



**INSTITUTIONAL AND ORGANIZATIONAL-ECONOMIC MECHANISMS
FOR ENHANCING ENTREPRENEURSHIP AND HANDICRAFTS IN
MAHALLAS**

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Globalization and economic transformation have increased the importance of entrepreneurship and handicraft development in ensuring employment, diversifying income sources, and reducing poverty. In Uzbekistan, the “mahallabay” system, family entrepreneurship programs, and financial and tax incentives for craftsmen have strengthened local economic activity. However, existing organizational and economic mechanisms do not yet fully utilize the potential of mahallas. Therefore, the development of entrepreneurship at the mahalla level requires a comprehensive approach based on infrastructure, financial resources, human capital, institutional coordination, and digital transformation.

Issues of small business, private entrepreneurship, regional development, state regulation, innovative management, family business, employment, and poverty reduction have been studied by a number of national economists and researchers. Nevertheless, the methodology for managing entrepreneurship and handicraft development in mahallas has not been sufficiently examined as an integrated ecosystem. This creates the need to study mahalla entrepreneurship as a system of interacting institutions, resources, stakeholders, and feedback mechanisms.

The study applies systemic, institutional, ecosystem, and structural-functional approaches. The systemic approach makes it possible to consider the mahalla entrepreneurial ecosystem as a holistic structure consisting of interrelated participants, resources, institutions, and management mechanisms. The institutional approach identifies the roles of the mahalla institute, assistant khokim, financial institutions, educational organizations, public associations, innovative structures, and digital platforms. The structural-functional approach explains the vertical, horizontal, and feedback relations among these actors.

The theoretical basis of the research relies on the entrepreneurial ecosystem concepts of Daniel Isenberg and Erik Stam. According to these approaches, the success of an ecosystem depends not only on the existence of separate institutions, but also on the quality of cooperation, resource exchange, and





partnership networks among them. In the mahalla context, each participant performs a specific function. The mahalla institute identifies local needs and mobilizes the population; the assistant khokim coordinates support mechanisms; financial institutions provide credit and investment resources; educational institutions develop entrepreneurial skills; innovative structures support startups and technology transfer; public organizations ensure inclusiveness and social participation; and digital platforms integrate data, monitoring, and transparency.

Within this ecosystem, three main flows operate continuously: resources, information, and financial funds. Vertical links deliver state programs and resources to the local level, horizontal links strengthen cooperation among actors, and feedback links return information on results, problems, and new needs to the management system. As a result, the ecosystem functions as an open and self-improving system rather than a closed structure.

The proposed organizational and economic mechanism reflects the cyclical nature of the mahalla entrepreneurial ecosystem. At the first stage, financial, organizational, infrastructural, informational, and human resources are mobilized. These resources are then directed toward supporting business initiatives, family entrepreneurship, service activities, and innovative projects. Increased entrepreneurial activity expands production, creates new jobs, raises household income, strengthens local demand, and generates additional budget revenues. These outcomes improve infrastructure, employment, social welfare, and investment attractiveness. The newly created resources return to the ecosystem and launch the next cycle of development.

Thus, the sustainability of the mahalla entrepreneurial ecosystem is ensured through self-development, self-renewal, adaptability, digital transformation, and innovative stability. Continuous resource circulation and feedback mechanisms reduce dependence on external support and transform the mahalla into a self-sustaining, flexible, and institutionally strong model of local entrepreneurship development.

In summary, the effective functioning of the mahalla entrepreneurial ecosystem depends on the functional distribution, quality of cooperation and continuity of resource circulation between its participants. When the mahalla institute, assistant khokim, financial institutions, educational institutions, innovative structures, public organizations and digital platforms operate as a single system, entrepreneurial initiatives are effectively supported. The





organizational and economic mechanism proposed in the study serves to develop entrepreneurship at the mahalla level, increase employment, expand sources of income and ensure local economic stability. In particular, feedback loops, digital monitoring and constant circulation of resources ensure the formation of the ecosystem as an open system that is self-developing, renewing and adaptable to external influences. This allows for the development of entrepreneurship and crafts in mahallas on an institutionally solid, sustainable and innovative basis.

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