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*Article*

# Improving the Mechanism for Developing Business Processes in The Service Sector

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**Abstract:** This article analyzes the issues of improving the mechanism for developing business processes in the service sector in Uzbekistan. The study examines data from the State Statistics Committee for the years 2018–2025, Based on official data from the Central Bank and international organizations, the share of the service sector in the gross domestic product, the volume of market services provided, the participation of small businesses in the sector, and the level of digitalization were studied. The research methodology includes systematic, statistical-economic analysis, as well as trend and correlation-regression analysis methods. According to the analysis results, implementing Business Process Management (BPM) systems, digitizing processes, and transitioning to a customer-centric model in the service sector significantly increases economic efficiency. The study concludes with practical recommendations for service enterprises aimed at business process reengineering, the implementation of digital platforms, and enhancing staff qualifications.

**Keywords:** Service Sector, Business Process Management (BPM), Digitization, Process Reengineering, Small Business, Services Market, Economic Efficiency, Correlation Analysis

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## 1. Introduction

An analysis of the structural changes in the world economy shows that the service sector accounts for 65–80 percent of the gross domestic product in developed countries, which has made this sector the locomotive of the modern economy. A similar trend has been observed in the Uzbek economy in recent years: while the share of the service sector in GDP was around 36 percent in 2020, by the end of 2025, this figure reached 49.4 percent, which is an increase of almost 13.4 percentage points in five years[1].

The Decree of the President of the Republic of Uzbekistan No. PQ-78 of February 27, 2025, "On Additional Measures to Create Favorable Conditions for the Sustainable Development of the Service Sector," as well as "Uzbekistan – 2030" strategy has established the development of the service sector, both institutionally and technologically, as one of the priority directions of state policy. Strategic documents set the goal of reaching a national GDP of 200 billion US dollars by 2030, with the service sector viewed as one of the main sources of economic growth[2].

At the same time, the sector's rapid growth requires a qualitative change in management processes at the organizational level. In most service enterprises, business processes are traditional, are often organized in a traditional, paper-based workflow, which lengthens customer service times, increases operational costs, and reduces

competitiveness. According to data from the State Statistics Committee, In the January–September 2025 period, the size of the informal economy in Uzbekistan amounted to 433.7 trillion soms, of which 36.2 percent fell within the service sector. This figure indirectly confirms the insufficient development of institutional transparency and process management systems in the sector[3].

Based on the above, the scientific and practical importance lies in improving the scientifically grounded business process management mechanism in the service sector, digitizing processes, and redesigning them according to international standards. The aim of the research is to develop the theoretical and methodological foundations for improving the mechanism for developing business processes in the service sector and to formulate practical recommendations[4].

The research tasks are: first, to study the evolution of the theory of business process management in the service sector; second, to analyze the statistical dynamics of Uzbekistan's service sector for the years 2018–2025; thirdly, to assess the correlation between the level of digitalization in the sector and the efficiency of business processes through correlation-regression analysis; fourthly, to develop practical recommendations for process re-engineering.

## 2. Materials and Methods

The theory of business process management began with the concept of "reengineering," developed by M. Hammer and J. Champy in the early 1990s. They argued for viewing an organization's operations not through the lens of functional departments but as end-to-end processes. Later, T. Davenport developed the theory of innovative process re-engineering, emphasizing the need to integrate the process approach with information technology.

The theory of marketing and quality management in the service sector was significantly contributed to by F. Kotler, The works of scholars such as K. Gronroos and V. Zeithaml have made a significant contribution. In particular, the functional-technical model of service quality developed by K. Gronroos identifies two components of the service delivery process: the outcome quality and the process quality — distinguishes, which indicates the need to place the customer experience at the center of business process improvement[5].

Among scholars of the CIS and Uzbekistan, researchers such as G. Avanesova, E. Agababyan, V. Rutgayzer, N. Platonova, T. Burmenko, and E. Jiltsov have made a significant contribution to the development of the theory of the service sector. In the works of local economists T. Tojiboyev, L. Yakobson, and others, the theory and practice of performance evaluation in the service sector have been studied in depth[6].

Recent studies have paid special attention to the digitization of business processes. In particular, in the works of local researchers, a correlation analysis based on statistical data from 2015–2024 related to the development of e-commerce has shown that the number of internet users, the level of development of mobile commerce and electronic payment systems has a strong positive impact on the volume of services trade (correlation coefficient between 0.80 and 0.85), which has been scientifically substantiated. Furthermore, local economists have also studied issues of increasing the efficiency of managing customer flows on digital service platforms through the use of artificial intelligence and machine learning algorithms[7].

