


**INNOVATIVE DIRECTION OF DEVELOPMENT OF THE SERVICES
SECTOR AS A FACTOR OF ECONOMIC GROWTH**

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Article Info	ABSTRACT
<p>Article history: Received Jul 30, 2024 Revised Sep 12, 2024 Accepted Sep 18, 2024</p> <p>Keywords: <i>Innovation, Service Sector, Economic Growth, Population, Innovative Factors</i></p>	<p>Innovative direction of development of the service sector plays an important role in stimulating economic growth. Economic changes and technological innovations in the service sector can lead to increased employment and improved living standards, increase labor productivity, improve the quality of services and create new opportunities for entrepreneurship. The article describes the results of innovative development that allow achieving a high standard of living in the service sector. At present, one of the main components of the post-industrial economy is the dynamic development of the service sector. It is services that act as the main product of labor, the consumption of services is becoming the predominant way to meet the needs of the population. In the general structure of the economy, there is a sharp increase in the role of service industries, which marks the transition of society's development from the industrial stage to the next stage of development, different from the previous stage.</p> <p>This is an open-access article under the CC-BY 4.0 license.</p> 

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INTRODUCTION

In the modern post-industrial economy, attention has noticeably increased to the service sector, which has become the main component. Consumption of services has become the predominant way to meet the needs of the population, and service industries play an increasingly important role in the overall structure of the economy. This indicates the transition of society from the industrial stage to a new one, different from the previous one.

In developed countries, the development and implementation of innovations is one of the main areas in the development of services and the economy as a whole. Given the rapidly changing economic environment and technological changes, the development of innovations in the service sector is becoming a key factor in maintaining competitiveness and stimulating economic growth. The introduction of new and improved methods of providing services, the use of modern technologies and support for entrepreneurial activity in this area can contribute to the sustainable and dynamic development of the economy.

The development of the service sector and increasing its efficiency to meet the needs of society directly depend on innovation. One of the main indicators of the development of the service sector is the competitiveness of services, which is closely related to the level of innovation at each service enterprise. The modern economy is a complex mechanism that includes various structural elements of a commercial, industrial, informational and financial nature. For this mechanism to function successfully, economic transformations are necessary that take into account the interests of regions, industries, enterprises and society as a whole. The results of these transformations, based on the activation of innovation activities and innovation management, acquire real economic significance only through the connection with material production, accompanied by an increase in the performance indicators of each enterprise in the service sector. The main goal of the innovation policy of an enterprise in the service sector is the creation and development of a basis for effective economic transformations, where innovative business as an object of management acquires primary importance. The modern approach to innovations in the service sector is increasingly based on considering innovations as a certain process. The main emphasis is on the process of renewal and continuous improvement. Process innovations are a necessary element of the development of a company operating in the service sector. Changes usually concern internal processes or processes associated with the delivery of products and services to the end user. This can be either a complete restructuring of business processes or a strategy of constant serious changes in key processes. An analysis of the structure of innovation costs of domestic companies in the service sector shows that the overwhelming majority of funds are spent on process innovations, i.e. on the development and implementation of new or significantly improved methods of providing services. Approximately half as much funding is allocated to the creation of new products. Organizational and marketing innovations are quite rare. This is natural, since the main goal of companies operating in the service sector in recent years has been to expand their market share and customer base.

In recent years, economists have begun to consider the potential for promoting innovation in services as part of their economic development strategies. This consideration has been prompted in part by the growing contribution that service sector activity makes to both regional and national economies. It also reflects a growing

recognition that traditional policy measures such as R&D grants and support for technology transfer were designed from a production and innovation perspective.

METHODS

Innovation is the process of transforming inputs into output in order to generate products that are of higher quality and lower costs than before. Innovation as such is the driving force behind economic development. Although the government and other organizations make investments that ensure the implementation of innovations, which contribute to an increase in the quality and a decrease in the costs of producing goods and services in the modern economy. Therefore, the theory of innovative development of enterprises plays a vital role in the analysis of the performance of the economy. Such a theory should be aimed at explaining the conditions under which the activities of firms lead to innovations and affect economic growth, income distribution and financial stability of the economy in which these firms operate.

Innovation (novelty, novelty) is a service, a service product, a technology or its individual elements, a new organization of labor, etc., which are capable of more effectively satisfying social needs. Types of innovation is innovation, or "novelty," refers to a service, product, technology, or organizational approach capable of effectively meeting social needs. Innovations can be categorized into several types based on their application, impact, and lifecycle.

1. By Scope of Application:

- a. Basic Innovations: These are customer-focused innovations that fundamentally transform an organization's service activities.
- b. Partial Innovations: These involve improvements in certain aspects of the service process without overhauling the entire system.

2. By Innovation Type in the Service Sector:

- a. Technical Innovations: Introducing new equipment, devices, tools, and technical methods in service delivery.
- b. Organizational Innovations: Innovations related to service delivery methods.
- c. Managerial Innovations: Using new forms and management methods to enhance service efficiency.
- d. Complex (Mixed) Innovations: Combining multiple types of innovations to achieve a greater impact.

3. By Economic Impact:

- a. Basic Innovations: Based on scientific discoveries and significant technological advancements, these lead to new technological levels.
- b. Improving Innovations: Enhancing the dissemination of basic innovations to broaden their impact.
- c. Pseudo-Innovations: Aiming for efficiency through minor improvements to existing innovations, allowing for the expansion of sales and applications without

fundamental changes. Pseudo-innovations often involve partial improvements to outdated products and services.

