

## Ways to Improve the Efficiency of Production of Services in the Economy

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### Abstract:

The article analyzes the main trends and examines the essential features and directions of development, the level of production efficiency is also due to the impact of both intensive and extensive factors. The intensive include what determines the improvement in the quality of production elements - the use of more advanced elements of the production process in comparison with the existing means of production, the improvement of their interaction in the manufacture of products.

**Key words:** Efficiency, development, economics, costs, effect, market, competition, income, production, finance, public-private partnership, enterprises, quality, business.

### Introduction

The urgency of the problem of the effectiveness of state management is associated with the large size in all countries of public property and resources. In the public sector, industrial enterprises, blocks of shares in privatized objects are concentrated in one way or another, often of a military-political and strategic nature. Land fund, part of enterprises and organizations of industrial and social infrastructure, housing stock, strategically important research centers, etc. Any large-scale denationalization programs in many types of activities are simply unacceptable, at the same time, the growing social, humanitarian and scientific orientation of the post-industrial society dictates the need to strengthen the role and direct participation of the state in their development.

The task of increasing the efficiency of the public sector was initially solved by curbing the growth of budget expenditures. In addition to reducing their size due to privatization and deregulation, budgetary norms were tightened: direct or indirect restrictions were introduced on the level of expenditures, deficits, public debt, etc. The budget-planning horizon was expanded in order to avoid constant adjustments of cost items and to keep their spending under control.

In the choice between numerous and usually conflicting goals, they switched to economic feasibility studies, calculations of their comparative effectiveness in terms of cost-benefit, cost-utility, etc. In the system of measures to strengthen cost control, the center of gravity was shifted to their effectiveness the practice of indirect financing, payments to end users, the specification of financing goals, etc., expanded.

### Materials and research methods

Administrative and managerial measures to save costs brought a certain effect, but with a noticeable decrease in the tax burden on business, it was clearly insufficient. At the same time, as noted above, social obligations increased significantly; moreover, the tightening of budgetary policy often led to a decrease in the quality of services or their availability for the population, which was unacceptable for social reasons. All of this required more effective measures and ways to improve efficiency. Their search inevitably shifted to the area of economic incentives and levers to optimize the budgetary

process and economic activity, which in turn directly depended on the creation of strong internal motivations for producers and consumers of collective goods to save costs and increase their effectiveness. At the same time, a deeper understanding of efficiency as the main goal of the reform came about: it is not any saving of resources that matters, but the maximization of return per unit of cost (max value for money).

The response to these challenges was the strengthening of the “economization” of the public sector, which has long been developing mainly in a social context: the role of economic approaches, principles and assessments has increased, the scope of application of market mechanisms and relations has expanded. At the same time, the economy has formed the ground for such a shift in the form of organizational and structural transformations, a high degree of maturity of market relations and the accumulated experience of their application in a wide range of services. Measures were taken to develop competition. The private enterprise imperative to “compete or die” in the public sector is eliminated, but competition for markets forces all institutional players to focus on consumer demand, correlate remuneration with the volume and quality of services provided, calculate costs and compare them with results. By mitigating or neutralizing a number of state flaws, primarily the most dangerous one - monopoly, competition promotes more purposeful, rational and dynamic resource allocation and lower costs for each program and operation while increasing their useful return. At the same time, the state faces the difficult task of keeping competitive forces under control and within certain limits.

Market approaches are approved primarily in the system of contractual relations: the parameters of contracts are subject to market testing, and the results depend on the creation of a competitive environment and participation in tenders or tenders of several counterparties from among non-state firms and organizations. The mechanism of competitive bidding is constantly being improved: the selection and development of "best practices" are underway, general approaches are modified in relation to industry and local specifics.

Elements of market relations are also taking root in that part of the public sector, which is represented by institutions of science, education, health care, social services, culture, housing services, although the social component of these services significantly limits the scope of the market. The continuous growth of needs and costs makes it especially persistent here to look for ways and means of saving resources and maximizing results. Providing producers with greater economic freedom, and consumers - the opportunity to choose services depending on their prices, quality, and other parameters, create conditions in these industries for the development of competition and the establishment of inverse relationships between supply and demand. Taking into account demand in the public economy is especially important, since, due to the lack of built-in mechanisms, the reaction to it of production is weak and manifests itself through the political process with a great delay and far from being in full force. The expansion of competition for consumers makes it possible to determine the cost, volume, structural and other parameters of demand much more accurately and to target production to its fuller satisfaction and cost savings.

The specific forms of this kind of relationship vary markedly depending on the industry specifics. In the field of education, parents and students are given the opportunity to choose educational institutions and courses based on comprehensive information about the educational process and its results, the funding of institutions is directly dependent on the results of their work. One of the options for solving this problem is the provision of vouchers with the right for their recipients to freely choose educational institutions. Competition of institutions for student funds in this case stimulates an increase in the quality of education and economy of resources due to their concentration in more productive structures.

The forms of quasi-market relations in the healthcare sector by country differ markedly depending on the current organizational and financial model and the type of medical service.

