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POSSIBILITIES OF ECONOMIC DEVELOPMENT OF REGIONS THROUGH CONNECTING “LEADING ENTREPRENEURS” TO MAHALLAS

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ВОЗМОЖНОСТИ ЭКОНОМИЧЕСКОГО РАЗВИТИЯ РЕГИОНОВ ЧЕРЕЗ ПОДКЛЮЧЕНИЕ «ВЕДУЩИХ ПРЕДПРИНИМАТЕЛЕЙ» К МАХАЛЛЯМ

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Abstract. This article scientifically analyzes the issues of effective usage of the opportunities of economic development of mahallas, which is considered as a micro-region of the country, in ensuring the well-being of the population. Factors that negatively affect the economic development of the neighborhood have been identified. Also, a scientific study was conducted on ways to improve the income of mahalla residents and increase the well-being of the population by connecting the citizens who want to start their business to the “leading entrepreneurs” who have achieved positive results and are conducting stable business activities in the mahalla or region. At the same time, according to the results of the research, reasonable proposals and recommendations were developed to increase the opportunities for economic development of the regions by attaching “leading entrepreneurs” to mahallas.

Аннотация. В статье научно анализируются вопросы эффективного использования возможностей экономического развития махаллей страны, в обеспечении благосостояния населения. Выявлены факторы, негативно влияющие на экономическое развитие махаллей. Также было проведено научное исследование путей улучшения доходов граждан махаллей и повышения благосостояния населения путем подключения граждан, желающих заниматься бизнесом к «лидерам-предпринимателям», добившимся положительных результатов, приводящих к стабильной хозяйственной деятельности по соседству. Вместе с тем, по результатам исследования были выработаны обоснованные предложения и рекомендации по увеличению возможностей экономического развития регионов за счет прикрепления к махалле «лидеров-предпринимателей».

Keywords: region, economic development of regions, mahalla, leading entrepreneur, increase the income of population, poverty, reduction of poverty.

Ключевые слова: регион, экономическое развитие регионов, ведущий предприниматель, рост доходов населения, бедность, сокращение бедности.

We all know that the “golden rule” of the economy is to satisfy the unlimited needs of people in the conditions of limited resources. From this point of view, all countries try to improve the standard of living of the population by ensuring the “economic growth” of the country by effective use of available natural resources, opportunities, conditions and facilities.

In order to achieve the intended goals, socio-economic reforms will be implemented, and their effectiveness will depend on the careful development and effectiveness of the mechanisms for their implementation. Implementation of economic reforms within regions or small micro-regions increases effectiveness.

World experience shows that effective management of the economy by the state is achieved only when socio-economic problems of a local nature are solved by local authorities and self-governing organizations of citizens [1].

Analysis of the Literature Relating to the Topic (Literature Review)

Many foreign and local scientists have conducted scientific research on the dependence of regional economic stability on micro-regions and local bodies. For example, Caroline Andrews, Michael Goldsmith, John J. Gargan and T. M. Akhmedov.

They note that in economic geography and regional economics, the term “territory” is used in many senses. In scientific literature and periodicals, the concept of “district” is gradually being squeezed out of this term.

The concept of “territory” is relatively flexible. According to T. M. Akhmedov, first of all, regional units that reflect a specific goal and reflect social-economic and material-territorial systems with their own authority and management bodies should be recognized as territories [2].

It should be noted that According to Article 6 of the law no. 350 of the Republic of Uzbekistan by April 22, 2013 “About self-government bodies of citizens”, mahallas are designated as territorial units of citizen self-government (<https://lex.uz/uz/pdfs/2156899>). At the same time, it is established that the community will make decisions that are valid within its territory.

Based on the above, taking measures for socio-economic development of “mahallas” in Uzbekistan as a small micro-region creates a basis for the country’s economic development.

When it’s been said “Economic development” by economists, it is emphasized that the production capacity within the country is increased at a rate higher than the population growth rate. The concept of “level of economic development” served as a quantitative measure of the development process and it is determined by dividing the country’s national income by its population.

