

**DYNAMIC ASSESSMENT OF ENTREPRENEURSHIP AND CRAFT SECTOR DEVELOPMENT AT THE COMMUNITY LEVEL: EVIDENCE FROM MAHALLAS****Tukhtasinov Zafarjon Odiljonovich**

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**Abstract.** This study examines the dynamics of entrepreneurship and craftsmanship development at the neighborhood (community) level, with a focus on their role in promoting inclusive economic growth and local employment. The research aims to identify key trends, determine influencing factors, and assess the contribution of small business and traditional crafts to socio-economic development. The study employs a mixed-method approach, combining statistical analysis, comparative assessment, and institutional evaluation to analyze changes in entrepreneurial activity and craftsmanship across different communities.

**Keywords:** entrepreneurship, crafts, mahalla economy, small business, economic entities, employment, institutional environment, investment, financial stabilit.

**1.Introduction**

In recent years, our country has been carrying out extensive work on the socio-economic development of regions, the creation of decent living conditions for the population, improving the business environment, and ensuring employment through the support of active entrepreneurship, innovative ideas, and creative potential.

In particular, small business and private entrepreneurship are considered the main link in the economy of our country, and today large-scale work is being carried out to rapidly develop this sector, support the activities of entrepreneurs, further expand their ranks, and encourage them.

Locally established business entities play a significant role in ensuring employment and further improving the standard of living. Attention is being paid to comprehensive support for enterprises, small and medium-sized businesses, and family businesses that have been established in recent years at the national level.

In recent years, the development of entrepreneurship and craftsmanship at the local community level has become a central pillar of sustainable economic growth and inclusive development. In many emerging economies, particularly those undergoing structural transformation, neighborhood-based economic activities play a critical role in enhancing

employment opportunities, fostering income generation, and reducing regional disparities. Within this context, the promotion of small-scale entrepreneurship and traditional crafts is increasingly recognized not only as an economic necessity but also as a strategic instrument for preserving cultural heritage and strengthening social cohesion.

The growing importance of community-driven economic development is closely associated with the decentralization of economic policies and the adoption of bottom-up development approaches. Governments are progressively shifting their focus toward empowering local communities—often referred to as “neighborhoods” or “mahallas”—as fundamental units of economic organization. This shift is accompanied by the implementation of targeted support mechanisms, including microfinance programs, tax incentives, vocational training, and institutional reforms aimed at reducing administrative barriers for small businesses and artisans. As a result, the entrepreneurial ecosystem at the neighborhood level has experienced notable transformations, characterized by an increase in the number of business entities, diversification of economic activities, and improved access to markets.

## **2.Literature review**

The development of entrepreneurship and craftsmanship at the community level has been widely examined within the frameworks of local economic development (LED), endogenous growth theory, and small business economics. Existing literature emphasizes that grassroots entrepreneurial activities serve as a key driver of employment generation, poverty reduction, and inclusive economic growth, particularly in developing and transition economies.

The LED approach provides an important analytical lens for understanding neighborhood-level economic dynamics. According to Blakely and Leigh (2017), local economic development involves collaborative efforts among public, private, and community actors to enhance economic capacity and improve quality of life. Similarly, Edward J. Blakely and his co-authors argue that strengthening local entrepreneurship ecosystems, including access to finance, infrastructure, and institutional support, is essential for sustainable development. In this context, neighborhood-based entrepreneurship programs have been recognized as effective tools for addressing spatial inequalities and fostering inclusive growth.

Craftsmanship, as a specific form of economic activity, has been studied both from cultural and economic perspectives. Traditional crafts are often embedded in local identity and heritage, contributing not only to income generation but also to cultural preservation. According to Richard Sennett, craftsmanship represents a form of skilled labor rooted in tradition, creativity, and tacit knowledge. Empirical studies indicate that the integration of crafts into

tourism and creative industries can significantly enhance their economic viability (UNESCO, 2013). This is particularly relevant for regions with rich cultural heritage, where craftsmanship can be transformed into a competitive advantage in both domestic and international markets.

The role of institutions and policy frameworks in promoting entrepreneurship has also been extensively analyzed. Douglass North emphasizes that institutional quality—defined by formal rules, informal norms, and enforcement mechanisms—directly influences economic performance. In line with this, Acs et al. (2014) introduce the concept of national and regional entrepreneurship ecosystems, highlighting the importance of coordinated policy interventions, access to capital, human capital development, and innovation infrastructure. Studies conducted in emerging economies show that government-led initiatives, such as microfinance programs and tax incentives, significantly enhance entrepreneurial activity at the local level (Beck et al., 2005).



