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# Institutional Conditions for Increasing The Competitiveness of Service Enterprises

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**Abstract:** In the context of the radical modernization of Uzbekistan's economy, enhancing the competitiveness of service enterprises has become a strategic objective. Despite the growing significance of the service sector, its development is constrained by outdated institutional frameworks and the lack of coordinated efforts between key stakeholders. Current literature provides fragmented analyses of institutional factors, often neglecting the dual role they play in enabling and hindering enterprise competitiveness. This study aims to identify and evaluate institutional conditions legal, financial, technological, and infrastructural that influence the competitiveness of service enterprises, with particular attention to public-private partnerships. The findings reveal that a combination of enabling legal regulations, financial accessibility, skilled labor availability, digital infrastructure, and intersectoral collaboration significantly contribute to enterprise competitiveness. Conversely, institutional barriers such as bureaucracy, corruption, and institutional inertia obstruct progress. A comprehensive classification of institutional factors was developed to distinguish between encouraging and obstructive elements. This paper uniquely integrates institutional theory with service enterprise development, proposing a systematic framework for institutional factor analysis. Policymakers and stakeholders should harmonize institutional reforms with the practical needs of service enterprises by streamlining legislation, supporting vocational education, fostering innovation, and promoting PPPs. These efforts are critical for achieving a sustainable and competitive service sector.

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## 1. Introduction

As a result of the radical modernization of our country's economy, the competitiveness of service enterprises is increasing. After all, by increasing the competitiveness of service enterprises, this sector can be brought to a stage of rapid development [1].

The content of competition is more fully revealed by considering its tasks. According to classical economic theory, all markets are classified according to the nature of competition into the following: pure competition market; pure monopoly market; monopolistic competition market; oligopolistic competition market [2].

## Literature Review

A.S.Bazdnikin, analyzing markets by the nature of competition, came to the conclusion that service enterprises often have to operate in a monopolistic competitive market, in which "buyers take into account the difference in offers and ... are willing to pay

different prices". In our opinion, the service sector is characterized by elements of different types of markets, which is associated with the specific features of the nature of services and the specific features of the service market inherent in service enterprises. Also, the diversity of the level of labor productivity growth in service activities is determined by the diversity of the impact of scientific and technical progress on the service process, the degree of involvement of consumers in the consumption of services. This is directly related to competition factors. Therefore, the specific features of the nature of services and the development of service enterprises determine the formation of a service market and their operation in different segments [3].

The characteristics of the service sector in various types of markets are presented in Figure 1. The development of the service sector is characterized by the ratio of supply and demand in the market. The demand for a service is a personal and economic phenomenon, that is, a real need that is supported by money. Demand can be fulfilled, unfulfilled or developing. Fulfilled demand is the services provided by the enterprise, paid for by the customer and properly performed. If, for various reasons (technological, organizational, etc.), the consumer is not provided with services, the demand may not be fulfilled [4].

Increasing the competitiveness of enterprises under the influence of external environmental factors is one of the main directions of the state's modern economic strategy. The practice of developed countries shows that the decisive condition for increasing the competitiveness of service enterprises is ensuring effective cooperation between various institutions. Therefore, the problems of the relationship between various institutional factors and their impact on the competitiveness of enterprises are very relevant [5].

It should be noted that there is no automatic connection between institutional reforms and increasing the competitiveness of service enterprises, since old, ineffective institutions often have a high level of inertia, and most new ones are imported without adapting to the economic activities of local enterprises. These processes lead to deep institutional restrictions on ensuring the competitiveness of enterprises. New institutions must be introduced into the modern practice of the economic life of enterprises and their economic relations [6].

Accordingly, it is necessary to study the main approaches to identifying the priority institutional factors of the competitiveness of enterprises existing in the economic literature.

## 2. Materials and Methods

Scientific G. Skvortsova identifies the following groups of institutional factors:

- a. The first group is united by the concept of "organizational structures of business", in which the direct process of production of products (services) and management of these processes are carried out. They differ in size, taking into account the specificity of the industry, the degree of corporatization, the degree of diversification, the degree of monopolization of the market and the nature of the use of hired labor. Organizational structures that increase the potential of the enterprise include industry clusters, industry enterprises and various cooperatives;
- b. The second group is united by the concept of "economic infrastructure". It includes enterprises of sectors of the economy that do not themselves create tangible products. These are electric power, utilities for industry purposes, transport, warehousing and communications, as well as various areas of service provision for production (service) needs;
- c. The third group of factors constitutes the legislative and regulatory environment of entrepreneurial activity - a product of the state's activities at various levels of the vertical power structure (tax, antitrust, financial and credit, licensing, corporate, scientific and technical, and labor legislation) [7].

