



Article

Service Recovery Paradox

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Abstract: This article provides a consistent analysis of the significance and paradox of the service sector in the digital economy. In today's rapidly evolving world, the service sector has become one of most vital drivers of economic growth. The article thoroughly explores its share in the Gross Domestic Product, its potential for creating new jobs, and its role in improving the population's standard of living. Furthermore, it comprehensively analyzes the opportunities for enhancing efficiency by modernizing the service model in Uzbekistan, through digitalization and the implementation of innovative approaches.

Keywords: Service Sector, Modern Economy, Gross Domestic Product, Service Paradox, Intensive Development

1. Introduction

It is no exaggeration to say that undeniable observations suggest that social wealth is no longer measured solely by factories or physical products, but also by the philosophical thinking of human beings. While in previous eras national power was measured by territorial size or industrial output, in the present day, human knowledge, communication, experience, and even a few minutes of expert advice carry immense significance[1]. Consequently, as the service sector expands, the fundamental wealth of an economy is generated not only from material assets but also from knowledge, time, and experience. Furthermore, the service recovery paradox in the modern economy represents a contradiction between technological innovation, automation, and the improvement of service efficiency versus the decline in the "Human touch" expected by customers or the increasing demand for personalized services[2]. Such increases in efficiency often diminish the customer's personal experience. Inclusive economic growth implies that the benefits, principles, and trends of the service sector are distributed broadly and equitably across society, regardless of its socio-economic status. Encourage the use of technologies, support entrepreneurship, and invest in education and training programs that prepare workers for the digital economy, all of which are crucial for enhancing economic efficiency[3]. Furthermore, the rapid development of service networks such as trade, transport, tourism, finance, education and healthcare is further increasing the living standards and prosperity of the population. Digitalization processes, the wide introduction of electronic services, and numerous government incentives are making the service sector even more competitive. At the same time, digitizing areas such as public health, environmental protection, increasing social activity, and involving the service sector management processes creates opportunities for positive development prospects[4]. The significance of the promising service sector in the modern economy is highlighted by the fact that invisible services are sometimes more valuable than tangible products. In a modern economy,

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people are no longer paying just for goods and products, but for the labor, attention, and time of others. From an economic paradox perspectives, as the service sector develops, human physical labor decreases, yet their valuable time and intellectual potential become increasingly expensive. For this reason, the decree of the President of the Republic of Uzbekistan "On measures for the rapid development of the service sector" aims to increase the share of services by developing service centers and infrastructure [5]. This decree precisely aims to increase customer loyalty by quickly eliminating technical malfunctions that arise.

Literature Review

In modern economic conditions, the service sector is not merely a collection of economic entities but has become a strategic direction that ensure social prosperity and elevates human dignity. Many local researchers interpret this field as a fundamental part of market infrastructure and recognize it as a primary driver pushing enterprises toward innovative development within a competitive environment[6].

V. Vaxabov, Sh. X. Xajibekov va N. G. Muminov, "Iqtisodiy nazariya".

The essence of market economy mechanisms, trends forming the competitive environment, and the role of small business in economic stability are analyzed from a theoretical perspective[7].

M. Q. Pardayev, Q. J. Mirzayev, O. M. Rardayev "Xizmatlar sohasi iqtisodiyoti". In their work, it provides a comprehensive analysis of the unique characteristics of the service centers, the segmentation of the service market, and intensive mechanisms for increasing profitability in service enterprises[8].

O'. P. Umurzakov, "Xizmat ko'rsatish korxonalari strategiyasi". This book provides detailed information on implementing modern innovations in the tourism service sector and motivational recommendations for increasing the export potential of the industry[9].

I. S. Tuxliyev, R. Hayitboyev, B. Sh. Safarov, G. R. Tursunova, "Turizm asoslari". This book explores priority pathways for achieving competitiveness in the service sector. Along with this, the role of innovation management in modernizing the service delivery process is scientifically substantiated[10]. Sh. M. Mirziyoyev, "Yangi O'zbekiston strategiyasi". It emphasizes the priority directions for diversifying the national economy, increasing the share of the service sector in Gross Domestic Product and providing freedom for entrepreneurship[11].