The Life Cycle of a Service (LCC) represents the duration of a service's relevance, from initial concept to the end of market demand. Service products and services may vary in LCC duration, which typically encompasses several phases:

1. **Implementation Phase:** Includes the ideation, planning, development, and creation of a service product, followed by its market introduction. At this stage, sales are limited and development costs are high.
2. **Growth Phase:** As demand increases, service volumes grow, indicating customer adoption and expansion.
3. **Maturity Phase:** Sales volume stabilizes at a consistently high level, and profitability peaks.
4. **Decline Phase:** As market saturation occurs, demand gradually decreases until it eventually disappears.

By understanding these stages and types of innovations, firms can strategically manage their resources to support economic growth, respond to market demands, and maintain competitive advantages throughout a product's lifecycle.

RESULTS AND DISCUSSION

Customer service quality should always be at the forefront of any business. Satisfying the needs of existing customers brings a much greater return on investment for a business than constantly searching for new customers. Continuous development of technology gives companies additional tools and resources to interact with customers, improves work and makes the result more qualitative. Consumers get the answers they need exactly when they ask for help. The need to wait for an employee to be available disappears, which significantly reduces the time to resolve the issue and satisfy the customer. Another feature of chatbots is that they can quickly transfer a request to a customer service specialist if the work requires the participation of a real person. This increases productivity and allows human workers to deal with more complex cases instead of wasting time, for example, on standard questions, such as parcel tracking information, store opening hours or return policies. The fact that customers can get answers to their questions without the need for a human employee is beneficial on the one hand because it saves the customer's time, and on the other hand, it allows customers to have a positive and hassle-free experience with a company or brand. In addition, chatbots are increasingly being used to replace customer support staff, as they can provide constant, always positive interaction and 24/7 support. The relatively low cost of introducing and using chatbots compared to customer support makes them attractive to many companies. Today, one of the key issues in accelerating the national economy of Uzbekistan is the introduction and widespread use of the "digital economy", modern information technologies and communications in government agencies, departments, enterprises and organizations, in all areas of business. In this regard, in recent years in

Uzbekistan, within the framework of the ongoing comprehensive reforms aimed at the radical modernization of the national economy, the state has taken large-scale measures to introduce digital technologies into the socio-economic life and public administration system of the country, actively develop the digital sector of the economy, introduce electronic document management systems, develop electronic payments and improve the regulatory framework in the field of electronic commerce, and also implement measures for the widespread introduction of modern ICT in all sectors and areas, primarily in public administration, education, healthcare and agriculture.

Advantages of Modern Innovations

1. **Quality Improvement:** Innovations enhance the quality of goods and services produced domestically, leading to higher standards in production and output.
2. **Advancement in Knowledge:** Innovation fosters the development of human intelligence, encouraging new scientific discoveries and achievements.
3. **Competitive Market Dynamics:** With innovations introducing new goods and services, competition among manufacturers increases, thereby significantly raising the quality of the final products.
4. **Automation and Precision:** The development of new technologies enables partial or full automation of labor-intensive processes, enhancing operational accuracy and product quality.
5. **Demand Fulfillment:** Emerging consumer needs for novel products and services are effectively met through innovation.
6. **Enhanced Management Efficiency:** Innovations promote improved top management systems by phasing out ineffective management methods.
7. **Self-Development and Skill Enhancement:** The adoption of new technologies supports self-improvement and boosts the professional skills and qualities of the working population.
8. **Increased Capital Influx:** Growing demand for high-quality goods in global markets brings capital into the country, improving the overall financial well-being of its residents.
9. **Improved Quality of Life:** Modern technologies make daily life more efficient and fulfilling, enhancing productivity.
10. **Resource Conservation:** Innovations help reduce natural resource consumption in many production areas, supporting environmental sustainability and resource longevity.

Disadvantages of Modern Innovations

1. **Adaptation Challenges:** Lagging behind highly developed countries in value systems and technology can hinder the adaptation of promising innovations to existing programs and infrastructure.
2. **High Implementation Costs:** The cost of implementing innovations—such as equipment modernization, educational resources, and production facilities—requires substantial financial investment.
3. **Training and Development Costs:** Programs for advanced personnel training and retraining slow down progress and necessitate additional funding.

4. Economic Cyclicalities and Inflation: Innovations contribute to economic cycles, sometimes leading to inflation due to shifts in production and consumer behavior.
5. Unemployment Growth: Increased automation and reduced reliance on human labor can lead to higher unemployment rates, posing social challenges.

These results illustrate the dual nature of innovation, showcasing the advancements that come with embracing modern technology as well as the economic and social implications that must be managed effectively.

CONCLUSION

Innovations in the service sector play an important role in the modern world, where competition is becoming increasingly intense and consumer expectations are constantly growing. New technologies and approaches help improve service quality, increase productivity and optimize business processes. Innovations also create new opportunities for development, allowing companies to adapt to changing market conditions and meet customer needs at a higher level. Thanks to innovations, the service sector becomes more efficient, accessible and convenient for all market participants, which in turn contributes to economic growth and social development. Innovations also play an important role in the transformation of the modern economy, contributing to increased productivity, reduced costs, improved service quality and the creation of new market opportunities. They pave the way for the development of new business models, the generation of additional value and improved user experience. In addition, innovations in the service sector contribute to expanded access to services, increased customer satisfaction and contribute to the growth of the economy as a whole.

Thus, innovations in the service sector are a key factor in achieving sustainable development, competitiveness and prosperity of business, as well as meeting the constantly changing needs of society.

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