

American Journal of Economics and Business Management

Vol. 9 Issue 10 | **pp.** 927-933 | **ISSN:** 2576-5973

Available online @ https://www.globalresearchnetwork.us/index.php/ajebm

Article

Business Development In The Service Sector Of Kashkadarya Region: Analysis And Prospects For Improvement

Shakhnoza Kabilova[1]

1. *PhD Applicant, Karshi State University*

* Correspondence : shshahnoza427@gmail.com

Abstract: This study examines contemporary approaches to the digitalization of management of small business development in the service sector of Kashkadarya Region. The relevance of the study is determined by the increasing role of digital technologies in enhancing the efficiency of managerial processes, expanding channels of interaction with consumers, optimizing costs, and ensuring the resilience of small businesses amid the structural transformation of the regional economy. The empirical basis of the study comprises official statistical data for Kashkadarya Region, including indicators for January-June 2026.

The findings indicate that, in January-June 2026, the volume of market services in the region reached UZS 31,302.3 billion, representing an increase of UZS 5,904.8 billion compared with the corresponding period of 2025, while the growth rate amounted to 115.8%. The largest share was accounted for by accommodation and food services, which reached UZS 10,473.3 billion, or 33.5% of the total volume of market services. The highest growth rate was recorded in architectural and engineering services, technical testing, and analysis, at 143.7%.

Based on the analysis, the study substantiates that further development of small businesses in the service sector requires a transition from the fragmented use of individual digital tools to an integrated digital management system. Such a system should encompass digital infrastructure, electronic interaction with government authorities, CRM and ERP solutions, digital payment systems, data analytics, employee digital competencies, and performance monitoring mechanisms. The study proposes an author-developed model of digital management for small business development in the service sector, aimed at improving managerial efficiency, competitiveness, and the resilience of regional enterprises.

Keywords: small business, service sector, digitalization, digital management, digital transformation, regional economy, Kashkadarya Region, digital competencies, CRM, ERP, management efficiency.

Citation: Shakhnoza Kabilova. Business Development In The Service Sector Of Kashkadarya Region: Analysis And Prospects For Improvement. American Journal of Economics and Business Management 2026, 9(10), 927-933.

Received: 19th Jun 2026

Revised: 30th Jul 2026

Accepted: 20th Aug 2026

Published: 22th Oct 2026

Copyright: © 2026 by the authors. Submitted for open access publication under the terms and conditions of the Creative Commons Attribution (CC BY) license (https://creativecommons.org/licenses/by/4.0/)

1. Introduction

Digital transformation is becoming one of the key drivers of structural change in the modern economy. For small businesses, digitalization is of particular importance, as it makes it possible to offset some of the constraints associated with the small scale of operations, limited financial resources, restricted access to markets and high sensitivity to changes in consumer demand [1].

This process is especially significant for the service sector. Unlike traditional manufacturing, many services are directly linked to communication with the consumer, the speed of information processing, order management, electronic payments, promotion and personalization of the offer. Therefore, the introduction of digital tools can simultaneously affect marketing, sales, customer service, financial management and internal business processes.

International studies show that digitalization enables small and medium-sized enterprises to increase productivity, expand access to markets and strengthen competitiveness. At the same time, small enterprises usually lag behind large companies in the adoption of more sophisticated digital technologies. The main barriers include a shortage of digital competencies, financial constraints, insufficient awareness and the organizational unpreparedness of enterprises [2].

This problem is particularly relevant for Kashkadarya region. The region has a large consumer market and a well-developed system of small entrepreneurship; however, a further increase in the volume of services requires not only a quantitative expansion of entrepreneurial activity but also an improvement in the quality of management [3].

According to official data, in January–June 2026 the growth rate of market services in Kashkadarya region amounted to 115.8% relative to the corresponding period of the previous year. Over the same period, the growth rate of gross regional product was 108.4%, that of retail trade turnover 109.6% and that of construction work 119.4% [4].

Consequently, the service sector is growing faster than a number of other segments of the regional economy, which creates preconditions for the further development of small businesses and, at the same time, reinforces the need to improve the mechanisms for managing them [5].

Research on small business development, traditionally centered on entrepreneurial activity, innovation, competitiveness and the efficiency of resource use, is now increasingly supplemented by issues of digital transformation [6]. Of particular importance is the transition from the use of individual digital tools to their integration into the enterprise management system, in which CRM systematizes customer information, ERP integrates internal business processes and analytical tools improve the quality of managerial decisions [7]. The 2025 OECD study likewise emphasizes digital skills, data analytics, cybersecurity and digital financial tools as factors in enhancing the competitiveness of small businesses [8].

