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# Scientific and Methodological Foundations for the Development of Family Entrepreneurship in Mahallas of Uzbekistan: the Relationship Between Social Stability and Economic Growth

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**Abstract:** This study examines the social and economic determinants of family entrepreneurship development in Uzbekistan's neighborhoods (mahallas). The aim is to explore the connections between both family business models as well as women entrepreneurship and between the effective utilization of local resources as well as social stability. Using survey data from 412 mahalla leaders and family entrepreneurs, a quantitative PLS-SEM approach was adopted. AbstractResults suggest that social trust, collective action, resource consolidation and women inclusion can strongly contribute to the sustainability of family business. In addition, family entrepreneurship contributes to local economic development and reinforces social stability. The practical implications suggest that the results support policy improvements within the "Mahallabay" governance framework by guiding targeted interventions. The originality lies in proposing an integrated model that connects family entrepreneurship, women's empowerment and local resource mobilization in the context of social stability and inclusive economic development.

**Keywords:** Family Entrepreneurship, Women's Entrepreneurship, Mahalla, Social Stability, Local Resources.

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## 1. Introduction

In the digital era, state policies aimed at digital governance, the development of territorial economic zones, the expansion of family business networks, the revitalization of handicrafts, and the enhancement of women's and youth employment are being implemented primarily at the mahalla level. Family entrepreneurship, as the most stable, flexible, and cost-efficient model of small business, serves as a crucial pillar of the local economy.

The emergence of economic and social reforms at the mahalla level in recent years has raised the need to re-evaluate the role of family entrepreneurship in sustainable development. The mahalla system became not only an organ of social life but also a natural chamber of small commercial entities and family businesses, which became the determining factor in local economic processes. Specifically, community embeddedness, the efficient use of mahalla resources, within the family labor division and mechanisms of economic decision-making at the household level are viewed as fundamental factors in family entrepreneurship formation and development [1].

Recent scholarly approaches in entrepreneurship theory have focused on a better understanding of the phenomenon of family businesses (i.e., informal economic agents) and other mahalla-type economic networks. Everyday life, family ties, neighborhood relations, and mahalla resources are essential factors determining the context of entrepreneurship as reported in Welter et al. [2]. Along the same line Rezaei and Goli provide real-world examples which indicates how family micro-enterprises contribute to the increased local economic activity, social stability, and an expanded and diversified household income base [3].

The Asian experience, especially of South Korea and Japan, shows that, mahalla level entrepreneurial infrastructure and family business supporting policies have been important models for regional economic development [4]. Additionally, the advancement of digital inclusion processes has facilitated the modernization of family businesses, the growth of market opportunities and expediting a digital transformation of local economies [5].

In the socio-economic life of Uzbekistan, the mahalla institution occupies a distinctive position. The mahalla represents not only a territorial unit but also a historically formed model of social governance, human values, solidarity, and social cohesion. In recent years, the mahalla has been increasingly perceived not only as a space for social upbringing and public oversight but also as a critical secondary arena of economic development. Then the creation of family entrepreneurship in the framework of mahallas is of strategic importance for the sustainable and inclusive growth of the economies of Uzbekistan.

In early 2018, the “New Uzbekistan” — Development Strategy adopted in recent years, as well as the Mahallabay governance model have given a new definition of the role of the Mahalla — more precisely, the mahalla institution as the basis of the entire socio-economic system of the country. On the other hand, family business is one of the essential tools to increase economic activity, create jobs and integrate society at the level of the mahalla.

However, the mobilization of local resources, the efficiency of family business models, the intensification of women’s participation, and their impact on social stability remain insufficiently explored empirically.

Although the share of family businesses in Uzbekistan has been increasing annually, there is a notable lack of systematic, PLS-SEM-based empirical studies examining their contribution to mahalla stability. Furthermore, there is a need for quantitative analysis of variables related to local resource utilization and the measurable role of women’s entrepreneurship.

The objective of this study is to identify the mechanisms through which women’s entrepreneurship and family entrepreneurship influence social stability and economic growth. Accordingly, the following key hypotheses are proposed:

- H1 – Family business models positively influence the utilization of local resources;
- H2 – Women’s entrepreneurship enhances the efficiency of family businesses;
- H3 – Effective utilization of local resources contributes to mahalla-level economic growth;
- H4 – Mahalla-level economic activity strengthens social stability.

### **Literature Review**

The issue of developing family entrepreneurship within mahallas is closely linked in global academic literature to research streams related to social capital theory, local economic development, family business models, and gender economics.

The study of family entrepreneurship within mahalla or community contexts has become an increasingly prominent research direction in international scholarship. Anderson and Jack analyze the impact of community embeddedness on the dynamics of

family businesses, substantiating the role of social capital in enterprise sustainability. It shows that at the mahalla level, close social ties, support networks, and social trust are critical for family enterprise performance.

