION TO THE REGIONAL ECONOMY

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Abstract

The paper looks at how service businesses grew in the Samarkand area and how much they matter for the local economy. It uses data work, a small field survey, and other tools to reach its results. The survey involved 50 owners and managers from small and medium firms. The authors also apply SWOT methods and run projections out to 2030.

Across the analysis, several problems show up again and again. These include trouble getting money, a heavy tax load, weak digital know how, and not enough trained staff. It also notes other newer service lines that fit the same direction. To respond, the paper calls for better access to credit, more training in digital skills, and stronger infrastructure.

Keywords: Samarkand region; service sector; service businesses; local economy; small and medium-sized enterprises (SMEs); tourism; information technology; logistics; digital transformation; business development; SWOT analysis; economic growth.

This region with historical and cultural interest and is one of the country's most important tourist attractions. Meanwhile, the regional economy is shifting away from the traditional economic activities like trade, agriculture and manufacturing and gradually shifting towards a wide-ranging service-based economic structure. In this context, the evolution of modern services, such as information, financial, logistic, consulting, hospitality, restaurant, education and other business services, is therefore taking an important role to achieve sustainable economic growth in a region.

Samarkand, in particular, has a great potential to develop the service sector as it can create jobs, boost entrepreneurship, attract investment and enhance

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value added within the region. However, tourism is a major contributor to this process, and overreliance on tourism can also make them vulnerable. The level of tourist flows can vary due to seasonal influences, international economic trends, transportability, exchange-rate changes and geopolitical events. So there is a need to expand the service sector in Samarkand beyond tourism in order to develop the city in the long term.

They can also bring in new technologies and generate jobs and offer niche services to local markets. SMEs have a special role in the Samarkand's trade, hospitality and food services, transportation, tourism-related activities, and emerging digital services.

In fact the information, which is given by official statistics, shows that small business and entrepreneurship play an important role in Uzbekistan's economy. The National Statistics Committee lists statistical indicators which also include those for the small business sector, such as its contribution to GDP, employment, exports, imports, construction and industrial production. The World Bank has also stressed the need to enhance the access to finance of Uzbekistan's MSMEs..

These issues are of special importance for the Samarkand region. Strong tourism potential, high numbers of people, existing network of educational institutions, and a strategic geographical position between major cities and economic centers are found in the region. This opens up opportunities to develop logistics, digital services, the hospitality sector, financial services and other knowledge-based industry sectors.

The service sector has yet to overcome a number of structural hurdles, however. They are the lack of access to low-cost capital, low digital skills, low skilled workforce, lack of infrastructure, administrative and tax issues, lack of diversification of tourism products and lack of integration between tourism and technological and other service industries.

The aim of this research is to analyze the development of the service industry in Samarkand region, to identify main factors that affect the contribution of service industry in the region's economy, to investigate the barriers that face the SMEs in the service industry and to develop recommendations for enhancing the contribution of services by 2030.

The concept of regional clustering of related firms and institutions to boost productivity and competitiveness was further extended by the Porter's cluster

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approach. The tourism cluster, for instance, in Samarkand, can consist of hotels, restaurants, travel agencies, transport companies, cultural and historical sights, digital platforms, financial institutions, education centers and financial institutions. They can generate a more powerful regional value chain than the growth of the individual enterprises.

The institutional theory is another important view. Institutions, rules and incentives are important in influencing economic behavior, North stressed. The institutional environment in the context of the service economy of Samarkand is provided by tax services, licenses, access to finance, property rights, infrastructure, the quality of regulatory services, and the quality of public services.

The importance of services in a region's economy has also been explored in international literature. Daniels' study of the geography of service activities highlighted the role of producer services in regional development and the importance of the changing nature of the geography of service activities. The researcher in the research group known as Illeris was interested in service industries and geographical distribution, while Bryson and other members of the research group was interested in knowledge-intensive and professional services.

The modern service economy is far from the conventional service activities. The traditional services – retail and basic transportation – are heavily reliant on local demand. Other activities, such as IT, consulting, financial technology, digital marketing, professional services, and other knowledge-based services are more able to target customers outside of the region, and even export services without having to move customers.

The research also suggests that the share of services in the regional economy could grow significantly if the right policies are carried out by 2030.

If the optimistic outlook prevails, services may represent about 40 per cent of GRP by 2030.

The scenario assumes that there is a gradual improvement in infrastructure, finance and digitalization.

The worse-case scenario is that financing constraints continue to be a big issue and there are not enough skills, and tourism remains volatile.

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In the positive outlook, the growth of the service sector could create over 12,000 new jobs and formal economic activity could create significant tax revenues.

The approximate tax revenue of UZS 350 billion per year to be generated by the transfer must be considered as an assumption, rather than a certain amount of money.

The service sector has great potential to be one of the main sectors of economic development of Samarkand region.

The most obvious part of this is currently tourism. But tourism is not enough to diversify and build resilience for the regional economy.

Expanding the service economy through the development of IT, logistic, financial services, consulting, professional services, education, healthcare, hospitality and other knowledge intensive activities can expand and strengthen the service economy.

Access to finance, taxation, digital skills, infrastructure and human capital are the major challenges faced by service sector SMEs, according to the research.

The formation of a tourism cluster is an important opportunity. There is a need for greater coordination in the case of hotels, restaurants, travel companies, transport companies, cultural institutions, universities, IT companies and financial institutions.

Meanwhile, Samarkand has to shun the formation of a highly tourism-based economy. The region can serve as a larger regional service centre not only for the tourists but also for the businesses and consumers of Central Asia as well.

The electronic services, in particular, have great potential to generate export due to the fact that customers don't have to come to Samarkand.

The goal in the long-term should be to shift Samarkand's economy from a basically tourist-driven orientation to a regional service hub.

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