For developing regions, digitalization is of additional importance, as it helps reduce territorial barriers and expand small enterprises' access to markets, information, financial resources and public services [9]. At the same time, applying international approaches to the regional economy of Uzbekistan requires that territorial specifics be taken into account, including the level of digital infrastructure, the availability of qualified personnel, the structure of the service sector and the financial capacity of small enterprises [10]. Thus, the scientific problem lies not only in identifying the benefits of digitalization, but also in designing a regional organizational and managerial mechanism for the digital transformation of small business.

The aim of the study is to develop scientifically substantiated proposals for improving the digital management of small business development in the service sector of Kashkadarya region.

To achieve this aim, the following objectives were set:

1. To reveal the theoretical foundations of the digitalization of small business management.
2. To examine the dynamics of the service sector in Kashkadarya region.
3. To identify the areas in which digital technologies can improve management efficiency.
4. To identify the main constraints on the digital transformation of small enterprises.
5. To develop an author's model of digital management of small business development in the service sector.
6. To formulate practical recommendations for regional entrepreneurship support policy.

2. Research Methodology

The study employs methods of statistical, comparative, structural and systems analysis.

The main source of quantitative information was the official statistical materials of the Kashkadarya Regional Statistics Department of the National Statistics Committee of the Republic of Uzbekistan. The analysis uses data for January–June 2026 and the corresponding period of 2025.

The growth rate was used to assess dynamics:

$$\boldsymbol{Tr = \frac{V1}{V0} * 100\%} \quad (1)$$

where:

$\mathbf{V_1}$ - value of the indicator in the current period;

$\mathbf{V_0}$ - value of the indicator in the base period.

1.The absolute change is determined as follows:

$\Delta V = V_1 - V_0$ (2)

To assess the effectiveness of digitalization, the article proposes an author-developed indicator:

1.Digital management efficiency coefficient.

First, the change in the volume of services is determined:

$\Delta V_s = V_{s1} - V_{s0}$

and the change in digitalization costs:

$\Delta C_d = C_{d1} - C_{d0}$

The final formula is then:

$$K_{DE} = \frac{Vs1 - Vs0}{Cd1 - Cd0} \quad (3)$$

where:

K_{DE} – digital management efficiency coefficient;

ΔVs – change in the volume of services provided;

ΔCd – change in the costs of introducing and operating digital management tools

V_{s1} – volume of services provided after the introduction of digital tools;

V_{s0} – volume of services provided before the introduction of digital tools;

C_{d1} – costs of digital tools in the current period;

C_{d0} – costs of digital tools in the base period.

In simple terms,

$$K_{DE} = \frac{\text{increase in the volume of services}}{increase\ in\ digitalization\ costs}$$

For example, if the volume of services increased by 1,000 units and digitalization costs increased by UZS 200 thousand, then:

$$K_{DE} = \frac{1000}{200} = 5$$

This means that each additional UZS 1 thousand of costs generated 5 additional services. It is proposed that this coefficient be used **as an author-developed analytical indicator** rather than as a generally accepted statistical coefficient. Its practical application is possible when comparable enterprise data before and after the introduction of digital tools are available.

3. Research Results

1. Dynamics of the Service Sector in Kashkadarya Region

The results of the analysis indicate that the service sector of the region continues to grow at a high rate.

Table 1. Main indicators of the socio-economic development of Kashkadarya region in January–June 2026

No.	Indicator	Growth rate, January–June 2026 to January–June 2025 (%)
1	Gross regional product	108.4
1.1	Industry	108.3
1.2	Agriculture, forestry and fisheries	105.4
1.3	Construction work	119.4
1.4	Freight turnover	107.3
1.5	Passenger turnover	104.9
1.6	Retail trade turnover	109.6
1.7	Market services	115.8

Source: *compiled by the author based on data from the Kashkadarya Regional Statistics Department.*

As the table shows, the service sector grew at a rate of 115.8%, second only to construction, where the growth rate was 119.4%. This indicates the significant role of the service sector in the structural transformation of the regional economy.

In January–June 2026, the volume of market services amounted to **UZS 31,302.3 billion**, which is **UZS 5,904.8 billion** more than in the same period of 2025.

Thus, the absolute increase was:

ΔV = 31,302.3 − 25,397.5 = UZS 5,904.8 billion.

This result shows that the growth of the service sector is significant not only in relative but also in absolute terms.

2. Structural Features of the Service Sector

An important feature of the regional service sector is the significant role of accommodation and food services.

In January–June 2026, the volume of accommodation and food services reached **UZS 10,473.3 billion**, corresponding to **33.5%** of the total volume of market services in the region. The volume of road transport services amounted to **UZS 3,924.8 billion** [11].

