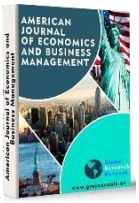

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Article

Promising Ways to Develop Outsourcing Services: Theoretical and Practical Approaches

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Abstract: Given the growth of the service sphere, outsourcing is certainly one of the strategic tools to improve efficiency and competitiveness, including in small business development in Uzbekistan. In this context, outsourcing services serve as a known process for cost applications and financial improvement, however, the financial impact of this type of service remains empirically unclear and contextual. While previous literature has tended to be either descriptive or theoretical, not much has incorporated regression analyses at the regional level that can characterize the dynamic relationships between outsourcing expenditures and main financial variables. The purpose of this study is to evaluate the influence of outsourcing services on the financial viability of small enterprises by analyzing the dependency between outsourcing expenses, income, net profit, and liquidity through time series modeling. The results suggest that there is a positive relationship, when the outsourcing is done properly is a positive impact on the financial health, however the magnitude and consistency of these results varies depending on the conditions. The paper contributes towards an increased understanding of outsourcing in the context of a regional economy combining theoretical interpretation with time series econometric analysis. These findings suggest that while outsourcing is often treated as a purely operational tool, it should be treated as a strategic mechanism with the appropriate supportive institutional policies in place, as well as further research focused on micro-level data and long-term sustainability.

Keywords: Outsourcing, small business, service, management, cooperation, lean production, strategy, outsourcing services, time series, ARIMA model, econometric analysis.

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Introduction

In Uzbekistan, the legal framework for outsourcing activities to the public sector is being created. Based on the need to improve the activities of all links of the education and upbringing system in line with modern requirements, the advantages of using outsourcing in the public sector are highlighted on the example of this and other areas. In recent years, the service sector has become the main driver of the regional economy. Outsourcing services play an important role in optimizing the costs of enterprises, increasing operational efficiency and ensuring financial stability[1].

Small business plays an important role in the economic development of Uzbekistan. As of 2025, the number of active small business entities in Uzbekistan reached 377,833, of which 20,182 entities operate in Surkhandarya region. This is a significant place among the regions of the republic[2][3].

With the help of outsourcing, small businesses have the opportunity to focus on core activities by outsourcing non-core functions to external performers. The main objective of

this article is to assess the impact of outsourcing services on financial stability in small businesses using a time series model.

Due to the speed of development of the service sector, it has become one of the main components of economic growth especially in transition economies like Uzbekistan. In this transition, outsourcing is more than a cost-cutting device it is a structural instrument that significantly alters the internal framework of organizations and the nature of firm interactions between competitors and supply chain participants. At an abstract level, outsourcing embodies the general trend toward specialization and network-mediated production, but its real-world repercussions are heavily contingent on sectoral characteristics and institutional contexts. This duality generates an imperative to study outsourcing not as a phenomenon existing in the vacuum, but rather as one embedded in the 'peculiar economic context [4].

In particular, the association of small businesses with outsourcing services and financial health must be tested thoroughly. Outsourcing helps firms to free up resources for more core activities, but it comes with mixed impact. However, this causal chain is not necessarily supported by empirical evidence, as cost optimization is often assumed to automatically translate into better financial indicators. That is a non-linear feedback loop that is complicated by the interactions between revenue generation, expenditure on outsourcing, and position of liquidity. It is exactly this tension that has shaped the analytical lens of the study [5].

Theoretically, the research is based on transaction cost economics, resource-based view and strategic management perspectives. These organizational frameworks propose that firms outsource activities when external providers can perform them more efficiently or with higher levels of quality. Yet the larger literature is mixed. At the same time, the review shows that much of the available research on Uzbekistan is rather exploratory, or policy-oriented in nature; that the focus of the Russian literature is particularly on econometric modeling of service sectors; and that the international literature focuses on global outsourcing trends, and digital transformation. Although there is this diversity, a mostly missing link is a combination of research from regional-level macrostate, and national-to-firm-level finance; specifically, econometric evidence with firm level financial stability analysis [6].