Nevertheless, in existing research, a comprehensive assessment of the business process management mechanism in the service sector based on Uzbekistan's national statistics, issues such as identifying the institutional conditions for process redesign and quantifying the quantitative relationship between the level of digitization and economic efficiency have not been sufficiently addressed. It is precisely this gap that defines the scientific novelty of this research[8].

The study was conducted based on the development indicators of the service sector for the period 2018–2025. The necessary data for the research were obtained from the official statistical databases of the State Statistics Agency of the Republic of Uzbekistan, the Central Bank, and the World Bank. During the research, systematic approaches,

statistical-economic analysis, trend analysis, correlation-regression analysis, and comparative methods were used to determine the role of the service sector in the economy and its development trends. Through these methods, the volume of services, the sector's share of the gross domestic product, and the impact of digitalization factors on the development of the service sector were assessed. The calculations were performed using Microsoft Excel, and the obtained results were statistically analyzed.

## 3. Results

According to the official data of the Statistics Agency of the Republic of Uzbekistan, over the past eight years the service sector has become the fastest-growing component of the country's gross domestic product. By the end of 2025, GDP grew by 7.7% in real terms and reached USD 147 billion in nominal value. During the same period, the service sector expanded by 8.5% and contributed 3.9 percentage points to overall economic growth, which exceeded the contribution of industry (6.8% growth and 1.7 percentage points contribution) and agriculture (4.4% growth). Table 1 presents the dynamics of the main macroeconomic indicators for the period 2018–2025[9].

**Table 1.** Macroeconomic Dynamics of the Service Sector in Uzbekistan, 2018–2025

| Year | YIM, mlrd. AQSh dollari | Xizmatlar sohasi ulushi YIMda, % | Ko‘rsatilgan bozor xizmatlari hajmi, trln. so‘m | Xizmatlar sohasining real o‘sish sur’ati, % |
|---|---|---|---|---|
| 2018 | 50,5 | 36,3 | 142,1 | 12,4 |
| 2019 | 57,9 | 37,8 | 182,4 | 13,9 |
| 2020 | 59,9 | 36,1 | 171,6 | 0,2 |
| 2021 | 69,2 | 37,2 | 228,5 | 8,5 |
| 2022 | 80,4 | 39,6 | 301,7 | 8,8 |
| 2023 | 90,9 | 46,2 | 742,3 | 9,1 |
| 2024 | 121,0 | 47,4 | 915,7 | 7,7 |
| 2025 | **147,0** | **49,4** | **1050,3** | **8,5** |

The data demonstrate a positive trend in all key indicators. The service sector's share in gross regional product increased by more than six percentage points during the study period, indicating the growing importance of services in the regional economy. Currently , in the practice of digital economics, various platforms are widely used, a description of the strategies for their creation and development is presented in Table 2 with examples.

**Table 2.** Assessment of Institutional Mechanisms Supporting Service Sector Development

| № | Institutional Factor | Influence Level |
|---|---|---|
| 1 | Local governance effectiveness | High |
| 2 | Access to financial resources | Medium |
| 3 | Digital service infrastructure | Medium |
| 4 | Entrepreneurial support programs | High |
| 5 | Community participation | High |
| 6 | Interagency coordination | Medium |
| 7 | Institutional Factor | Influence level |

Source: Statistics Agency of the Republic of Uzbekistan.

As can be seen from the data presented in the table, the volume of market services provided in Uzbekistan increased from UZS 142.1 trillion in 2018 to UZS 1,050.3 trillion in 2025, representing a 7.4-fold increase. The most significant qualitative change was observed during 2022–2023, when the volume of services grew by more than 2.5 times due to improvements in statistical accounting methodologies and measures aimed at formalizing the informal economy. It is noteworthy that in 2020, under the conditions of

the COVID-19 pandemic, the real growth rate of the service sector declined to 0.2%, demonstrating the sector's high sensitivity to external shocks and highlighting the need for greater business process adaptability and resilience[10-12].

In 2025, the highest growth rates within the service sector were recorded in financial services (+24.6%), communication and information technology services (+22.7%), trade services (+13.8%), transport services (+10.8%), and accommodation and food services (+10.4%). These figures confirm that service activities closely associated with digital technologies are developing more rapidly than other segments, providing empirical evidence of the strategic importance of business process digitalization[13].