Table 2.

Selected segments of the service sector in Kashkadarya region

No.	Segment	Value
1	Total volume of market services	UZS 31,302.3 billion
1.1	Accommodation and food services	UZS 10,473.3 billion
1.2	Share of accommodation and food services	33.5%
1.3	Road transport services	UZS 3,924.8 billion
1.4	Highest growth rate	143.7%

Source: *data of the Kashkadarya Regional Statistics Department, January–June 2026.*

The highest growth rate, **143.7%**, was recorded in architectural and engineering services, technical testing and analysis. This trend may indicate growing demand for professional services that require specialized knowledge and digital technologies.

3. Digitalization as a Factor in Improving Management

At the present stage, digitalization should not be regarded merely as the installation of computer equipment or the creation of a company page on social media.

For a small service enterprise, digital transformation should include at least five interrelated areas:

1. Digitalization of interaction with consumers.

The use of electronic communication channels, online booking, digital catalogs, electronic reviews and CRM systems makes it possible to systematize customer relationships.

2. Digitalization of internal processes.

Automation of accounting, document management, planning and control reduces the administrative burden.

3. Digital analytics.

Collecting and analyzing data on customers, sales, seasonality of demand and cost structure enables managerial decisions to be made on the basis of objective information.

4. Digital financial instruments.

Electronic payments and digital financial services simplify settlements with customers and suppliers.

5. Digital competencies of personnel.

Even a modern information system does not deliver results without appropriately qualified employees.

Thus, digitalization should be embedded directly in the enterprise management mechanism [12].

4. Main Problems of Small Business Digitalization

The study makes it possible to identify the following constraints on the digital transformation of small service businesses:

- insufficient digital competencies of entrepreneurs and employees;
- high initial costs of implementing certain solutions;
- insufficient integration of the information systems in use;
- limited use of data analytics;
- insufficient attention to digital security;
- the absence of a comprehensive digitalization strategy;
- differences in the level of digital infrastructure between territories;
- the orientation of some enterprises mainly toward basic digital tools.

International studies confirm that small enterprises more often limit themselves to basic digitalization, whereas the adoption of ERP, CRM, data analytics and other integrated solutions requires additional competencies and resources.

The 2025 OECD study also identifies the costs of maintaining digital solutions, a lack of time to train staff and the cost of equipment among the key barriers to digitalization.
Consequently, regional policy to support small business should address not only enterprises' access to digital technologies, but also entrepreneurs' capacity to use them effectively [13].

5. Author's Model of Digital Management

Based on the study, the author proposes an **integrated model of digital management of small business development in the service sector of Kashkadarya region**.