According to I. Annenkov, the most important factors determining the profile of institutional changes in enterprises include: legislation and standards; education and culture; information technologies.

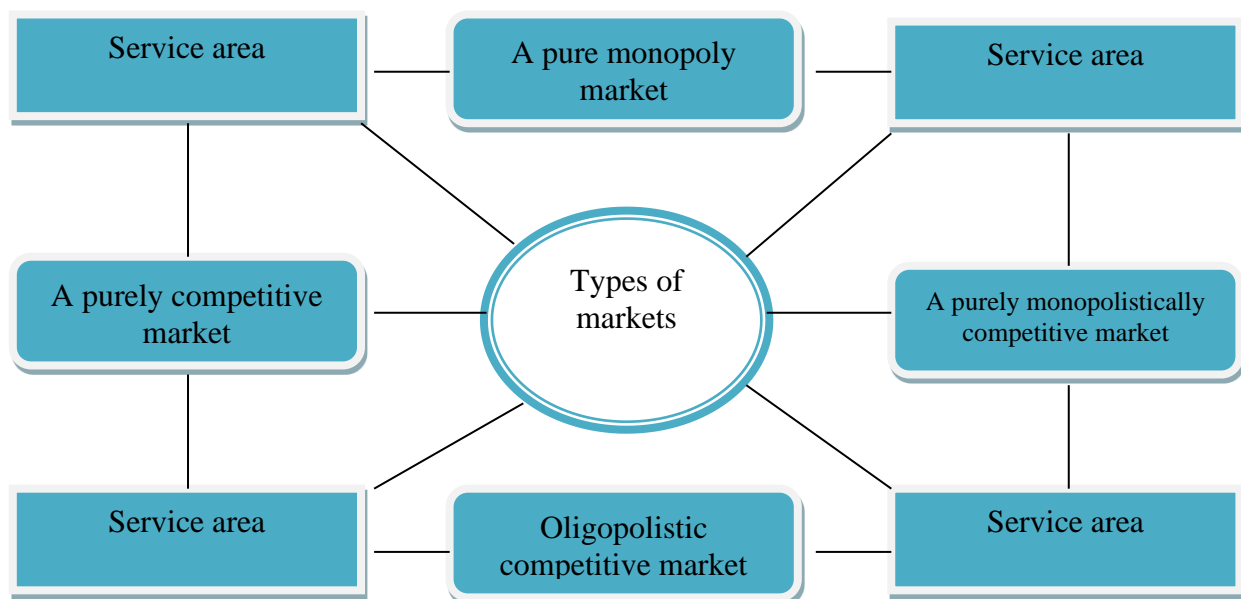
A. Khakimov noted that institutional factors for the development of entrepreneurial activity, such as private property institutions, limitation of the powers of the executive branch, liberal tax, currency, finance, labor regulation, and improvement of organizational and economic forms of entrepreneurship, include: public-private partnerships; clusters; contractual relations; free economic zones, rent, leasing, and concessions [8].

From the point of view of O. Bodyakov, the priority institutional factors for increasing the efficiency of industry enterprises are targeted investments in innovations, organization of rights protection, ensuring expanded reproduction of investors and human capital, reducing transaction costs, protecting property rights, and organizing the fight against corruption [9].

### 3. Results and Discussion

Developing demand is the demand that is formed for new types or groups of services. Developing demand has not yet been fulfilled, therefore, new types of services require advertising. When a new service finds its consumer, the demand stops folding and is realized [10].

The diagram illustrates the interaction between various types of markets pure competition, monopoly, monopolistic competition, and oligopoly and corresponding service areas. It highlights how service enterprises operate across diverse competitive environments, emphasizing the sector's adaptability to different institutional and structural market conditions, see Figure 1.



**Figure 1.** Characteristics of the service sector in different markets.

In Figure 1, we can see the characteristics of the service sector in various markets:

- Pure competition market. This type of market elements is typical for the service sector, where small producers focused on the local market dominate;
- A pure monopoly market can theoretically operate only in the local market, which implies services that are unique in the market due to their novelty or technological complexity for a limited period of time for any type of service;

- c. Pure monopolistic competition market. This type of market is typical for service enterprises in small cities and settlements;
- d. Oligopolistic competition market. For the service sector, small business entities are often considered as separate elements of this type of market and can be used with the widespread use of franchising [11].