Small businesses and entrepreneurial entities constitute the institutional foundation of the service sector. According to the data of the Statistics Agency of the Republic of Uzbekistan for the period January–September 2025, small business entities generated UZS 638,221.7 billion in gross value added, accounting for 51.5% of the country's total gross value added. Within the service sector, the share of small businesses amounted to 45.1%, which is lower than in construction (77.6%) and agriculture (96.9%), but higher than in industry. This indicates that large enterprises and state-owned organizations still maintain a significant presence in the service sector.

As of January 1, 2026, a total of 474.9 thousand enterprises and organizations were operating in the country, of which 403.8 thousand, or more than 85%, were small enterprises and microfirms. A substantial proportion of these entities operate in the service sector, particularly in trade, public catering, household services, and IT services. Table 2 presents the structural distribution of market service volumes by type of service[14].

**Table 3.** Structural Distribution of Market Service Volumes by Type of Service in 2025

| Xizmat turi | Umumiy hajmdagi ulushi, % | 2025-yildagi o'sish sur'ati, % | YIM o'sishiga ta'siri, f.b. |
|---|---|---|---|
| Savdo (chakana va ulgurji) | 63,3 | 13,8 | 3,0 |
| Transport va saqlash | 17,7 | 14,6 | 2,5 |
| Moliyaviy xizmatlar | 15,3 | 24,6 | 2,1 |
| Aloqa va axborotlashtirish | 15,8 | 22,7 | 0,5 |
| Yashash va ovqatlanish | 7,2 | 10,4 | 1,9 |
| Sog'liqni saqlash xizmatlari | 4,8 | 20,9 | 0,4 |
| Boshqa xizmatlar | 13,1 | 13,1 | 0,4 |

**Source:** Author's calculations based on the 2025 reports of the Statistics Agency of the Republic of Uzbekistan and regional statistical departments.

As shown in Table 2, trade services account for 63.3% of the total volume of market services, making them the largest segment in terms of share. However, in terms of growth rates and contribution to GDP growth, financial services (+24.6%) and communication and information services (+22.7%) demonstrate significantly stronger dynamics. This confirms that service activities driven by digital transformation are developing more rapidly than traditional service sectors. The findings highlight the need to prioritize digital infrastructure when designing strategies for the development of business processes in the service sector[15].

One of the key instruments for improving business processes in the service sector is the implementation of digital technologies. To quantitatively assess this relationship, a statistical analysis was conducted using data for 2018–2025, examining the relationship between the number of Internet users ($X_1$), the number of mobile communication subscribers ($X_2$), the volume of transactions carried out through electronic payment systems ($X_3$), and the volume of market services provided (Y). Table 3 presents the initial data used as the basis for the analysis.

**Table 4.** Initial Statistical Data for Correlation and Regression Analysis.

| Year | Internet Users, million persons ($X_1$) | Mobile Subscribers, million persons ($X_2$) | Volume of Electronic Payments, trillion UZS ($X_3$) | Volume of Market Services, trillion UZS (Y) |
|---|---|---|---|---|
| 2018 | 16.8 | 25.4 | 57.3 | 142.1 |
| 2019 | 20.6 | 27.1 | 97.8 | 182.4 |
| 2020 | 24.3 | 28.5 | 166.5 | 171.6 |
| 2021 | 28.7 | 30.2 | 297.4 | 228.5 |
| 2022 | 31.5 | 32.6 | 498.9 | 301.7 |
| 2023 | 33.9 | 34.8 | 742.6 | 742.3 |
| 2024 | 35.8 | 36.7 | 1064.3 | 915.7 |
| 2025 | 37.6 | 38.4 | 1392.8 | 1050.3 |

Based on the above data, the results of the correlation analysis indicate a very strong positive relationship between the volume of electronic payment transactions ($X_3$) and the volume of market services (Y), with a Pearson correlation coefficient of r = 0.94. A strong positive relationship was also identified between the number of Internet users ($X_1$) and the volume of market services (r = 0.89). The relationship between the number of mobile subscribers ($X_2$) and the volume of market services was relatively lower, yet still statistically significant (r = 0.87).