Research Methodology

In this research work empirical, observation, synthesis and induction, deduction and statistical analysis methods were used.

The reforms and measures being carried out in mahalla were empirically observed and synthesized. Also, general studies of economic indicators of localities were carried out. In addition, as a result of the scientific and practical analysis of the statistical indicators of the neighborhoods, a number of reasonable proposals and recommendations were developed.

Analysis and Results

The higher the rate of growth of national income, the faster the rate of economic development in the country, which has increased faster than the rate of population growth.

It should be said that one of the forms of implementation of territorial policy is targeted programs for socio-economic development of regions [3].

In this direction, the “neighborhood” system of work has been introduced in recent years, and various ministries and agencies have come down to the neighborhood level and are performing the tasks assigned to them.

The regulatory functions of the state provide effective economic results in the effective use of the ability of an entrepreneur, the expansion of his entrepreneurial activity, and the use of the opportunities to involve his/her labor and other resources in the process of economic reproduction.

According to the Decree of the President of the Republic of Uzbekistan no. 5214 on August 5, 2021, “On additional measures to support entrepreneurship in mahallas and develop cooperation between business entities and the population” The new mechanism for attaching “leading entrepreneurs” to mahallas, was established in order to support and expand economic cooperation between business entities and households.

For this, in Andijan region 40 million US dollars from the state budget were allocated for 210 “underdeveloped” mahallas, and other regions of Uzbekistan 100 million US dollars allocated for 500 “underdeveloped” mahallas. It was decided that commercial banks will allocate loans of up to 2 billion soums for one mahalla to “leading entrepreneurs” at an annual rate of 10 percent for a period of 3 years (Figure 1).

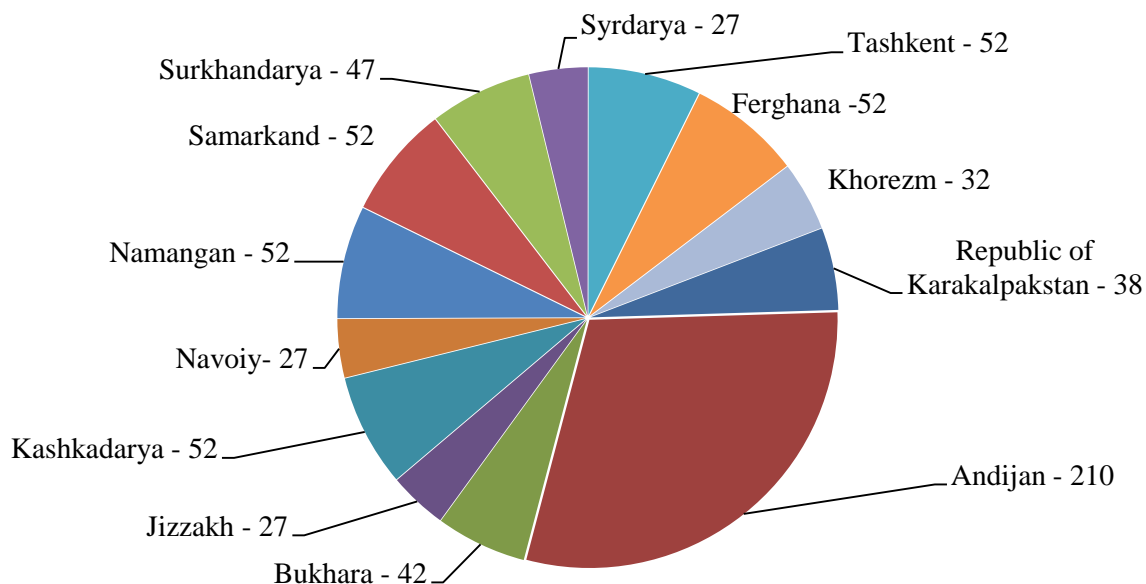


Figure 1. The number of mahallas where the “Mahallabay” operating system will be implemented

Based on the specialization of the mahallas, it was decided to organize the allocation of preferential loans to “leading entrepreneurs” who expressed their desire to start business activities on the basis of cooperation, and to attach citizens who do not have the experience of independent business activities to them to start their own activities.