The market principle “money follows the consumer” is increasingly practiced in various options and in other social services: when paying for food aid to the population, preschool education services, urban transport, purchasing housing, etc. According to retraining programs, the employee himself is financed, who chooses the most acceptable type of professional retraining for him. The search for opportunities and ways of adapting market mechanisms to the specifics of the public economy continues in all countries in accordance with their characteristics and is considered as one of the promising areas of its improvement.

Particularly significant changes in the mechanisms for the provision of public goods in post-industrial countries are associated with the development of various forms of public-private partnership (PPP). The use of this mechanism, which has a long history, began to expand rapidly from the second half of the last century as the situation with the implementation of economic and social functions by the state became more complicated. The emergence of a post-industrial society in Western countries in the last 2-3 decades gives the development of partnerships a new acceleration: their scale, scope, and role in the system of economic relations are significantly increasing. The process of state reform itself gives the strongest impetus to the development of PPP, when it was discovered that with the departure from a number of industries, its role in ensuring the basic conditions for the development of the economy and society not only does not decrease, but also objectively increases. The reforms have also shown that measures designed only for internal restructuring of organizational and financial systems do not give the expected results. Full modernization of the state involves expanding the sphere and multiplying the forms of its cooperation and interaction with other sectors - private business, which has powerful internal incentives and factors of self-development, and non-profit, which has accumulated rich experience in the field of social, humanitarian and other services. The motives for intensifying cooperation within the framework of the public sector itself, between individual links of the management vertical and power structures of the same level, have also become stronger.

The volumes and dynamics of cooperation of resources and activities of partnerships are determined by the motivation of their participants to cooperate. The interest of the state is conditioned, as noted above, by the general goals of reforming the public economy, increasing its efficiency, in this case through the productive use of market approaches, elements and mechanisms, and the rich experience of increasing productivity accumulated in the private sector. Business gains access to new markets, previously closed for it or not promising due to high regulatory barriers and stable for the duration of the project, and this is an important factor of viability in today's highly competitive and dynamic economic environment. The terms of the agreement usually guarantee a certain level of profitability to the private partner over a sufficiently long period of time, which can be increased through innovation and other ways to save resources and improve the quality of service. The interest of non-profit organizations in cooperation is dictated by the need to expand sources of funding for the implementation of their mission - to provide an ever wider range of services in demand by society, the production of which is unprofitable for business and is not funded by the state at all or in due amount.

Partnerships operate today in various organizational forms, cover many industries, mainly infrastructure - from the construction and operation of bridges, tunnels, canals, highways, water supply and treatment systems to solving problems in the field of employment, education, health care, culture, small business development, maintaining proper social climate, etc. They operate both at the global and national levels, and within regions, cities, local communities; differ significantly in number and composition, etc. There are significant differences between countries in their scale: they

are relatively widely represented in Anglo-Saxon countries, much more modest in most countries of continental Europe, which is largely due to historical tradition - strong positions and a high degree of state responsibility for economic and social processes with a relatively smaller role for business and civil society.

Partnerships come in a variety of forms. The role of their organizer or responsible participant can be public, private and non-profit structures, while the role and functions of each in the agreements are strictly defined and regulated. Joint programs and projects are often initiated, and in the PPP system, mainly, state bodies of one level or another. Responsible for the provision of public services to the population, they determine the goals and key conditions of the partnership. The very same production is taken out into the market, competitive environment. At the same time, government partners usually work in cooperation with staff, consumers and a wide range of stakeholders and organizations operating in the local area or even beyond. By empowering stakeholder groups with rights and responsibilities at the stages of development and implementation of programs and projects, partnerships help expand the sphere and strengthen the influence of civil society on the public sector and on business. Non-governmental associations of the most diverse nature and target orientation are actively involved in organizing and controlling the production of public services. Reducing not only production, but also control functions of the state means saving public resources without negative impacts on production and social infrastructure and while maintaining social guarantees.

The activities of partnerships at the lower level of the economic structure have revived in recent years and under the influence of the development of clusters. They operate on a market basis, but the state, as an interested party, initiates and participates in joint steps and measures with business to increase their competitiveness. Supporting and encouraging inter-sectoral and inter-firm cooperation of producers, the authorities propose various schemes for their cooperation, horizontal and other ties. They focus on the basic factors of growth and efficiency - science, innovation, the quality of labor resources, as well as stimulating entrepreneurship, eliminating or minimizing certain market "failures". At the same time, priority is given to establishing interaction between business and scientific and educational centers and structures, organizing vocational training systems, retraining employees in cooperation with private and non-profit partners. With the support of the state, a modern industrial and business infrastructure is being created, primarily information and financial. In the form of partnerships, the so-called development agencies operate with a wide range of functions. This is the collection and dissemination of information about the situation in local and larger medium and small businesses, establishing their contacts with large firms; participation in equity financing of programs for training a workforce from the local population, etc.

A socially responsible business plays an important role in the development of partnerships at the community level, with its interest in improving the quality of the living environment in the places where enterprises are located.

The expansion of the scope of partnerships is largely due to the creation of their most diverse models that meet the specifics of demand. At the same time, along with the main form - contractual - various informal associations and agreements are practiced, and programs or projects can rely on various combinations of both. On this basis, the role of multilateral agreements, including those with a large number of participants, is growing.

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