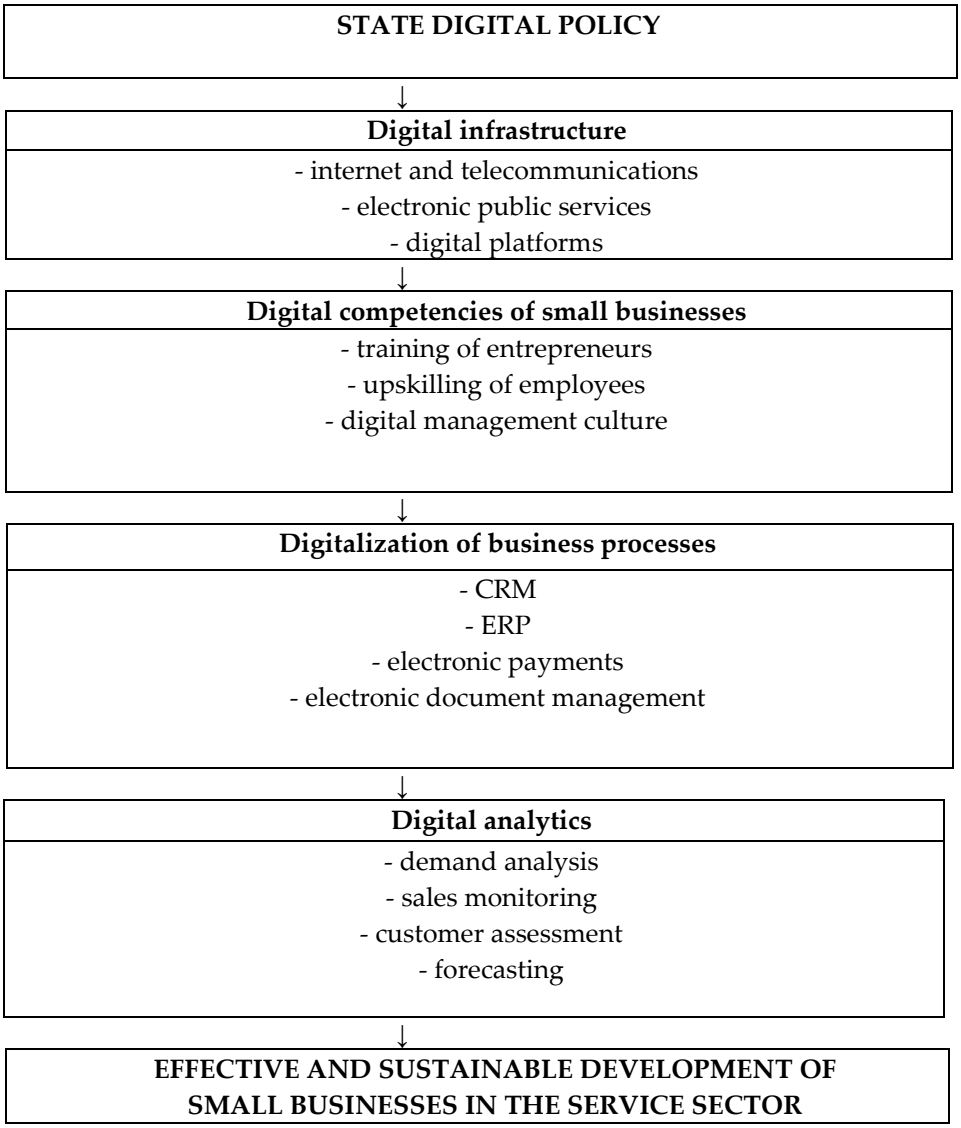


Figure 1. Integrated model of digital management of small business development

DIGITAL MANAGEMENT SYSTEM

Increasing the competitiveness and sustainability of the region's service sector

The proposed model differs from the traditional approach in that it treats digitalization not as a separate element of infrastructure, but as **a holistic management process** linking public policy, the entrepreneur, human capital, information technology and performance outcomes.

Mechanism for the Practical Implementation of the Model

For the practical implementation of the proposed model, it is advisable to establish a regional mechanism consisting of four levels.

Level one: infrastructure

Small businesses need access to high-quality digital communication channels, cloud services and public electronic platforms.

Level two: competencies

It is proposed to organize regular short-term programs for entrepreneurs in the following areas:

- digital marketing;
- CRM;
- e-commerce;
- digital financial tools;
- data analytics;
- information security;
- the use of artificial intelligence in administrative processes.

Level three: management

A small enterprise needs to move from individual digital tools to the integration of its core business processes.

For example:

customer → CRM → order → payment → accounting → analytics → managerial decision.

Such a sequence makes it possible to create a single information loop for the enterprise.

Level four: evaluation

The effectiveness of digitalization should be assessed not by the number of software products purchased, but by changes in the enterprise's economic indicators:

- volume of services provided;
- number of customers;
- repeat customer requests;
- management costs;
- order processing time;
- labor productivity;
- profitability;
- speed of decision-making.

4. Discussion

The analysis shows that the rapid growth of the service sector in Kashkadarya region creates favorable conditions for the further development of small businesses. However, quantitative growth in the volume of services does not in itself guarantee improved management efficiency. As the market expands, working with customers, suppliers, staff and financial flows becomes more complex. This is precisely why the next stage of small business development should be **managerial digitalization** [14].

The most promising areas for the service sector are CRM systems, digital payments, online booking, e-commerce, accounting automation and data analytics.

At the same time, it is necessary to avoid an approach in which an enterprise acquires a large number of digital tools without a unified strategy. For small businesses, phased digitalization is more effective: first the most critical processes, then their integration, followed by the introduction of analytical tools.

In this respect, the proposed approach is guided by the principle:

"not digitalization for the sake of technology, but digitalization for the sake of better management and economic results."

The scientific novelty of the study is as follows:

1. **The content of the digitalization of small business management in the service sector has been clarified**; it is considered a comprehensive process of integrating digital infrastructure, human capital, business processes and analytical tools.
2. **An author-developed integrated model of digital management has been proposed**, combining state digital policy, infrastructure, digital competencies, business process automation and data analytics.
3. **The author's digital management efficiency coefficient (K_{DE})** has been developed to assess the ratio between the change in the volume of services and the additional costs of digitalization.
4. **The need for a territorially differentiated approach** to small business digitalization has been substantiated, taking into account differences in infrastructure, human capital and the structure of the regional service sector.
5. **Practical directions for regional policy have been formulated**, aimed at enhancing

the digital competencies of small businesses.