It is worth noting that the method of creating new jobs and ultimately increasing the income of the population was used by creating a small opportunity for the “leading entrepreneur” and using his abilities and opportunities to support economic development.

According to the statistical and empirical scientific analyzes of the regions, there are "leading entrepreneurs" with well-developed entrepreneurial skills who are effectively using the specific economic “growth points” of each micro-region being practically well experienced. At the same time, these entrepreneurs have new projects for further expansion and development. It is beneficial

for each of the parties to ensure the employment of existing labor resources in the area by supporting and eliminating their problems in the implementation of their projects.

For this purpose, it is appropriate to implement this system as an opportunity to develop the economy of the micro-region by identifying “leading entrepreneurs” in the regions, applying economic incentives to them, and organizing the direction of one's own investment to the neighborhood. During the research work, the work done in Surkhandarya region in this direction was analyzed. In accordance with the Decree of the President of the Republic of Uzbekistan no. 5214 dated August 5, 2021, It is planned to allocate a preferential loan in the amount of 82.7 billion soums for 57 “leading entrepreneurs” who were assigned to 47 “underdeveloped” mahallas selected in the Surkhandarya region. Today, 50.6 billion soums of the loans have been allocated to 47 “leading entrepreneurs”, 14 “leading entrepreneurs” are in the process of being allocated loans, and 10 have not been found to allocate loans for various reasons (Table 1).

Table 1

LOANS ALLOCATED TO “LEADING ENTREPRENEURS” ATTACHED TO SELECTED
 “UNDERDEVELOPED” MAHALLAS IN SURKHANDARYA REGION

№	District / City name	Number of leading entrepreneurs	Resource funds (m. soums)	Allocated loan		Loan allocating process		Declined	
				number	sum	number	sum	sum	sum
	Total	57	82 700	47	50 606	14	10 905	10	15 860
1	Angor	4	5 100	4	4 600	1	500	0	0
2	Bandikhon	4	5 750	3	2 250	1	1 000	1	1 500
3	Boysun	4	8 400	4	4 831	1	1 690	0	0
4	Denov	3	7 000	3	3 400	1	1 200	0	0
5	Jarkurgan	4	5 450	4	5 090	1	360	0	0
6	Kyziriq	6	4 000	4	3 740	0	0	2	3 260
7	Kumkurgan	3	5 000	1	1 410	1	90	2	3 500
8	Muzrabot	4	9 500	3	2 650	3	2 850	1	2 000
9	Oltinsoy	3	4 950	2	3 150	0	0	1	1 800
10	Sariosiyo	4	5 450	3	3 600	2	850	1	1 000
11	Termez district	6	7 400	4	3 550	0	0	2	2 800
12	Uzun	4	4 700	4	4 700	0	0	0	0
13	Sherobod	4	3 400	4	3 400	0	0	0	0
14	Shurchi	4	6 600	4	4 235	3	2 365	0	0

From the information in this table, we can see that in the Kumkurgan district, 1.4 billion soums were allocated to one “leading entrepreneur”, but 3.5 billion soums of loans remain unallocated to two “leading entrepreneurs” despite being included in the program. This situation shows the lack of thorough business plans of entrepreneurs, the presence of “bureaucratic” obstacles and censorship in the process of credit allocation, and these unallocated funds could have served to increase the income of many families during the past time. Similarly, commercial banks provided 3.3 billion soums to 2 entrepreneurs in Kyziriq district, 2.8 billion soums to 2 entrepreneurs in Termiz district, 2.0 billion soums to 1 entrepreneur in Muzrabot district, 1.5 billion to 1

entrepreneur in Bandikhon district. The non-allocation of billion soum loans led to the non-creation of new jobs. When the loans allocated to “leading entrepreneurs” were analyzed by direction, it was revealed that the main loans were allocated in agricultural sector (Table 2).

As a result of the allocated loans, 2,600 households of 44 mahallas started their business activities on the basis of cooperation.