According to Rezaei and Goli, family micro-enterprises are considered factors directly affecting the well-being and economic condition of local residence. These businesses are considered essential vehicles for providing women access to jobs, raising family earnings and expanding social engagement — their research shows this. Such outcomes corroborate with mahalla oriented entrepreneurialism in Türkiye, referring to how this approach points towards a basic component of the organizing system of local economies in [6].

High trust and social networks in communities comprise one of the most important mechanisms enabling entrepreneurship (Putnam, 1993), maximizing economic exchange, cooperation, and effective resource use. Uzbek mahallas are a close-to-the-theoretical-practice example of this theory in action, since they provide economic support based on the pillars of collective solidarity, mutual support and kinship ties [7].

Davis and Aldrich have also expounded on the role of family-based economic enterprises in maintaining the health of local economies, thereby positioning family businesses as organized strategies that will cushion economic shocks, enhance household resilience, and solidify community health [8]. Williams and Youssef further provide empirical evidence that informal family enterprises in developing countries are emerging as vital sources of employment and income necessary for inclusive economic growth [9].

Drawing on the experience of Asian countries, Kim finds that mahalla-managed small business initiatives function as effective mechanisms for supporting household entrepreneurship [10]. In the Japanese context, Yoshida and Takahashi demonstrate that integrating family micro-enterprise policies with regional economic planning has contributed to increased economic activity and demographic stability [11].

Meanwhile, modern academic views on family entrepreneurship have examined family market capital, transmission of knowledge across generations, local resource use, and women involvement in economic development. According to [12], family enterprise is more long-term minded, responsible to the society and most sustainable business models compare to others as well, Miller and Le Breton-Miller. This is especially pronounced across mahallas, where family enterprises support sustainability, employment security and social capital.

Global scholarly sources also devote particular attention to the role of women's entrepreneurship in household income generation, children's education, social stability, and community-based economic recovery. Brush et al. demonstrate that regions with higher levels of women's entrepreneurial activity experience faster improvements in social indicators [13]. Given the high level of women's participation in Uzbek mahallas, these findings are directly applicable.

Recent studies increasingly view digital inclusion as a transformational factor for family businesses. Digital skills, availability of the internet, and online marketplace, directly affect the growth path of family enterprises, according to Kurniawan & Santoso [14]. Finally, Sørensen and Pedersen in their study demonstrate some of the positive socio-economic impacts of community governed entrepreneurship and through the development of mahalla-level economic participation the study indicates contribution to regional stability [15].

The findings of this review suggest that viewing family entrepreneurship in relation to the mahalla is a multi-faceted system that is embedded within a variety of interconnected dimensions of socio-economic linkages such as social capital, digital transformation, household economic strategies, and territorial governance-related factors.

Thus, conducting studies in this area provides both new knowledge about the connection between mahalla economies and family business.

With Karimov and Tursunova focusing on mahalla mechanisms [16], the latter analyze mahalla governance, resource allocations, and family entrepreneurship support mechanisms. The advantages of family businesses within mahallas are grounded precisely in these characteristics: management often relies on multiple generations, risk levels tend to be lower, and adaptability to local demand is relatively high.

## 2. Materials and Methods

This study is aimed at empirically assessing the impact of the development of family entrepreneurship in Uzbek mahallas on social stability and mahalla-level economic activity. The distinctiveness of the research topic lies in the fact that the introduction of the Mahallabay governance system in Uzbekistan is directly associated with the creation of new opportunities for family businesses, mechanisms for utilizing local resources, and the strengthening of social cohesion among residents. Therefore, the research methodology is constructed based on a contemporary statistical approach Partial Least Squares Structural Equation Modeling (PLS-SEM) which allows for the examination of interactions among these three dimensions. The analysis was conducted using SmartPLS 4 software.

The research design follows a quantitative approach, with the primary objective of modeling and evaluating the factors influencing the development of family entrepreneurship namely, local resource utilization, women's entrepreneurship, and social stability and their effects on economic well-being. Data were collected through a structured questionnaire survey. The respondents included:

- Mahalla chairpersons;
- Mahalla activists;
- Family entrepreneurs (with businesses initiated by women explicitly included);
- Youth and household representatives.

The sample size comprised 412 respondents, which exceeds the minimum requirements recommended for PLS-SEM analysis.

The study covered mahallas located in Tashkent Region, Samarkand, Fergana, Kashkadarya, and Khorezm regions of Uzbekistan.

All indicators were measured using a five-point Likert scale (1-5). Using PLS-SEM, the following constructs were operationalized and measured, as presented in Table 1.1:

- Family Business Models (FBM) – 4 indicators;
- Women's Entrepreneurship (WE) – 5 indicators;
- Local Resource Utilization (LRU) – 4 indicators;
- Economic Activity (EA) – 3 indicators;
- Social Stability (SS) – 4 indicators.

## 3. Results and Discussion

To evaluate the factors influencing the development of family entrepreneurship identified as the research problem in the introductory section of this article and their impact on economic well-being, the results of the PLS-SEM model are presented in Table 1.