2. Materials and Methods

The methodological foundation of this research based on a systemic approach that allows for a holistic study of complex economic relations within the service sector. During the research process, a wide range of methods were employed, including observation, and qualitative-dynamic analysis. Systematic, synthetic, and empirical analysis concepts were applied in processing the gathered data. Scientific findings obtained at the conclusion of the study identified specific drivers for developing small business entities in the service sector, highlighting significant scientific innovations.

3. Results and Discussion

Modern scientific developments confirm that the service sector paradox and the importance of macro-business are increasingly vital for the prioritized development of national economic potential. In digital economy, the sustainable development of service sector enterprises involves operating based on market principles to achieve their set goals and objectives. Accordingly, the organization of activities in the service sector encompasses the following principles of intensive development[12].

1. The principles of Purposefulness. This principle is aimed at implementing the socio-economic development goals of enterprises.

2. The principle of Consistency between the activities of the service provider and the customer's satisfaction with the final results.
3. The Principle of Ensuring the Balance of supply and demand in the services market.
4. Ensuring Continuous Growth of labor productivity in the service sector.

Statistics show that in the service sector, firms that resolve customer problems quickly and better than expected achieve a 15-20% higher likelihood of repeat purchases compared to those without issues. Therefore, the service recovery paradox is not merely a commodity exchange but a cognitive shift in philosophical thinking[13].

Table 1. Main indicators of the service sector (as of 2024)[14].

Region name	Volume (billion soums)	Share(%)	Growth rate (%)
Republic of Uzbekistan	818 428,3	100,0	112,9
Republic of Karakalpakstan	28 820,8	3,5	110,6
Andijan	41 807,5	5,1	113,1
Bukhara	34 495,1	4,2	111,2
Jizzakh	20 069,5	2,5	113,8
Qashqadarya	43 255,9	5,3	110,9
Navoi	20 055,6	2,4	112,1
Namangan	43 090,6	5,3	112,3
Samarkand	58 875,7	7,2	114,1
Tashkent region	56 317,9	6,9	112,8

In 2024, the volume of market services provided in the Republic Of Uzbekistan reached 818 428,3 billion soums. This indicates that the importance of the service sector in the modern economy is increasing year by year. The total growth rate was 112,9%, reflecting the steady development of the sector. Specifically, Samarkand 7,2%, Fergana 6,7% and Tashkent region 6,9% held the highest positions in terms of service share[15].

4. Conclusion

Fundamental shifts in the modern global economy indicate that the service sector is not only shaping a significant portion of the Gross Domestic Product but is also creating a unique "Digital paradox" environment. The essence of this driver is that while technological progress lowers the cost of services and increases convenience, the demand for the human factor and emotional intelligence is becoming increasingly acute. Furthermore, the implementation of artificial intelligence and automation in the service sector is increasing efficiency in a geometric progression. Ironically, however, customers are increasingly seeking personalized approaches rather than standardized digital services. This, in turn, requires small and private enterprises to create individual value through digital platforms by analyzing demand data consistently and measuring service quality not only by speed but also by the level of emotional satisfaction. Another aspect of the service recovery paradox is the balance between economic benefits and ecological stability. Modern service infrastructure (logistics, delivery, digital servers) requires significant energy and resources. Therefore, innovation in the service sector must be deeply integrated with green service and inclusive economy strategies. Transforming the service sector from a simple service provider into a strategic driver that satisfies the intellectual and spiritual needs of society is paramount.

To further develop the service sector and direct small business entities toward modern trends: resources allocation should be optimized to avoid the “Express Supply” paradox by utilizing data-driven analysis and the “Dual Education” system should be further strengthened in higher and secondary specialized education institutions to bridge the gap between academic knowledge and practical service demands. Competitive advantages in the modern economy should be viewed not just through price, but through the integration of the human factor and high-quality lifestyle values. In conclusion, the essence of a modern service economy lies in the fact that people no longer pay just for products, but for the labor, attention, and time of others. This cognitive shift in philosophical thinking must be at the heart of all future developmental reforms.

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