

INNOVATIVE MECHANISMS FOR SUPPORTING SMALL BUSINESS INITIATIVES IN INCREASING POPULATION EMPLOYMENT AND REDUCING POVERTY WITHIN THE MAHALLA

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Abstract: The article analyzes innovative mechanisms for supporting small business initiatives at the mahalla level to increase employment and reduce poverty. The study examined the effectiveness of digital grant platforms, the “Youth Notebook” and “Women’s Notebook,” micro-grant and microloan programs, as well as mini-clusters and the institution of business advisors established within mahallas. Statistical data for 2021-2024 indicate that the integration of financial support and innovative services significantly increased entrepreneurial activity at the mahalla level. Sociological surveys confirm that innovative mechanisms accelerate the processes of application submission, training participation, and consultation through digital platforms. The research concludes with practical recommendations for forming a sustainable entrepreneurial ecosystem at the mahalla level.

Keywords: small business, mahalla, poverty reduction, innovative mechanisms, digital platforms, micro-grants, microloans, youth notebook, women’s notebook, mini-clusters, business advisors.

INTRODUCTION

In recent years, the focus of Uzbekistan's economic policy has been centered on improving the living standards of the population, reducing poverty, and creating new job opportunities. From this perspective, the *mahalla* institute functions as a vital social link between the state and society. The *mahalla* holds strategic importance not only in social protection and the targeted resolution of problems but also in ensuring public employment and enhancing economic activity.

Creating sustainable income sources for the population by supporting small business initiatives at the *mahalla* level is one of the priority directions of modern economic policy. This is because small business is a crucial factor in stimulating the local economy, increasing competition in the domestic market, and rapidly developing the entrepreneurial potential of the population. Through the World Bank's Local Development Support Project (LDSP) South Asia, large-scale sub-projects were implemented at the *mahalla* and community levels. Within the framework of this project, more than 2,000 small sub-projects were launched, benefiting a total of 1,056,700 people, including 604,453 women [1]. This experience demonstrates that micro-production, small business, and service delivery projects at the *mahalla* scale can be effective in increasing community potential and strengthening social stability.

Creating sustainable income sources for the population by supporting small business initiatives at the *mahalla* level remains a priority of modern economic policy. Therefore, this research examines the impact of innovative mechanisms—such as digital grant platforms, micro-grants and micro-credits, the "Youth Notebook" (*Yoshlar daftari*) and "Women's Notebook" (*Ayollar daftari*), *mahalla* mini-clusters, and the institute of business consultants—on involving the population in entrepreneurship and their effect on employment levels. This article is aimed at evaluating the effectiveness of these mechanisms, analyzing their socio-economic outcomes at the *mahalla* level, and developing practical recommendations.

140	ISSN 2277-3630 (online), Published by International journal of Social Sciences & Interdisciplinary Research., under Volume: 15 Issue: 04 in April-2026 https://www.gejournal.net/index.php/IJSSIR
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REVIEW OF LITERATURE ON THE SUBJECT

To investigate the theoretical and scientific foundations of the subject under study, the research of both foreign and local scholars was examined. Among foreign scholars, V. Ratten provided a scientific explanation based on empirical examples and qualitative analysis regarding how digital platforms have transformed the activities of farmers and small entrepreneurs, particularly during the COVID-19 crisis [2]. Indeed, digital platforms expanded networking, marketing, and delivery opportunities for businesses, helping them maintain priority even under pandemic conditions. Ratten's work confirmed that digital platforms accelerate operational and market access capabilities; therefore, the role of online sales and application platforms at the *mahalla* level is significant. Strengthening digital literacy, internet infrastructure, and logistical support at the *mahalla* level amplifies the impact of these platforms. When adapting Ratten's work to the *mahalla* context, primary focus should be placed on *mahalla*-specific online services (e-platforms, mobile applications); however, effectiveness will be limited without infrastructure and training.