Recent literature also focuses on the digital transformation of entrepreneurship and its implications for small businesses and artisans. The emergence of e-commerce platforms and digital marketplaces has expanded market access for local entrepreneurs and craftsmen, enabling them to overcome geographical limitations. According to Erik Brynjolfsson and McAfee (2014), digital technologies play a transformative role in reshaping business models and improving productivity. In the context of small-scale enterprises, digitalization facilitates marketing, customer engagement, and supply chain integration, thereby enhancing competitiveness.

Despite these advancements, several challenges persist in the development of

entrepreneurship and craftsmanship at the neighborhood level. Empirical studies highlight issues such as limited access to finance, inadequate infrastructure, low levels of entrepreneurial skills, and regulatory barriers (Minniti, 2008). Furthermore, disparities between urban and rural areas remain a significant concern, as rural communities often lack the necessary resources and institutional support to fully realize their entrepreneurial potential.

In summary, the existing body of literature underscores the multifaceted nature of entrepreneurship and craftsmanship development, integrating economic, institutional, cultural, and technological dimensions. However, there remains a research gap in analyzing the dynamic interactions between these factors specifically within neighborhood-level contexts, particularly in transition economies. This study aims to address this gap by providing a comprehensive and empirically grounded analysis of entrepreneurship and craftsmanship development dynamics at the local level.

### 3. Methodology

This study used a comprehensive scientific and methodological approach to assess the dynamics of the development of entrepreneurship and crafts in makhallas. The research methodology was based on a systematic approach, comparative analysis and a combination of economic and statistical methods.

The information base of the study was formed by data from the Statistics Agency of the Republic of Uzbekistan, official reports, regulatory and legal documents, and the results of practical observation in the regions. The data were formed on the basis of the number, composition and performance indicators of economic entities for the period 2023–2025. During the analysis, the growth rates and trends in the number of enterprises were determined using the dynamic series method, and their share in sectors and regions was assessed using structural analysis. Based on the comparative analysis method, the number of enterprises established and terminated in different regions (Fergana, Andijan, etc.) was compared, and institutional analysis methods were used to assess the effectiveness of the makhalla system.

### 4. Analysis and results

Statistika agentligi ma'lumotlariga ko'ra, 2025-yil 1-fevral holatiga O'zbekistonda 729,1 mingta xo'jalik subyekti ro'yxatdan o'tgan bo'lib, o'sish sur'ati 105,5 foizni tashkil etgan. Hududlar kesimida Xorazm, Farg'ona va Qashqadaryo viloyatlarida yangi korxonalar sonining oshishi kuzatilgan. Tarmoqlar bo'yicha esa sog'liqni saqlash va ijtimoiy xizmatlar hamda savdo sohalarida o'sish yuqori bo'lgan.

So‘nggi yillarda yangi tashkil etilayotgan korxonalar soni ortib bormoqda: 2023-yilda 5 920 ta, 2024-yilda 5 945 ta va 2025-yilda 6 032 ta kichik korxonalar va mikrofirmalar tashkil etilgan. Ularning asosiy qismini MChJlar tashkil etib, ular soni ham barqaror oshgan. Shu bilan birga, xorijiy investitsiyalar ishtirokidagi korxonalar soni ham sezilarli ko‘payib, 2025-yilda 321 taga yetgan. Bunda Xitoy (22,9%), Rossiya (19,6%), Turkiya (12,3%) va Qozog‘iston yetakchi investorlar hisoblanadi.



According to data, small business entities are established in the regions every year with the support of assistant khokims. In particular, as of January 1, 2025, 225,205 business entities were established by them in the republic, of which 148,159 were individual entrepreneurs and 77,046 were legal entities.

The KPI system of assistant khokims has been introduced on the “Online Mahalla” platform, in which points are awarded in the following categories and the assistant khokim is awarded a bonus.