To remedy this, the analysis adopts a mixed methodological approach that incorporates both systematic and comparative analysis with economic time series econometric modeling. The research will investigate short-term and long-term trends by analyzing variables like outsourcing costs, revenues, net profit, and liquidity over a period of time. However, this methodological choice is not free of limitations data consistency and model specification critically determine the reliability of results but offers a way to go beyond option-free analysis in a hypothesised manner.

While initial hypothesis indicates a positive relationship, the results may uncover conditional impacts influenced by scale, sector and management. The study provides stakeholders, policy makers and business practitioners, with useful insights that extend beyond the academic discourse. This is an example of work that challenges current assumptions, and raises new questions, about the sustainability of outsourcing-driven strategies in the face of changing economic environments [7].

Research methodology

The methodology of the present study is built as a logically integrated structural system. In particular, theoretical reflection and empirical verification are combined. It is important to note that, in the course of the work, outsourced services are not considered as an isolated phenomenon, but a dynamic element of the regional economic structure. In order to conduct the first stage of the study, a systematic analysis is used. With its help, it is possible to clarify the functional role of outsourcing in the provision of services and examine the relationship between the latter and the development of small business. It is

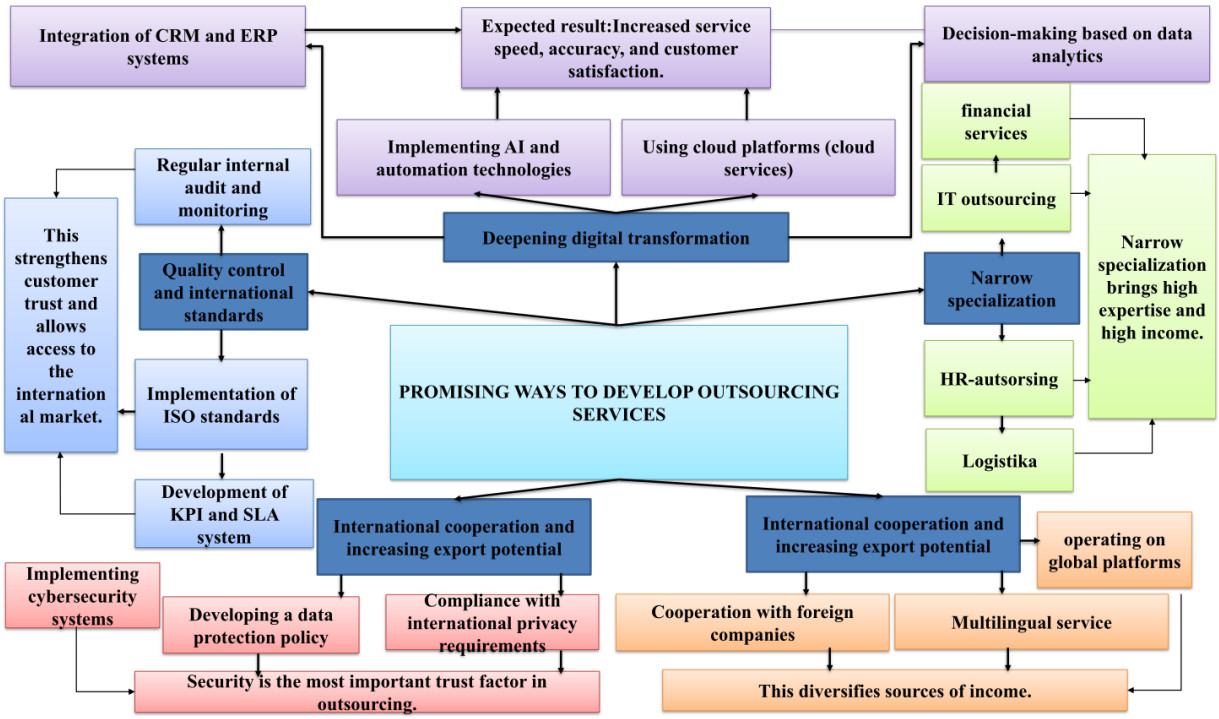
important to note that these methods, although conceptually developed, can ignore the role and place of micro-level institutional restrictions that affect the behavior of firms. The disadvantages of this is compensated somewhat by the method of comparative analysis. It means that the experience of both developed and developing countries is considered in the study. However, the scope of the recommendations given regarding Uzbekistan is limited due to structural and regulatory differences. The empirical part of the study is based on statistical data and uses econometric modeling, the development of time series analysis. In particular, special attention is paid to outsourcing costs, income from their implementation, the net profit of the outsourced enterprise, and liquidity indicators. For these purposes, different models are used, including, for example, the use of models of ARIMA, which make it possible to identify trends and cyclical fluctuations. At the same time, it is necessary to recognize that the reliability of the latter largely depends on the accuracy of the underlying data. It is especially true if the period of observations is short, which, however, can be partially compensated by the use of inductive and deductive methods in parallel, which makes it possible to move from specific observations to firm-level ones and, moreover, to draw a very general outline. At the same time, the use of methods of analysis and synthesis, abstraction, and the compilation of business indicators in the form of tables, graphs, and dot plots ensure the ease of visualization and analysis of the results obtained. One still cannot ignore, however, that the methodology has important limitations due to the use of secondary data sources and the level of aggregation of the data. It follows, therefore, that the results used to assess the real impact of financial outsourcing on businesses may require more accurate adjustments since the presented conclusions are slightly generalized.

