

# Opportunities to Effectively Use the Economic Functions of The Mahallas In Uzbekistan

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**Abstract-** The article focuses on studying the main areas of social activity in the neighborhood system, further increasing the standard of living of the population, showing the place and importance of social workers in this process, the basics of the activities of the neighborhood Institute are studied.

**Keywords:** Mahallas, people, active neighborhood, regions, entrepreneurship, economics.

## 1. INTRODUCTION

At the heart of Uzbekistan's cultural heritage and societal structure is a network of rural neighborhoods, known as mahallas. They exist as a collective of high-density houses, domestic spaces, and urban streets. Yet, beneath this infrastructure lies a unique social organism and urban conglomerate that goes back centuries. [4]

As part of the socio-economic reforms implemented in Uzbekistan, the role of the neighborhood in the economy is expanding more and more. The fact that the year 2022 is called "The year of honoring human dignity and active neighborhood" is a clear proof of this idea. Starting from 2021, the "Mahallabay" work system and the establishment of assistant mayors in each neighborhood from the beginning of this year show that the neighborhood is becoming the main link in the management of socio-economic processes. However, it should be noted that in some cases not all citizens fully understand these processes, have a clear idea of the role, powers and obligations of the neighborhood in ensuring the well-being and development of the territory.

In particular, the results of a survey conducted in Jizzakh, Fergana and Khorezm regions to determine whether citizens have information and ideas about the economic functions, rights and opportunities available in the neighborhoods show that 42.7 percent of the respondents approved the activity program and cost estimates of the citizens' meeting, and the plans of activities aimed at the comprehensive development of the area. ; 60.8 percent implement measures to support the socially disadvantaged sections of the population; 38.0 percent to observe the rights and legal interests of business entities in the relevant area, as well as to implement public control over the effective use of arable land and land protection; 56.4 percent heard reports of the heads of enterprises, institutions and organizations located in the relevant area within their authority regarding the issues of environmental protection, beautification and greening of the territory; 18.4 percent formed their own funds, organized control over spending of financial funds; 16.6 percent to make decisions on the development of social infrastructure, the use of funds of legal entities on the basis of a contract; 23.6 percent send their representative to the district, city commission for consideration of issues of granting (realization) of land plots; 20.1 percent include each farm in the farm book and record information about the farm; 42.8 percent provide contractual assistance in collecting utility bills; 28.1% of them are from low-income families, providing additional financial support to them, including marriage and wedding events; 21.4 percent have no idea about the powers of being a guarantor in obtaining loans by business entities located (living) within the relevant territory, including family business entities.

Also, a certain part of the population does not have enough information about the activities carried out by the community assembly.

This is due, on the one hand, to the fact that some part of the population is not interested in the activities of the MFY, on the other hand, the chairman of the neighborhood and his specialists are active in performing their duties.

## 2. ANALYSIS AND RESULTS

Today, in Uzbekistan, the development of entrepreneurship, mobilizing economic resources and opportunities at the disposal of neighborhoods, is gaining importance. In this regard, there are opportunities to bring the development of entrepreneurship to new levels in our country by implementing appropriate institutional reforms, providing local authorities and experts with practical powers in this regard.



Fig.1.Numbers of mahallas (in 2018) [5]

Accordingly, the implementation of a number of scientific proposals and recommendations in this direction is considered appropriate.

1. According to the legislation, family business entities that have not established a legal entity have the right to hire up to three permanent workers and conclude an employment contract with them. In our opinion, at this point, it is appropriate to take into account the recommendation of the local citizens' assembly on hiring workers based on the level of need for work. It is proposed to establish a "special attention regime" by the MFY in relation to family business entities that comply with this rule.
2. MFY is proposed to support its activities by providing it to the family enterprise on the basis of a contract to perform certain works or services within the scope of its activities.
3. In order to realize the products produced by family enterprises located in the territory of the MFY neighborhood, it is proposed to establish the activities of their general trade outlets, including trade cooperatives.
4. It is known that, according to the legislation, the family enterprise has the right to independently determine more favorable labor and socio-economic conditions for the participants and hired employees of the enterprise compared to those established by the legislation. Based on this, it is suggested that MFY use this authority of the family business as a means of supporting unemployed citizens in the area who need social protection.
5. MFY should give priority to supporting the development and strengthening of family enterprises, which are in the "special attention regime" while guaranteeing the observance of their rights and protection of their legal interests. In particular, in accordance with the procedure established by the relevant state bodies:
  - that unused, non-residential premises are leased to a family enterprise for the organization of production of goods (execution of works, provision of services) in them;
  - allotment of land to a family enterprise for construction of production areas;
  - connection of production facilities of the family enterprise to engineering and communication networks;
  - it is appropriate for the MFY to respond and take practical measures at its discretion in order to provide special places for the sale of the products produced by the family enterprise.
6. Based on the rule that citizens' self-government bodies can be guarantors in the process of granting loans to family enterprises, it is important for the MFY to pay attention to guaranteeing family enterprises that are in the "special attention regime" with it.
7. In Uzbekistan, family entrepreneurship is considered as one of the manifestations of small business and its main task is to solve problems of social nature. This can be observed through the following several cases.