It should be noted that there are different approaches to identifying the priority institutional factors that determine the competitiveness of an enterprise. This is explained by the different goals and objectives of the study, the dominant model of organizational management and the general economic situation in the country at that time. The common drawback of these approaches is that all studies analyze only institutional factors that ensure the competitiveness of an enterprise. In a general sense, the concept of "factor" can be defined as a driving force that allows you to turn an opportunity into reality [12].

Institutional factors of competitiveness of a service enterprise should be understood as the reasons, conditions, methods of formation and functioning of institutions that determine its competitiveness [13].

In contrast to the opinions in the economic literature about the positive role of institutional factors in ensuring the competitiveness of an enterprise, in our opinion, institutional factors can have various forms of manifestation that determine the scope of an enterprise's activities. Some factors can create additional opportunities for increasing the competitiveness of an enterprise, while others, on the contrary, can lead to its decrease [14].

Based on existing approaches in the economic literature to identify the priority institutional factors of enterprise competitiveness, we propose a classification of institutional factors of enterprise competitiveness, taking into account enabling and hindering factors. This classification is presented in Table 1 [15].

**Table 1.** Institutional factors of a service enterprise.

Encouraging		Obstructive	
External	Internal	External	Internal
State institutions (tax system, antitrust, financial and credit system, licensing, corporate governance, scientific and technical activities, labor legislation).	Innovative development institutes, information and communication technology institutes, institutes for professional retraining and advanced training of managers and employees, institutes for improving organizational and economic forms of enterprises, institutes for corporate ethics, etc.	Disruption of state activity, institutional vacuum, corruption, the institution of bureaucracy, institutions of the hidden economy, administrative and customs barriers, institutions of lobbying the interests of various groups, the institution of unfair competition against a particular enterprise and organization, etc.	Opportunistic behavior: <ul style="list-style-type: none"> <li>a. Opportunistic behavior of the enterprise's agents (owners, managers, employees);</li> <li>b. Failure of the enterprise to fulfill its contractual obligations;</li> <li>c. Formation of quasi-institutions (imitation of innovative activities), institution of unfair competition by this organization, etc.</li> </ul>
Market institutions (private property institution, competition institution, market infrastructure institution, financial and monetary system institutions, investment institutions, etc.).			

Thus, institutional factors can both ensure and hinder the improvement of the competitiveness of an enterprise. In order to improve the competitiveness of an enterprise, it is important to understand the development trends of all institutional factors affecting it, it is necessary to determine the possible ranges of optimistic and pessimistic options for changing institutional factors. This reduces the uncertainty associated with the accuracy of taking into account various institutional factors affecting the enterprise. The results obtained serve as initial data for the direct formulation of such strategies that ensure the competitiveness of the enterprise. This requires appropriate mechanisms and a management system that take into account the diversity of institutional factors that determine the improvement of the competitiveness of the enterprise.

#### 4. Conclusion

This study aims to systematically analyze the development trends of entrepreneurial activity in the tourism sector of Uzbekistan. The results obtained show that the process of mutual integration between tourism and entrepreneurship plays an important role in the national economy. Factors such as increased activity and investment activity of the private sector, diversification of types of tourism services, innovative approaches and the introduction of new technologies can increase the efficiency of the sector. In particular, innovative and integrated approaches to entrepreneurship are important in improving the quality of services in tourism and strengthening market competition.

However, the success of entrepreneurial activity in the tourism sector is influenced by various factors. Tourism development serves as a key mechanism for creating new jobs, ensuring regional economic development and increasing employment. At the same time, the analyzed regional data show that large tourism centers such as Tashkent, Samarkand and Bukhara reflect a high level of private sector activity, but in remote regions such as the Fergana Valley and Karakalpakstan, special strategies need to be developed to fully utilize this sector.

The study also confirms that tax and credit incentives, infrastructure programs, and public-private partnership mechanisms provided by the state are decisive factors in the development of entrepreneurship in the tourism sector. At the same time, it is recommended to further strengthen cooperation between tourism and entrepreneurship, support the private sector, and further expand financial resources organized by the state.

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