



DIGITAL MAHALLA GOVERNANCE: AN OUTCOME-BASED MODEL FOR LOCAL ENTREPRENEURSHIP SUPPORT

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ABSTRACT

This thesis proposes an outcome-based governance model for supporting entrepreneurship at the mahalla level in Uzbekistan. It argues that concessional finance is effective only when it is combined with capability assessment, vocational skills, mentoring, market access, digital coordination, and continuous monitoring. The proposed framework connects the local economic profile, entrepreneur segmentation, differentiated support packages, an integrated digital platform, a Mahalla Entrepreneurship Development Index, and feedback-based policy correction. The study also outlines how GIS mapping, electronic project profiles, customer-relationship-management tools, and marketplace integration can improve the targeting and accountability of public support. A microcluster model based on local specialization is recommended to reduce fragmentation among small producers. The approach shifts evaluation from the number of loans and registrations toward business survival, formal employment, household income, repayment quality, and inclusion of women and youth.

The mahalla is increasingly becoming a practical unit of local economic development in Uzbekistan. It is the space where household capabilities, traditional skills, local demand, infrastructure, and public support interact. This institutional position creates an opportunity to identify entrepreneurial potential at a highly disaggregated level. At the same time, it creates a management challenge: public programs must distinguish between social need and commercially viable activity. A household may need income support, but a sustainable enterprise additionally requires skills, market demand, financial discipline, infrastructure, and post-financing assistance.

The entrepreneurial ecosystem approach provides an appropriate conceptual basis for addressing this challenge. Rather than treating finance, training, markets, and institutions as separate interventions, the ecosystem perspective emphasizes their functional interdependence (Isenberg, 2011; Stam, 2015). Applied to the mahalla, this means organizing

support through the sequence: local diagnosis, capability assessment, business-model selection, financing, market connection, monitoring, and result evaluation. The purpose of this thesis is to present a shortened governance model that can operationalize this sequence.

The proposed architecture begins with an economic passport of each mahalla. The passport should describe population structure, labor resources, existing businesses, household skills, infrastructure, raw materials, transport accessibility, consumer demand, and potential specialization. This information allows local authorities and financial institutions to avoid uniform programs and to match support with the actual constraints of different entrepreneur groups.

Prospective self-employed persons usually need vocational training, registration assistance, a small start-up loan, and a mentor. Home-based and family businesses often require equipment, product costing, packaging, branding, and access to digital sales channels. Artisans benefit from design, certification, collective branding, and tourism linkages. Growth-oriented microfirms need working capital, logistics, quality standards, procurement connections, and export consulting. The content of support should therefore depend on business maturity rather than on a single administrative category.

The first six to twelve months after financing are critical. Newly supported entrepreneurs should receive structured accompaniment in accounting, cash-flow planning, tax registration, product pricing, customer acquisition, loan repayment, and operational problem-solving. This accompaniment lowers the risk that credit becomes a repayment burden rather than a productive asset. It also gives public institutions early warning signals when market demand, infrastructure, or managerial capacity is weaker than expected.

An integrated Digital Mahalla platform should function as a decision-support system rather than as an additional reporting database. Each supported project should have a unique digital profile containing the entrepreneur's skills, business plan, form of support, milestones, sales, employment, repayment status, identified constraints, responsible institutions, and corrective actions. Interoperability with tax, banking, training, and local-government information can reduce duplication and reveal whether support produces durable economic outcomes.

GIS-based mapping can strengthen spatial planning. It can show the location of unemployed residents, active firms, utilities, raw-material sources, transport routes, markets, and infrastructure gaps. Such mapping helps prevent the excessive duplication of identical activities in areas with limited demand. It can also identify complementary investments, such as a shared cutting center for garment producers or a packaging and logistics facility for food processors.

For comparative assessment, the thesis proposes a Mahalla Entrepreneurship Development Index (MEDI). The index combines normalized indicators and allows mahallas to be classified according to entrepreneurial potential and support needs.

$$MEDI_j = \sum_i w_i z_{ij}, \text{ where } \sum_i w_i = 1$$

Here, z_{ij} is the normalized value of indicator i for mahalla j and w_i is its weight. Weights may be estimated through expert assessment, the Analytic Hierarchy Process, entropy weighting, or a combined method. The index should be recalculated periodically so that changes can be linked to implemented interventions.

Dimension	Illustrative indicators	Suggested weight
Business activity	Active firms, start-ups, survival rate	20%
Employment and inclusion	Jobs, formalization, women and youth participation	20%
Finance and efficiency	Credit access, repayment, investment per job	15%
Market and digital access	E-commerce, digital payments, external sales	20%
Human capital and support	Training, mentoring, business literacy	15%
Infrastructure and institutions	Internet, utilities, roads, coordination quality	10%

A high-potential mahalla may need export promotion, logistics, digital commerce, and investment facilitation. A priority-support mahalla may require basic skills, infrastructure, microfinance, and intensive mentoring. Consequently, the index is not intended to create a permanent ranking; it is a tool for differentiated resource allocation and policy learning.

The microcluster approach can transform dispersed household activities into coordinated local value chains. Under the principle of one mahalla - one priority specialization, entrepreneurs with related activities can share procurement, equipment, training, branding, logistics, quality control, and sales channels. Collective organization reduces input costs, improves consistency, and enables small producers to fulfill larger orders.

Implementation can follow an eight-stage cycle: preparation of the mahalla economic profile; segmentation of entrepreneurial ideas and existing firms; assessment of market demand and infrastructure; design of individualized support packages; simultaneous provision of financial and non-financial assistance; early-stage mentoring; digital monitoring of business and social outcomes; and feedback-based revision of local programs. Institutional responsibilities should be explicit. The mahalla and assistant khokim diagnose local capabilities, banks assess financeability, training organizations build skills, business associations support market access, and local government removes infrastructure and administrative barriers.

5. Conclusion

Sustainable mahalla entrepreneurship requires a transition from input-oriented administration to outcome-based ecosystem governance. The effectiveness of support should not be judged only by the number of loans, registrations, or training participants. The relevant outcomes are business survival, productivity, formal jobs, household income, repayment quality, market expansion, and inclusion. The combination of differentiated support, an integrated digital platform, MEDI-based assessment, and local microclusters can improve targeting, accountability, and learning. In this model, the mahalla becomes not merely a

recipient of public programs but an active microinstitution of inclusive territorial development.

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