C. Fernandes systematically classifies the literature on digital entrepreneurship platforms by analyzing examples from numerous countries through bibliometric and systematic approaches [3]. Digital platforms create opportunities by expanding entrepreneurship, lowering market entry costs, and increasing access to information, though inequality (digital divides) may also rise. Fernandes systematically proved that platforms open new opportunities for small businesses and demonstrated under which conditions they are effective. Digital inequality can be reduced through integrated training and subsidized services; adding a special module for *mahalla* e-platforms would be beneficial. Fernandes' analysis recommends a "platform + training + subsidy" package to policymakers—designing *mahalla* programs in this package format is a prudent solution.

K. Lee utilized empirical analysis (across various countries) to study the impact of microfinance institutions (MFIs) on poverty and inequality using regression and control variables [4]. Microfinance shows positive effects in many contexts (increased income, food security), but the impact varies from group to group—the most vulnerable segments do not always benefit. Lee identified the potential and limits of microfinance, noting that while the delivery of financial services supports growth, additional services (training, market access) are required. At the *mahalla* level, efficiency increases if business training and follow-up (monitoring) are applied before lending; furthermore, grants or small subsidies should be provided to those without stable income sources, those with limited development opportunities, and the most socially vulnerable groups. Small loans alone are insufficient; an integrated package (grant + training + mentoring + market linkage) is required.

D. Toerien analyzes the link between entrepreneurship levels and prosperity based on big data (using the US as an example). He argues that increasing local business and entrepreneurship levels improves regional welfare indicators, and localized policies are effective in this regard [5]. He clearly demonstrated that stimulating local entrepreneurship is vital for increasing regional prosperity. Focusing on targeted policies at the *mahalla* level (micro-clusters, *mahalla* brands) will enhance efficiency. Toerien's work serves as strong evidence for justifying "mahalla cluster and mahalla brand" strategies in the *mahalla* context.

E. Brynjolfsson's research proves that digital technologies increase the efficiency of small businesses. With the help of digital platforms, micro-businesses reach markets faster, making employment creation more accessible. He scientifically grounded the idea that the number of jobs can significantly increase by digitizing local entrepreneurship [6]. This implies that creating "digital service points" in the *mahalla* allows for an increase in self-employment indicators among the population.

A. Banerjee has proven that escaping poverty is effective through small subsidies, microfinancing, and targeted support. He demonstrated through scientific experiments that small

141	ISSN 2277-3630 (online), Published by International journal of Social Sciences & Interdisciplinary Research., under Volume: 15 Issue: 04 in April-2026 https://www.gejournal.net/index.php/IJSSIR
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grants can truly transform the lives of the "hardcore poor" (the ultra-poor, resource-deprived segment) [7]. Implementing a "micro-grant + skills training" model in *mahallas* will serve to increase permanent employment.

M. Miah, Z. Lakner, and M. Farkas conducted a bibliometric analysis of global research on achieving sustainable development and poverty reduction through social entrepreneurship. They identified the most effective methods and innovations in the field of social entrepreneurship and showed opportunities for cross-country experience exchange [8]. This creates a scientific basis for introducing small business and social entrepreneurship at the *mahalla* level.

F. Lwesyia and A. Mwakalobo conducted a bibliometric analysis of microcredit and support for small and medium-sized enterprises (SMEs). They synthesized empirical evidence on microfinance and SMEs, highlighting effective financing models and innovative instruments [9]. This defines the path toward making the microcredit and small subsidy system more effective at the *mahalla* level.

Y. Pengpeng, A. Korkmaz, Z. Yin, and H. Zhou collectively researched the development of digital finance (FinTech) and its impact on poverty and social inclusion during the pandemic. Through this, they identified the effectiveness of supporting low-income groups using digital payments and online credit platforms [10]. This enhances the mechanisms for increasing employment and reducing poverty through digital finance at the *mahalla* level.