First, family business is legally included in the small business entity. If a family business in the form of an individual is considered a small business entity by itself, a family business, as indicated above, is defined as a "small business entity" in Article 4 of the Law.

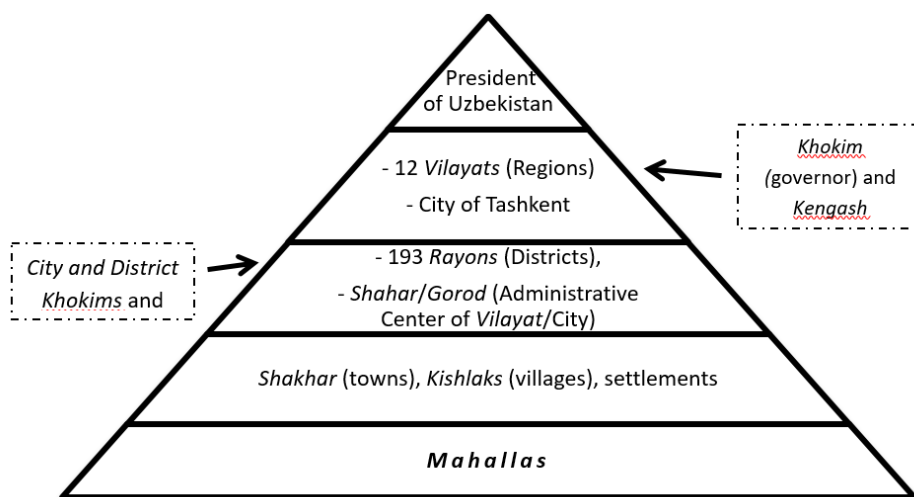


Fig.1. Structure of government in country [5]

The local administration of Uzbekistan – ordered from highest to lowest – includes provinces, cities, districts, towns, villages and mahallas. The regions, cities, towns and districts are governed by relevant kengashes (councils of people’s deputies), headed by relevant khokims (mayor/governor). In other words, each district, town and province has its own kengashes and khokims (Figure -1). Khokims of the provinces are appointed or dismissed of their posts by the president, with subsequent approval by relevant kengash. Regional khokims in turn appoint district and city khokims, with subsequent approval of the district or city kengashes. Khokims to districts are appointed and relieved by respective city khokims, and finally khokims of towns of district subordination are appointed and discharged by district khokims upon approval by district kengash.

No matter how efficient the activity of a family business is, it cannot increase the number of its employees beyond the norm established for small business entities. "The total number of participants of a family business and its hired employees cannot exceed the average annual number of employees of small business entities established by law. In this case, the minimum number of family business participants should not be less than two people.[1]

Secondly, the necessity of direct labor participation of family members and relatives of employees in family businesses. According to the law, "Participants of the family enterprise must participate in the activity of the family enterprise with their personal labor." [2] This, on the one hand, causes an obstacle to the number of workers, and on the other hand, a decrease in labor productivity.

Thirdly, family business entities in Uzbekistan do not have the right to issue shares and other securities. This does not allow persons other than its participants to participate in the management of the family enterprise. At the same time, it also restricts the transfer of family businesses to large corporations.

Also, in Article 11 of the Law "Chartered fund of a family enterprise", "The chartered fund of a family enterprise is formed at the expense of money, securities, other property, including property rights valued in money or other rights transferred to another person. A single house (apartment) cannot be included in the charter fund of a family enterprise. [3]

In our opinion, the fact that a single house (apartment) cannot be included in the charter fund of a family enterprise is determined taking into account the social consequences of the issue. That is, in case of business failure (bankruptcy), family members should not be separated from their shelter. True, this situation serves to ensure the stability of the life of family members, but at the same time it leads to the exclusion of property of significant value. In our opinion, the inclusion of a single house (apartment) in the chartered fund through property insurance or bankruptcy insurance of the enterprise allows for a significant increase in the value of the assets of the family enterprise.

8. Today, a significant part of individual entrepreneurs, who make up a significant part of the composition of business entities in our country, is actually a form of family business according to its content. This can be justified by the following calculations:

1. first of all, despite the fact that according to the regulation approved by the decision of the Cabinet of Ministers of the Republic of Uzbekistan No. 707 of 22.11.2021, the right to hire up to 5 additional

employees is given in individual entrepreneurship, in practice, from 5 to 16 people, counting according to the minimum amount in different areas of entrepreneurship manpower is determined to be necessary;

2. it was determined through the survey that the individual entrepreneur's need for labor is mainly met by the help of his family members and relatives: 79.2 percent of the individual entrepreneurs who participated in the survey admitted that they use the labor of family members or close relatives in their activities.

It is worth noting that the operation of business entities, considered as a form of family business, in the form of an individual entrepreneur, causes the following negative situations: informal employment in the structure of an individual business; failure of an individual entrepreneur to make additional tax and social insurance deductions for informally hired employees; non-payment of income tax for income received by informally employed employees, etc.