5. Conclusion

The study leads to the conclusion that digitalization is becoming one of the most important factors in improving the management of small business development in the service sector.

In January–June 2026, the volume of market services in Kashkadarya region reached UZS 31,302.3 billion, an increase of UZS 5,904.8 billion compared with the same period of 2025. The growth rate was 115.8%. Accommodation and food services accounted for 33.5% of the total volume of market services, while the highest growth rate, 143.7%, was recorded in architectural and engineering services, technical testing and analysis.

The results confirm the considerable potential for further development of the region's service sector. However, realizing this potential requires a qualitative improvement of the management system.

The main direction of such improvement should be the integration of digital technologies into the day-to-day operations of small enterprises. Digitalization should cover not only the promotion of services and electronic payments, but also the internal processes of the enterprise, customer management, financial control, analytics and strategic planning.

It is advisable for Kashkadarya region to establish a regional system to support the digital transformation of small businesses, providing for infrastructure development, the enhancement of entrepreneurs' digital competencies, advisory support, access to digital platforms and incentives for the adoption of modern management solutions [15].

The proposed author's model can be used as a methodological basis for further improving the organizational and managerial mechanism for small business development in the service sector.

A promising direction for further research is a **comparative district-level analysis of the digital potential of small businesses in Kashkadarya region**, as well as empirical testing of the digital efficiency coefficient using data from specific enterprises.

REFERENCES

[1] P. C. Verhoef, T. Broekhuizen, Y. Bart, A. Bhattacharya, J. Q. Dong, N. Fabian, and M. Haenlein, "Digital transformation: A multidisciplinary reflection and research agenda," J. Bus. Res., vol. 122, pp. 889–901, 2021.

[2] OECD, The Digital Transformation of SMEs (OECD Studies on SMEs and Entrepreneurship). Paris, France: OECD Publishing, 2021, doi: 10.1787/bdb9256a-en.

[3] Resolution of the President of the Republic of Uzbekistan "On Further Acceleration of Measures Aimed at the Socio-Economic Development of Kashkadarya Region," No. PP-96, Mar. 13, 2026. [Online]. Available: https://lex.uz/docs/8091399

[4] Kashkadarya Regional Statistics Department, Kashkadarya Region in Figures: January–June 2026. Karshi, Uzbekistan, 2026.

[5] Sh. Zh. Kabilova, "Legal foundations and economic significance of small business development in Uzbekistan," in Proc. Int. Sci.-Pract. Conf. "Financial Markets and Foreign Investors in New Uzbekistan," Tashkent, Uzbekistan, May 14, 2026, pp. 152–157.

[6] G. Vial, "Understanding digital transformation: A review and a research agenda," J. Strateg. Inf. Syst., vol. 28, no. 2, pp. 118–144, 2019.

[7] E. Brynjolfsson and K. McElheran, "The rapid adoption of data-driven decision-making," Amer. Econ. Rev., vol. 106, no. 5, pp. 133–139, 2016.

[8] OECD, "SME digitalisation for competitiveness: The 2025 OECD D4SME survey," OECD SME and Entrepreneurship Papers, OECD Publishing, Paris, France, 2025, doi: 10.1787/197e3077-en.

[9] Decree of the President of the Republic of Uzbekistan "On Approval of the 'Digital Uzbekistan – 2030' Strategy and Measures for Its Effective Implementation," No. UP-6079, Oct. 5, 2020. [Online]. Available: https://lex.uz/docs/5031048

[10] Sh. Kabilova, "Organizational and economic mechanisms for developing small business in consumer services: An analysis of territorial differentiation (the case of Kashkadarya region)," Agrobiznes, Nauka i Innovatsii, no. 8, pp. 80–86, 2026.

[11] Kashkadarya Regional Statistics Department, "Main indicators of the service sector of Kashkadarya region," Karshi, Uzbekistan, Aug. 10, 2026.

[12] Sh. Kabilova, "Organizational and managerial mechanism for the development of the service sector in small business (the case of Kashkadarya region)," Finansovye Tekhnologii, no. 4, pp. 38–42, 2026.

[13] Decree of the President of the Republic of Uzbekistan "On the Development Strategy of New Uzbekistan for 2022–2026," No. UP-60, Jan. 28, 2022. [Online]. Available: https://lex.uz

[14] S. Nambisan, "Digital entrepreneurship: Toward a digital technology perspective of entrepreneurship," Entrep. Theory Pract., vol. 41, no. 6, pp. 1029–1055, 2017.

[15] Law of the Republic of Uzbekistan "On Guarantees of Freedom of Entrepreneurial Activity," No. ZRU-328, May 2, 2012. [Online]. Available: https://lex.uz