S. Chen and Q. Guo performed an empirical analysis of MSE (Micro and Small Enterprise) innovations in FinTech. This showed methods for stimulating local entrepreneurship through digital financing and innovative platforms [11]. This creates a foundation for developing strategies to implement fintech systems for *mahalla* entrepreneurs.

Foreign research highlights the importance of digitization, platforms, and integrated financial services. However, much of the work indicates that credit or a platform alone is not enough; they must be supplemented by training, monitoring, market links, and infrastructure.

Local scholars have also studied this issue deeply. For instance, S. Khidirov analyzed methods for encouraging youth at the *mahalla* level, providing an analysis of grants and *mahalla*-centered training (qualitative and quantitative data). As a result, it was proven that *mahalla*-based training and grant programs yield positive results in attracting youth to entrepreneurship [12]. This showed that programs actively involving the *mahalla* institute are effective in increasing youth employment. If practical mentoring and market links are strengthened for the youth, the sustainability of initial projects will increase. This requires financial aid directed toward enhancing local training and mentoring.

N. Joraev analyzed microcredits and subsidies intended for women, along with an assessment of social outcomes (employment, income). Resources allocated through the "Women's Notebook" (*Ayollar daftari*) had a significant impact on employment and the establishment of small businesses among women [13]. This evidenced that *mahalla* and gender-oriented policies produce positive social impacts. If credit terms and follow-up (technical assistance) are strengthened, the sustainability of women's businesses can be improved. In my opinion, gender-tailored packages (micro-grant + training + market connection) would be beneficial.

A. Sattorov analyzed the experience of implementing local digital platforms and the integration of microfinance with e-platforms. Digitization simplified the application process and increased the speed of the support system, which in turn accelerated application submission and project launches [14]. These digital systems made processes faster and monitoring more convenient. However, expanding e-platforms in *mahallas* (e.g., online applications, public services, e-commerce, platforms supporting *mahalla* entrepreneurs) would yield excellent results. Yet, simply providing people with a phone or computer is not enough to implement such a system. If the population is not

trained in digital skills—meaning they do not know how to use the platform—the project will not yield the expected results.

In general, scientific sources highlight financial aid, educational programs, coaching, acceleration models, digital services, and digital platforms as key directions for supporting small business initiatives in *mahallas*.

RESEARCH METHODOLOGY

In this study, a multi-component research design was employed to evaluate the impact of supporting small business initiatives at the *mahalla* level on population employment and poverty reduction.

First, official statistical data regarding grants, subsidies, microcredits, training programs, and job creation for the period of 2021–2024 were examined through trend analysis.

In the second stage, a sample-based sociological survey was conducted to assess the effectiveness of the "Youth Notebook" (*Yoshlar daftari*) and "Women's Notebook" (*Ayollar daftari*) mechanisms. The survey involved 350 respondents, including youth, women, and representatives of small businesses. A stratified random sampling method was utilized, segmenting respondents by *mahalla* type, age, gender, and entrepreneurial experience.

In the third stage, to evaluate the impact of innovative mechanisms, data on digitized application platforms, online training programs, and the digital infrastructure of microfinance services were analyzed using benchmarking and descriptive statistics. Additionally, a content analysis method based on local and international scientific sources was applied to scientifically assess the role of innovative instruments in developing the entrepreneurial ecosystem.

The integrated methodological approach employed ensures the reliability of the research and allows for a comprehensive analysis of the economic and social efficiency of mechanisms for supporting small business initiatives within the *mahalla*.

ANALYSIS AND RESULTS

This study analyzes the innovative mechanisms for supporting small business initiatives in increasing population employment and reducing poverty within *mahallas*. The primary objective of this analysis is to determine the operational effectiveness of current programs, digital platforms, micro-grants, educational-training systems, and business infrastructure at the *mahalla* level. The necessity of conducting such an analysis stems from the fact that without measuring the real impact of innovative support mechanisms, it is impossible to develop strategic directions for sustainably increasing the employment and income sources of the *mahalla* population. Therefore, statistical indicators are analyzed in depth below to determine the effectiveness, growth dynamics, and practical efficiency of these specific mechanisms (Table 1).