According to this, the neighborhood assembly of citizens studied the above-mentioned situations in the activities of individual entrepreneurs in their territory, and provided information to them, encouraging their actions in the direction of "individual entrepreneur - family entrepreneur - family enterprise", increasing the importance of family enterprises and ensuring their economic activity.

According to Clause 39 of Annex 1 "Model Regulations on Citizens' Assembly" to Resolution No. 380 of the Cabinet of Ministers of the Republic of Uzbekistan dated June 18, 2021, "In order to support the development of entrepreneurial activities in the neighborhood, including family entrepreneurship and craft activities, an entrepreneurship consultation center at the citizens' assembly" can be organized".

Also, in Article 17 of the Law of the Republic of Uzbekistan "On Self-Governing Bodies of Citizens" (new edition), the following tasks of Advisory Centers are defined:

- 1) organizes short-term courses on teaching the basics of economy, accounting, business activity and tax legislation to citizens who want to organize business activity, and who live in the relevant area, and also informs them about the privileges and preferences established by law for business activity subjects;
- 2) together with the employment assistance centers, they support the employment of young people in enterprises, institutions and organizations located in the relevant area, their attachment to these enterprises, institutions and organizations, as well as craftsmen;
- 3) assist citizens living in the relevant area in organizing business activities, including preparing relevant documents for state registration of business entities;
- 4) assist business entities in the relevant area, including family business and craft business entities, in using the benefits and preferences established by the legislation, in preparing relevant documents for obtaining loans for the purpose of business development.

In this regard, the results of the survey show that, although the establishment of consultation centers for the purpose of supporting the development of entrepreneurship has been established under the authority of the community assembly, such centers have not been established in most of the communities. 24.7% of respondents stated that counseling centers were established, 45.2% said counseling centers were not established, 8.7% did not have information about such counseling centers, and 20.9% did not know anything about it at all.

Also, 66.7 percent of those who took part in the survey stated that they did not participate in the work of advisory centers for the development of entrepreneurship in their neighborhood. 14.9% of those who participated in the work of the consulting centers noted that they gave training in short-term courses, 25.7% gave advice on issues of business development in the neighborhood, 47.3% participated in other work of the consulting centers.

According to the results of the questionnaire-based research, it appears that the advisory centers for the development of entrepreneurial activities in the neighborhoods do not provide almost any assistance to the entrepreneurs.

Only 8.7 percent have organized short-term courses on teaching the basics of economics, accounting, entrepreneurship and tax legislation; 7.9 percent inform business entities about benefits and preferences established by law; 18.8 percent, together with the employment assistance centers, help young people to get a job in enterprises, institutions and organizations located in the area of the neighborhood, to be attached to craftsmen; 17.9 percent help citizens living in the neighborhood in preparing relevant documents for organizing business activities and state registration; 18.3 percent help the subjects of entrepreneurship and craft activities in the neighborhood to use the benefits and preferences established by the law, to prepare the relevant documents for obtaining a loan for the purpose of developing entrepreneurship.

Helping the unemployed population in the area to find employment by the local citizens' assembly remains at a low level.

In particular, 5% of those who took part in the survey said that they directly employed themselves or their family

members, 4.3% helped to organize a household in the family, 33.2% gave information about available vacancies, 20.1% did not receive any help in finding a job, 21, 8 percent stated that they did not receive help because they did not need employment.

Most of the respondents stated that they or their family members were not helped by the community assembly to develop their activities as farmers, farms and land owners.

In particular, 5.3% of those who took part in the survey said that they helped in the development of the peasant economy, 0.9% said that they helped in the development of the farm, 10.3% said that they helped in the cultivation of farm land, 21% did not receive any help at all, and 41.6% needed such help. stated that it was not given due to absence.

### **3. CONCLUSIONS**

Based on the results of the research described above, the following proposals can be recommended to increase the level of use of economic functions, rights and opportunities of the neighborhood:

- It is proposed to establish an intermediary activity that forms a family enterprise (or entrepreneurship) by aggregating the free economic resources at the disposal of families living in the neighborhood and coordinating them.
- It is recommended to mobilize a representative of the civic assembly of the neighborhood in order to establish permanent communication relations with large enterprises or organizations located in the neighborhood or the area close to it. It is recommended to entrust this representative with the task of carrying out negotiations and organizational work in the following areas:
  - provision of certain production, work or service processes in the activities of a large enterprise or organization to family enterprises established in the neighborhood on the basis of outsourcing;
  - supply of raw materials, materials and components, which are inefficient for the operation of large enterprises or organizations by large wholesale suppliers, by entities in the form of a family enterprise or family business;
  - organization of uncomplicated production processes based on manual labor in the activities of a large enterprise or organization in the form of family cooperation through homesteading.
- In order to mobilize free resources at the family's disposal for business activities, it is proposed to organize family enterprise cooperatives.

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