Analysis and discussion of results

Improving outsourcing services is an important factor in increasing the efficiency of companies, reducing costs and improving quality in today's competitive market [8].

In the modern world, business leaders are increasingly using outsourcing services, defining it as a new management strategy. Intensification of global competition, the emergence of new participants in the world market requires enterprises to effectively use modern technologies. Enterprises strive to perform only those functions that they can perform, and to obtain the remaining processes from other companies on the basis of the most economically feasible option. As a result, market participants are moving towards deep specialization in specific functions [9]. That is, the division of a business project into components and outsourcing of certain types of work to highly qualified external companies is becoming a strategic direction for successful commerce (Figure 1).

Figure 1. Promising ways to develop outsourcing services are presented.



Outsourcing services are a system of mutually beneficial cooperation formed by transferring corporate functions to third-party performers, taking into account the factors, trends and laws of the business environment.

Accelerating digital transformation

Outsourcing services are currently developing mainly in the areas of IT, finance, marketing and customer service. Therefore:

cloud technologies,

artificial intelligence,

the introduction of automated systems increases the quality of service and reduces costs.

Digital technologies bring outsourcing to a global level, that is, companies can provide services without geographical restrictions [10].

The success of outsourcing services largely depends on human capital:

qualified IT specialists,

operators who know languages,

professional managers

need to be trained.

Highly qualified personnel are the main advantage for providing quality services in a highly competitive market.

Foreign market entry strategy

The biggest advantage of outsourcing is the opportunity to earn income through export services:

operating on international platforms,

partnering with foreign companies,

expanding BPO (Business Process Outsourcing) services

Foreign market entry increases foreign exchange earnings for the national economy and rapidly develops the industry.

The leading regions in the global market for outsourcing services are: the United States 36%, Western Europe 29%, and Japan 13%. The level of outsourcing by US companies increased from 52% in 2019 to 86% in 2020, and the turnover of the outsourcing market in 2020 more than tripled. Demand for outsourcing is also growing in Europe: in the last quarter of 2021, the highest indicator was recorded in this regard since 2020 [11]. According to analysts, the need to reduce costs is pushing European companies to subcontract part of their business processes. India, the Philippines, Mexico, China, and Eastern European countries, as representatives of new economies, are actively joining the ranks of suppliers in the global outsourcing market.