Table 1. Analysis of Indicators for Supporting Entrepreneurship in Mahallas of Uzbekistan, 2022–2025 [1]

Indicators	2022 y.	2023 y.	2024 y.	2025 y.
Grants (B. sum)	350	480	560	690
Microcredits (B. sum)	420	530	610	750
Participants of training courses (K. people)	65	72	81	95

Jobs created	28 000	28 000	28 000	28 000
Growth rate in 2024 compared to 2021, in percent	97.1%	78.6%	46.1%	77.9%

According to the data, the growth in the volume of grants amounted to 350 billion UZS in 2022 and reached 690 billion UZS by 2025, representing a 96% increase. This signifies an enhanced government focus on small business initiatives. Over the four-year period, the volume of financial assistance nearly doubled, exerting a positive influence on the growth of entrepreneurial activity. The volume of microcredits grew from 420 billion UZS to 750 billion UZS, an increase of 78%. This indicates a high demand among the population for financial assistance to launch their own businesses.

A steady increase was observed in the number of training course participants, rising from 65,000 in 2022 to 95,000 in 2025 (a 46% increase). This implies a growing demand for entrepreneurial knowledge and skills. Regarding employment, the number of jobs created rose from 28,000 in 2022 to 49,800 by 2025 (a 78% increase). This demonstrates that grants, microcredits, and training programs are having a significant impact on employment at the neighborhood (*mahalla*) level. The analysis reveals that the volume of financial assistance nearly doubled over the four years, which has positively affected the expansion of entrepreneurial activity.

Furthermore, it is essential to analyze the growth trends in youth and women's entrepreneurship. The results are as follows:

In 2025, over 18,000 young individuals were involved in entrepreneurship through the "Youth Notebook" (*Yoshlar daftari*) program;

63% of the microcredits allocated through the "Women's Notebook" (*Ayollar daftari*) were directed toward businesses in the service sector.

This survey was conducted to determine the actual effectiveness of the innovative mechanisms being implemented to support small business initiatives in local communities. The impact of introducing grants, microfinance services, digital platforms, and online training programs is accurately assessed not only through statistical data but also through the direct feedback of users. Therefore, a survey involving 350 respondents was conducted to provide a profound analysis of the operational efficiency of these innovative mechanisms and their impact on convenience and effectiveness.

The survey results indicate that the implemented innovative mechanisms are highly rated by the population and are yielding practical results:

68% of respondents stated that the grant application procedure has been simplified, implying that digitized grant platforms have optimized operations and reduced excessive bureaucratic processes.

74% of participants noted that online training programs provided practical skills, demonstrating the effectiveness of innovative educational mechanisms in preparing new entrepreneurs.

59% of respondents reported that microcredit interest rates have become more favorable, confirming that digital reforms and subsidy mechanisms in the microfinance sector are correctly targeted.

82% of participants indicated that submitting applications via digital platforms has become faster, signifying that innovative processes have created real time-savings and convenience for the population.

Based on the data obtained, it was determined that innovative mechanisms yielded the following results:

Digitized grant platforms increased efficiency by 23%. This indicates a reduction in the processing time for grant applications and increased transparency in the acceptance process;

Online training programs increased the number of participants by 40%. This suggests that digital education models are comprehensive and affordable, thus attracting more participants;

Digital microfinance systems reduced application review periods by 2–3 times. This shows that small businesses now have faster access to finance.

In general, the survey results demonstrate that innovative mechanisms—digital platforms, online training systems, and digitized microfinance services—have yielded significant results in supporting small business initiatives at the neighborhood level. They have reduced bureaucracy, saved time and resources, expanded public participation, increased access to financial services, and improved the overall entrepreneurial environment.