Table 2

DISTRIBUTION OF LOANS ALLOCATED TO “LEADING ENTREPRENEURS” ATTACHED TO
 “UNDERDEVELOPED” MAHALLAS IN SURKHANDARYA REGION BY DIRECTIONS
 (Developed by the author based on information provided by the Department
 of Economic Development and Poverty Reduction of Surkhandarya Region)

№	District / City name	Total covered		Greenhouse direction		Poultry direction		Sewing and knitting direction	
		number of mahallas	number of households	number of mahallas	number of households	number of mahallas	number of households	number of mahallas	number of households
	TOTAL	44	2 592	25	1 119	17	1 363	1	100
1	Angor	4	340	3	140	1	200		
2	Bandikhon	4	380			3	280	1	100
3	Boysun	2	152	1	45	1	107		
4	Denov	3	135	3	135				
5	Jarkurgan	2	91	1	36	1	55		
6	Kyziriq	3	175	1	40	2	135		
7	Kumkurgan	3	173	3	173				
8	Muzrabot	4	210	3	160	1	50		
9	Oltinsoy	3	173	1	22	2	151		
10	Sariosiyo	4	215	3	165	1	50		
11	Termez district	3	172	1	62	1	110		
12	Uzun	3	111	2	56	1	45		
13	Sherobod	3	135	1	15	1	120		
14	Shurchi	3	130	2	70	1	60		

Including:

- greenhouse direction — 25,6 billion soums of were allocated to “leading entrepreneurs” which had been attached to 25 mahallas to produce lemons and other types of agricultural products in 1100 households;

- poultry direction — 16.2 billion soums of loans were allocated to “leading entrepreneurs” attached to 17 mahallas, and 1.4 thousand households to start raising eggs, meat and chicks;

- in sewing, tailoring and carpet making direction 4 “leading entrepreneurs” attached by 2 mahallas and 1 “leading entrepreneur” in fishing. For them it has been attached 210 households on the basis of cooperation.

The warm climate and favorable conditions of the Surkhandarya region may have led to the directing the loans to the production of agricultural products, however, as we aim for the economic

development of the region, it is appropriate to focus on other sectors, especially small production and service projects.

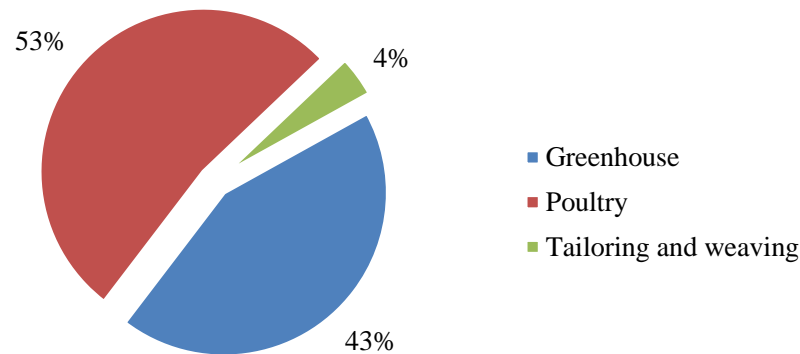


Figure 2. The share of households that started business with “leading entrepreneurs” on the basis of cooperation in Surkhandarya region (in percentage)

In addition to the implemented, there are also problems and shortcomings in supporting the activities of “leading entrepreneurs”, socio-economic development of mahallas, removing them from the category of “underdeveloped” mahallas, and improving the lifestyle of the population. Including:

- “bureaucratic” obstacles in the process of granting preferential loans to business entities, the presence of censorship reduces their desire to start work;
- lack of thoroughness of business plans of entrepreneurs causes unnecessary distractions;
- there is a fear among the population to work on the basis of cooperation with entrepreneurs, the relations between them are determined to be regulated on the basis of a civil legal contract;
- indicates that the allocated loans are directed to a narrow range of directions (agriculture, poultry, weaving), small production and service sectors in the neighborhoods are not covered;
- loans are allocated for activities based on manual labor rather than “online services” or areas requiring “intellectual work”;
- due to the weakness of the control mechanism of allocated loans, there is a risk of non-fulfillment of promises made by entrepreneurs;
- due to the lack of entrepreneurial skills of the population, they only perform the tasks given by the entrepreneur, it is difficult to implement new business ideas and initiatives.