Established entities - 10 points

Employment - 10 points

Self-employment - 10 points

Sending to work abroad through a migration agency - 15 points

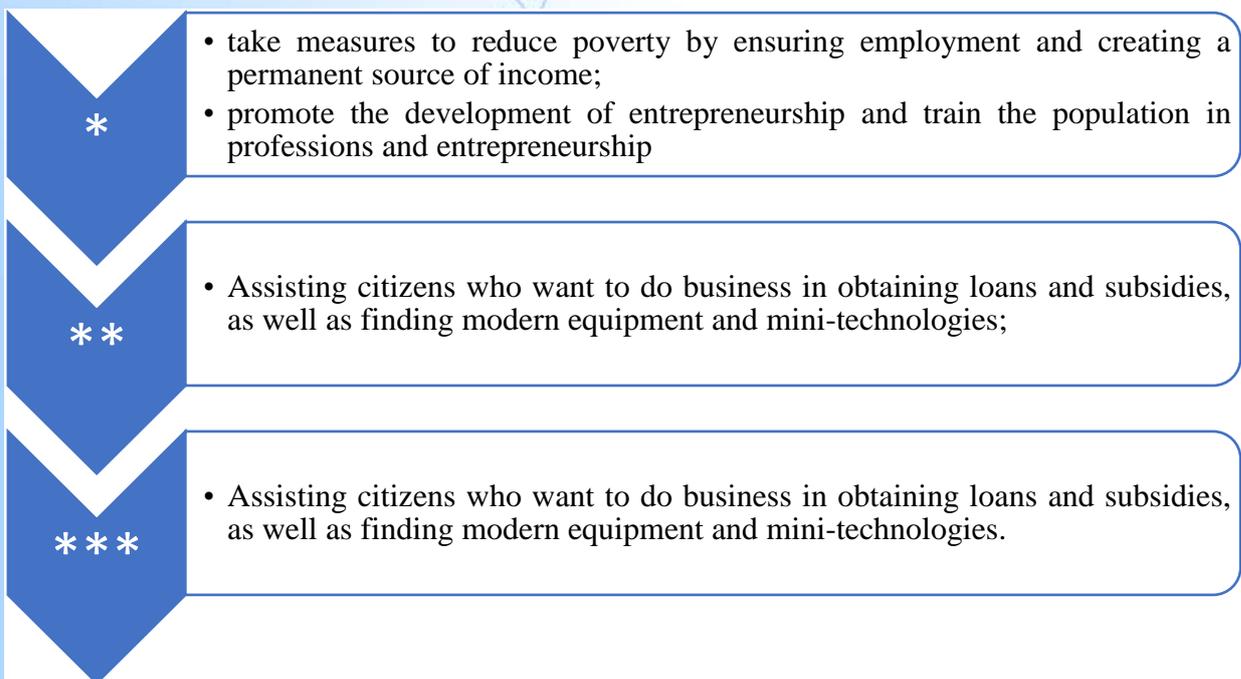
Providing services to poor families - 10 points

Loan allocation - 15 points

Organization of an online market - 10 points

Mahalla chairman's assessment - 20 points.

A convenient and electronic workflow has been established in the mahalla. The three existing platforms - "Online Mahalla", "Women and Girls", "Youth Portal" - have been integrated and incorporated into a single system.



**Figure 1. Main tasks and areas of activity of the "Mahallabay" performance system center**

Starting from January 1, 2022, the system of neighborhood work has fundamentally changed. The position of assistants to district (city) khokims has been introduced to develop entrepreneurship in neighborhoods, ensure employment, and reduce poverty. Assistants to khokims are assigned a number of tasks, such as solving existing economic tasks in the neighborhood, organizing more business entities in the neighborhood, training unemployed citizens in the neighborhood, determining necessary measures together with relevant departments for the purposeful use of vacant buildings in the neighborhood, studying the social situation in the neighborhood and taking necessary measures to eliminate existing problems. In order to coordinate the activities of assistants to khokims and authorized state bodies and organizations, the Agency for the Development of Neighborhood Work and Entrepreneurship under the Ministry of Economic Development and Poverty Reduction, and Centers for the

Development of Neighborhood Work and Entrepreneurship in districts (cities) have been established.

There is great meaning behind the introduction of this position. A large amount of money is allocated to solve economic problems in the neighborhoods and lift the population out of poverty. Specialists are being involved in the management of funds and the competent solution of other economic and financial problems. [16]

The powers of the neighborhood chairmen in coordinating the work of the “neighborhood seven” have been expanded. In particular, they have the authority to submit proposals for incentives or disciplinary action against an assistant khokim, youth leader, women's activist, prevention inspector, tax officer, and social worker.

In our country, comprehensive support for entrepreneurship and broad involvement of the population in small and medium-sized businesses have risen to the level of state policy, and many laws, decrees, and resolutions have been adopted aimed at developing the sector.

### **5. Conclusions**

There are a number of systemic and institutional problems in the development of entrepreneurship and crafts in the mahallas of our country, which limit the sustainable growth of this sector.

First of all, limited access to financial resources is one of the main problems. For many artisans and small entrepreneurs, the lack of collateral, relatively high interest rates, and the complexity of the loan allocation process serve as significant obstacles to obtaining bank loans. This makes it difficult to start a new business or expand existing activities.

Secondly, the insufficient development of marketing and sales infrastructure is a significant problem. The system for exporting handicraft products produced in mahallas to domestic and foreign markets is not fully formed. The low level of use of modern trading platforms, e-commerce tools, and branding strategies reduces the competitiveness of products.

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