CONCLUSIONS AND SUGGESTIONS

The research results indicate that innovative mechanisms for supporting small business initiatives—such as digital grant platforms, online training systems, digital microfinance, and electronic application services—are yielding high efficiency in increasing employment and reducing poverty within neighborhoods (*mahallas*). Survey findings confirmed that 68% of respondents noted a simplified grant acquisition process, 82% reported that digital platforms accelerated the application procedure, and 74% verified that online training provided practical skills. This demonstrates that innovative approaches have become the primary drivers in the development of the *mahallas* economy.

The aforementioned issues can be addressed through the following measures:

Implementing a comprehensive system to enhance digital literacy. A segment of the population lacks the skills to submit digital applications, utilize online grant platforms, or complete electronic documents, which hinders their full utilization of government opportunities. Therefore, it is advisable to establish "Digital Skills Centers" within *mahallas* centers. These centers should conduct free, specialized training for women, youth, and citizens over the age of 40. Furthermore, creating simple and accessible video tutorials and disseminating them via television, social media, and community meetings will significantly raise digital literacy levels.

Further simplifying tax and registration procedures for small businesses. For many nascent entrepreneurs, the processes of registration, understanding the tax system, and opening bank accounts appear complex, which decelerates business formation. To address this, the introduction of a "Unified Start-Business Package" is required—an integrated digital system that consolidates all initial procedures (registration, tax system integration, bank account opening, and e-signature issuance) into a "single window" framework. Additionally, assigning free tax consultants to newly registered entrepreneurs for at least one year would facilitate error-free operations and a better understanding of the system.

Improving the information system for microgrants and microcredits. Currently, many microgrant and microcredit programs do not effectively reach the population due to information gaps. To mitigate this, a "*Mahallas* Information Stand" (information board) should be established in every mahalla, where information on available grants, credits, requirements, and deadlines is regularly updated. Moreover, implementing a transparent scoring system for microgrant allocation would increase trust among stakeholders. Strengthening guarantee mechanisms for low-income and socially vulnerable groups will further empower them to start businesses.

Establishing the "*Mahallas* Business Consultant" institution. Although many citizens possess business ideas, a lack of knowledge in market analysis, marketing strategy, and financial planning remains a barrier. Therefore, assigning a certified "business consultant" to each *mahalla* is recommended. Their primary responsibility would be providing free services in drafting business

plans, identifying market opportunities, calculating costs and revenues, and preparing necessary documentation. This system will incentivize the population to increase their economic activity.

Organizing mini-clusters for women and youth at the *mahalla* level. Since women and youth often face limited resources and technical equipment, the establishment of mini-clusters (small production or service centers specializing in a specific field) is proposed. These clusters should focus on sectors such as sewing, pottery, food production, services, and IT, and be equipped with the necessary machinery (sewing machines, computers, etc.). Furthermore, expanding "household business" projects will contribute to increasing employment among these groups.

Introducing additional risk-mitigation mechanisms in microfinancing. Commercial banks often hesitate to lend to inexperienced entrepreneurs, creating barriers for startups. Thus, the introduction of a "*Mahallas* Guarantee" system is proposed, where the neighborhood council provides social collateral for the borrower. Additionally, a digital scoring system should be employed to minimize risks. Providing interest-free "incubation credits" for a six-month period would offer substantial support for new entrepreneurs to launch their operations.

In conclusion, the proposed measures will help systematize the support for small business initiatives in *mahallas*. As a result of increased digital literacy, simplified financial services, and a robust business consulting system, employment will significantly increase, poverty levels will decline, and sustainable growth will be established in the *mahallas* economy. These recommendations carry practical significance not only for aspiring entrepreneurs but also for community activists, government agencies, banks, and non-governmental organizations. Thus, the solutions provided within the scope of this article offer a comprehensive approach to enhancing the economic potential of *mahallas* and improving public welfare through innovative management approaches.

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146	ISSN 2277-3630 (online), Published by International journal of Social Sciences & Interdisciplinary Research., under Volume: 15 Issue: 04 in April-2026 https://www.gejournal.net/index.php/IJSSIR
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