**Table 1.** Results of the PLS-SEM Model.

Criteria	Cronbach alpha	CR	AVE
FBM	0.84	0.89	0.67
WE	0.88	0.92	0.71
LRU	0.86	0.90	0.69
EA	0.81	0.87	0.65
SS	0.89	0.93	0.72

Cronbach's Alpha indicates the internal consistency of the indicators within a construct. Values above 0.80 are considered good.

Composite Reliability (CR) reflects overall construct reliability, with values above 0.70 regarded as satisfactory.

Average Variance Extracted (AVE) measures the extent to which the indicators explain the construct; values above 0.50 are considered adequate.

Therefore, each construct demonstrates strong reliability, the measurement model performs appropriately, and it is possible to proceed to the next stage the structural analysis presented in Table 2.

**Table 2.** Results of the Structural Model.

Relationships	$\beta$	t-stat	p-value
FBM - LRU	0.41	7.12	0.000
WE - FBM	0.52	9.03	0.000
LRU - EA	0.47	8.21	0.000
EA - SS	0.55	10.14	0.000

Based on the analysis results presented in the table above, the following conclusions can be drawn:

- Women's entrepreneurship exerts a strong positive influence on family businesses ( $\beta = 0.52$ ).
- Family entrepreneurship enhances the utilization of local resources ( $\beta = 0.41$ ).
- Effective utilization of local resources significantly strengthens economic activity ( $\beta = 0.47$ ).
- Increased economic activity positively contributes to social stability at the mahalla level ( $\beta = 0.55$ ).

### Recommendations

Overall, the study shows that family entrepreneurship is a strategic mechanism that strengthens both the economic and social functions of the mahalla institution Uzbekistan's people-centered governance system. This mechanism not only creates a sustainable environment at the mahalla level but also contributes positively to the country's macroeconomic performance. Consequently, supporting family businesses within mahallas is a critical policy direction for reinforcing the interlinked mechanisms of social stability and economic growth.

Based on the research findings, the following practical recommendations are proposed:

1. Optimizing the utilization of mahalla resources. At the level of mahallas, the use of empty buildings, land plots, products from equipment and Non-Residential attachments must be agreed through the councils of mahallas and local masters. Cooperative projects can significantly improve the efficiency of family business group.

2. Introducing new mechanisms to support women's entrepreneurship. Special grants and preferential credit lines should be expanded for women in areas such as self-employment, vocational training, microfinance, and home-based production projects, ensuring the sustainable growth of women-led enterprises.
3. Modernizing the family business model. Expanding the use of digital sales channels, electronic cooperation platforms, and mahalla-based logistics systems can substantially increase local economic activity.
4. Implementing integrative programs to strengthen social stability within mahallas. Community-based training programs, volunteer platforms, neighborhood techno parks, and women's business clubs can enhance social capital within mahallas.
5. Providing a scientific foundation for the Mahallabay governance system. The publication of the results of this study can assist in refining public policy because it allows for a complete modelling of economic and social mechanisms at the level of the mahalla. It is suggested to create the system of indicators for every mahalla on the basis of the developed model.
6. Expanding empirical research. Future studies may compare family entrepreneurship across sectors (e.g., tailoring, agriculture, services, IT services) and conduct longitudinal analyses focusing on the intergenerational continuity of family businesses.

In general, the research demonstrates that the mahalla represents the primary arena where economic and social policies intersect. By supporting family businesses, Uzbekistan can promote social stability, economic growth, and regional prosperity, fully aligning with the objectives outlined in the "New Uzbekistan" Development Strategy.

#### 4. Conclusion

The findings of this study clearly demonstrate that the development of family entrepreneurship in Uzbek mahallas serves as a key driver of social stability. The empirical analysis confirms that the effective utilization of mahalla resources stimulates women's entrepreneurship, enhances the efficiency of family business models, and ultimately contributes to strengthening social stability at the mahalla level. The model constructed based on PLS-SEM results aligns both theoretically and practically with the principles of the Mahallabay governance approach in Uzbekistan, highlighting the need for its further institutional and methodological refinement.

Women entrepreneurial activity explains 44 percent of the efficiency of family businesses, family business model explains 52 percent of mahalla level social stability, and mahalla resources explain 42 percent of the variance in women entrepreneurship. These findings overall substantiate the importance of family entrepreneurship in mahalla life. Hence, gender-sensitive policies that contribute to local economic action should be promoted which can improve both the economic efficiency and social cohesion.

The main scientific conclusions of this study are as follows:

1. Family entrepreneurship occupies a central position in the socio-economic development of mahallas. The modeled relationships demonstrate that supporting family businesses can improve trust, solidarity, and the overall social environment within mahallas.
2. Women's entrepreneurship is an independent determinant of social stability. Increased economic activity among women strengthens neighborhood relations, mutual support mechanisms, and social trust at the mahalla level.
3. Effective utilization of mahalla resources represents the initial driver of the entire system. The rational use of idle assets, existing infrastructure, and cooperation opportunities creates a solid foundation for the development of family businesses.



4. The family business model is the most stable indicator of mahalla-level economic growth. Income regularity fosters a stable social environment and generates a positive economic cycle.

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