The above-mentioned shortcomings slow down the development of the entrepreneurial environment in the mahalla, and as a result, reduce the income of the “leading entrepreneur” and households working with him on a cooperative basis.

Within the sector of non-financial organizations in our country, the role of small business and private entrepreneurship is very large. For this reason, our government pays great attention to the development of this sector.

The mahallabay system allows to jointly solve problems in mahallas, important issues in the life of the population, socio-economic development of each area, and to identify the “points of growth” of the mahalla. On this basis, regional development programs and poverty reduction plans are developed based on the specific lifestyle of each mahalla.

Conclusion and Recommendations

Based on the results of our research, we make the following proposals for socio-economic development of mahallas, support for entrepreneurship, strengthening of cooperation between the population and “leading entrepreneurs” and thereby increasing the income of the population:

First. Focusing on the creation of additional value in the development of entrepreneurship based on the “growth points” of the mahallas. In this way, the products grown at home will be released to the market as finished products, not as raw materials.

As a result, small production projects to add value to agricultural products grown in the mahalla will increase and new jobs will be created.

Second. In order to achieve the natural emergence of “leading entrepreneurs” working on the basis of cooperation with the population, it is necessary to simplify the existing procedures. It is necessary to develop simplified normative legal documents on the cooperation of entrepreneurs with the population.

In this regard, it is appropriate to consider creating an opportunity for entrepreneurs who want to do business in the mahalla to work on the basis of market mechanisms without any conditions from the state.

Third. Accelerating the organization of business accelerators (as an example of Astrum IT center) to improve the financial health of business entities, to improve the knowledge and skills of the population.

The analysis shows that 30.7% of newly established individual entrepreneurs in Surkhandarya region stopped their activities for various reasons during the six months period of this year. In particular, in Sariosiyo (30.4 percent) and Termez (30.3 percent) and Shurchi (29.5 percent), Kumkurgan (27.6 percent), Muzrobot (22.8 percent), Jarkurgan (22.3 percent) districts., stopped working in Angor (21.2 percent) and Denov (20.2 percent) districts.

The main part of business entities that stopped their activity showed lack of knowledge and skills, inability to adapt to the market.

Fourth. Special attention should be paid to small production and service projects in mahallas when organizing entrepreneurship among the population with “leading entrepreneurs” on the basis of cooperation. Based on the economic potential of the mahallas, the development of multi-sectoral entrepreneurship is achieved.

Fifth. Organization of micro-regions for “leading entrepreneur” and small business entities based on the specialization of mahallas.

In this case, it is possible to expand the activities of households engaged in small business at home in these micro-territories by organizing micro-territories on vacant buildings and lands in the neighborhood. The presence of business entities operating in different directions in the same area allows them to “complement each other” in the production of products.

Sixth. Reduction of “bureaucratic” barriers and censorship in the process of granting preferential loans to business entities. Every year, the state adopts the parameters of various programs for financing private entrepreneurship, through which billions of funds are allocated as loans. If commercial banks work on the principle of “banks for the customer” and organize timely allocation of loans, the opportunity to create new jobs in time will increase.

In conclusion, it can be said that for the social and economic development of the regions, it is necessary to develop the entrepreneurship of the population in the mahallas. It is necessary to achieve the emergence of business entities on the basis of market mechanisms. For this, it is necessary to develop the regulatory and legal documents, “rules of the game” accepted by the state regarding the development of entrepreneurship, from the point of view of assessing the impact on the entrepreneur at the mahalla level. One of the most optimal ways to develop entrepreneurship is by effectively using the opportunities of “leading entrepreneur”. From this point of view, the practical application of the above proposals will show not only the effectiveness of this methodology, but also the correct choice in the future.

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