The contribution of small businesses in Surkhandarya region to production is also high, and in 2025 the share of small businesses in the total volume of industrial products in the region was 60.3%. The main purpose of this analysis is to study, based on statistical data, how the use of outsourcing services affects the financial stability indicators of small businesses [12].

In a time of increasing competition, local companies need to pay serious attention to quality, efficiency and risk reduction. By outsourcing non-core tasks, companies have the opportunity to optimize additional costs, reduce the burden of taxes and social payments. In general, outsourcing of commercial services is the transfer of certain types of services to companies with external expertise. This allows the enterprise to focus on its core activities. As leading analytical agencies note, the presence of a long-term outsourcing strategy is an important factor in the sustainable growth of the enterprise and its adaptation to rapidly changing market conditions. Such a strategy contributes to the revision of the enterprise's internal processes, rational use of resources, increased efficiency of key functions and significant cost reduction [13].

According to international experts, in the context of globalization, most developed countries are active consumers of offshore outsourcing. Offshore outsourcing is the receipt of services through companies located outside the client's country, and is widely used, for example, in IT services. This process further increases the requirements for remote management, data security, and prompt technical support. The heads of large enterprises in our country also emphasize the crucial importance of the above issues in offshore outsourcing [14].

In Uzbekistan, among the most outsourced services, recruitment is in first place, catering is in second place, information technology is in third place, payroll and accounting are in fourth place, and some construction work is in fifth place.

Different interpretations of the definition of outsourcing indicate its connection with the following aspects:

a) as a way of thinking;

b) as a management principle;

c) from the point of view of economic activity;

d) as a philosophical approach based on the effect of synergy.

The requirements for outsourcing agreements can be seen in the example of the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 626 dated July 25, 2019. Based on this resolution, the following requirements are imposed on outsourcers when organizing healthy nutrition in preschool educational institutions on an outsourcing basis: at least one year of experience in public catering; working capital equal to at least two months of the contract amount; absence of arrears in taxes and other mandatory payments; availability of qualified specialists; development and submission of a healthy nutrition project based on the terms of reference; indication of nutritional standards for different age groups; a mark-up of no more than 20 percent on the cost of services; work within the established price range and minimum investment requirements. Also, entities that have a conflict of interest with the customer cannot participate in the competition [15].

Time series is a collection of data over time (monthly, quarterly, annually). For example:

small business revenue (by month)

outsourcing costs (by year)

profit or profitability ratios

A time series model is used to identify trends, seasonality, and random changes based on this data, as well as to forecast the future.

Key components of a time series model

Any time series usually consists of 4 components:

Trend (T) - a long-term direction of growth or decline

Seasonality (S) - changes that repeat over a certain period

Cyclic (C) - fluctuations associated with economic cycles

Random component (I) - the influence of unexpected factors

Model representation:

Additive: $Y = T + S + C + I$

Multiplicative: $Y = T \times S \times C \times I$

Conclusions and recommendations

The research shows a mostly positive impact of service outsourcing on small firms' financial stability through cost reduction, operational efficiency and resource reallocation into core activities but the effect is not mechanistic and does not persist uniformly in every case. Our econometric study using time series data demonstrates that, while higher levels of expenditure on outsourcing have a positive short-term effects on revenue and profitability indicators, the strength of this association is mediated by managerial competence, sectoral context and the relational characteristics of external service providers. Simultaneously, some methodological and empirical limitations emerge, especially its dependence on aggregate data and scant focus on institutional and behavioral facets that tend to hide potential vulnerabilities like heavy reliance on outside contractors or weakened domestic capabilities. These findings imply that outsourcing has to be seen not only as a tactical cost-cutting activity but also a potential strategic tool, needing regulatory support, digital infrastructure development and strategic human capital investment. In this respect, Uzbekistan is advised to improve the regulations and incentive systems behind outsourcing as well as to promote them more effectively. Additional studies are particularly needed to develop a more micro-level analysis, to include firm-level data, and to examine the effects of digital transformation and international market integration, as well as unaddressed issues of sustainability and possible weaknesses of outsourcing-driven business models.

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