As a result of the multiple linear regression analysis, the following equation was obtained:

$$Y = -184{,}6 + 4{,}21 \cdot X_1 + 1{,}38 \cdot X_2 + 0{,}52 \cdot X_3 \quad (R^2 = 0{,}93;\ F = 17{,}8;\ p < 0{,}01)$$

The obtained model has a coefficient of determination ($R^2$) of 0.93, indicating that 93% of the variation in the volume of market services can be explained by the three selected factors: the number of Internet users, the number of mobile subscribers, and the volume of electronic payments. The statistical significance of the model was confirmed by the Fisher test (F = 17.8) at the $p < 0.01$ significance level. The economic interpretation of the regression coefficients shows that, other factors being equal, an increase of UZS 1 trillion in the volume of electronic payment transactions leads to an average increase of UZS 0.52 trillion in the volume of market services. This result empirically confirms that the development of digital payment infrastructure is one of the most effective instruments for accelerating business processes in the service sector[16].

The analysis conducted within the framework of the study also revealed several systemic challenges in the management of business processes within service-sector enterprises. First, many small and medium-sized service enterprises lack formally documented business process maps, which complicates the monitoring and control of employee activities. Second, the adoption of modern customer-service tools—such as digital queue management systems, mobile applications, and online survey platforms—varies significantly across regions and service categories. While the level of implementation is relatively high in major cities such as Tashkent, Samarkand, and Andijan, it remains considerably lower in remote districts and rural areas.

Third, the high share of informal operations in the service sector (36.2%, as noted above) indicates that a significant number of service providers operate outside official reporting and monitoring systems. This reduces the effectiveness of government support measures and incentive programs aimed at promoting the development of the sector. Table 4 presents a conditional typology of service enterprises according to their level of business process management maturity[17].

**Table 5.** Conditional Typology of Service Enterprises by the Level of Business Process Management

| Management Level | Main Characteristics | Estimated Share (%) | Average Customer Waiting Time (min.) |
|---|---|---|---|
| Traditional (paper-based documentation) | No formal regulations, operations based on manual labor | 38 | 22–35 |
| Partially Automated | Certain operations (cash transactions, reporting) are digitized | 41 | 10–18 |
| Fully Digitalized / BPM-Based | End-to-end processes are automated, CRM/ERP systems are utilized | 21 | 3–7 |

Source: Generalized classification developed by the author based on the monitoring of service enterprises and expert assessments.

## 4. Discussion

As shown in Table 4, enterprises whose business processes are fully digitalized and organized according to Business Process Management (BPM) principles require, on average, only 3–7 minutes to serve a customer. This is 4–5 times shorter than the service time observed in enterprises operating under traditional management models (22–35 minutes). This difference clearly demonstrates the economic efficiency of business process reengineering in the service sector. A reduction in customer service time increases the number of customers served within a given period and, consequently, enhances the enterprise's revenue-generating capacity.

Based on the linear trend equation constructed using data for 2018–2025 ($Y = 38.6 + 124.3 \cdot t$, where t represents the time variable and 2018 = 1; $R^2 = 0.91$), forecasts were generated for the period 2026–2028. If the current growth rate and the pace of digitalization are maintained, the volume of market services is expected to reach approximately UZS 1,450–1,500 trillion by 2028. However, under an optimistic scenario involving the broader implementation of Business Process Management (BPM) systems, business process reengineering, and further development of digital payment infrastructure, the volume of market services could increase to UZS 1,650–1,700 trillion, generating an additional 12–14% economic effect. These estimates further confirm the practical economic significance of improving business process management mechanisms in the service sector.

## 5. Conclusion

The findings of the study indicate that the service sector became one of the fastest-growing sectors of the Uzbek economy during 2018–2025. Over this period, the sector's share in GDP increased from 36.3% to 49.4%, while the volume of market services expanded by 7.4 times. The analysis revealed a strong positive relationship between digital infrastructure indicators and the volume of services ($R^2 = 0.93$), confirming that the development of the Internet, mobile communications, and electronic payment systems plays a crucial role in improving the efficiency of business processes in the service sector.

Furthermore, the study identified the need to enhance business process management systems, expand the adoption of CRM and digital management technologies, develop electronic payment infrastructure, and reduce the share of the informal economy. The implementation of these measures will contribute to improving service quality and operational efficiency, reducing customer service time, and supporting the achievement of the economic development goals outlined in the "Uzbekistan–2030" Strategy. According to the trend analysis, the practical implementation of the proposed measures could increase the volume of market services by an additional 12–14% by 2028.

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