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GENERAL APPROACHES TO COST REDUCTION IN THE TEXTILE INDUSTRY

Kamola Saidova
Independent Researcher,
Tashkent Institute of Textile and Light Industry,
Tel.: +998 94 694 10 41

Abstract. This article discusses cost-related issues in the textile industry. Special attention is paid to the classification of costs in industrial enterprises according to various criteria. The article also develops suggestions and recommendations aimed at reducing costs and improving efficiency in the textile industry.

Keywords: textile industry, costs, cost management, cost reduction, economic efficiency.

Аннотация. В данной статье рассматриваются вопросы затрат в текстильной промышленности. Особое внимание уделено классификации затрат на промышленных предприятиях по различным признакам. Также разработаны предложения и рекомендации, направленные на снижение затрат и повышение эффективности деятельности предприятий текстильной отрасли.

Ключевые слова: текстильная промышленность, затраты, управление затратами, снижение затрат, экономическая эффективность.

INTRODUCTION

In the context of the rational use of natural and industrial resources and the growing global demand for textile products, special attention is being paid to reducing production costs. Considering the socio-economic importance of the industry, it should be noted that “in 2023, the countries that exported the largest volume of textile products in the world included China (USD 154.1 billion), the European Union (USD 64 billion), India (USD 15 billion), Turkey (USD 11.7 billion), the United States (USD 11.4 billion), Vietnam (USD 10 billion), South Korea (USD 7.7 billion), Pakistan (USD 7.1 billion), Taiwan (USD 7 billion), and Japan (USD 5.6 billion)” [1].

Today, in order to increase the competitiveness of textile enterprises in the global market, it is important to organise the production process rationally, further deepen its innovative foundations, improve effective marketing and logistics systems, and reduce production costs.

LITERATURE REVIEW

The legal basis for reducing costs in the textile industry is determined by a number of regulatory and legal documents of the Republic of Uzbekistan. These include the Decree of the President of the Republic of Uzbekistan dated January 28, 2022, No. PF-60[1] “On the Development Strategy of New Uzbekistan for 2022–2026”, the Decree dated May 5, 2020, No. PF-5989[2] “On Urgent Measures to Support the Textile, Garment and Knitwear Industry”, the Decree dated January 21, 2022, No. PF-53[3] “On Measures to Stimulate Deep Processing, Production of High-Value-Added Finished Products and Their Export at Textile, Garment and Knitwear Enterprises”, the Resolution dated February 12, 2019, No. PQ-4186[4] “On Measures to Further Deepen the Reform of the Textile, Garment and Knitwear Industry and Expand Its Export Potential”, as well as other regulatory documents related to the development of the industry.

The nature and classification of production costs at industrial enterprises, the influence of various factors on them, and their structural and analytical improvement have been studied by a number of foreign and domestic scholars. In particular, the foreign economist G. Fandel examined the foundations of production cost formation at enterprises, the classification of internal and external factors affecting costs, and methods for their identification and assessment [2].

S. Gorodkova considered issues such as the organisational and methodological foundations of effective production cost management, trends in socio-economic cost changes in accordance with market requirements, and innovative approaches to cost management [3].

1 https://lex.uz/ru/docs/-5841063
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3 https://lex.uz/docs/-5833998
4 https://lex.uz/uz/docs/-4199421

Issues related to production cost management at industrial enterprises, improvement of the methodology for accounting and analysing income and expenses, cost accounting and product costing, as well as improving the organisation of cost management, are reflected in the works of Sh. Kudbiyev. The main directions for increasing the economic potential of textile industry enterprises and improving the competitiveness management system are discussed in the works of M. Khudoykulov [4, 5].

RESEARCH METHODOLOGY

The research process employed methods such as systematic and economic analysis, induction and deduction, comprehensive assessment, grouping, statistical analysis, and expert evaluation.

ANALYSIS AND RESULTS

In the process of building a New Uzbekistan, large-scale reforms are being implemented to develop a competitive textile industry, produce products that meet global market demand, and establish a complete value-added production chain. Among the priority tasks are the deep processing of yarn through the establishment of a full processing cycle by 2026, the development of projects aimed at eliminating existing gaps in the production chain, the promotion of national brands of finished textile products, and the expansion of their export potential. In particular, it is planned to increase the export volume of finished products under national and foreign brands to USD 5 billion by 2026.

The successful implementation of these objectives requires further expansion of research on effective approaches to reducing production costs at textile enterprises, the development of scientifically grounded cost-reduction strategies, and the formulation of forecast indicators for improving production efficiency.

The influence of economic factors on the classification of production costs and the formation of mechanisms for their reduction was examined. Based on an analysis of current trends in the development of the global textile industry, a framework was proposed that can serve as a methodological basis for the sustainable development and enhanced competitiveness of the domestic textile industry (Table 1).

Table 1
Classification of enterprise expenses[5]

	Classification marks	Types of expenses
1.	By economic sign	-material; -labor; -money.
2.	By participation in business processes	-production costs; -commercial costs; -non-production costs.
3.	By decision-making process	-alternative; -implicit costs.
4.	By types of resources consumed	-material (material); -labor costs; -depreciation; -other costs.
5.	By cost items	-raw materials and supplies; -returnable waste (deducted); - manufactured products, semi-finished products and services purchased from third-party organizations; -fuel and energy costs for technical purposes; -salaries of employees in the main production process; -allocations to extra-budgetary organizations; -costs of preparation and development of production; -general production costs; -general economic costs; -costs of losses due to unusable products; -other production costs; -commercial costs.

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6.	By dependence on production volume (level of realization)	-constant; -variable.
7.	By the method of distribution between product types	-straight; -curved.
8.	By connection with technological processes	-main; -additional.
9.	By level of regulation	-normative; -non-normative.
10.	By dependence on the direction of enterprise activity	-investment

In this regard, an effective cost management system can be considered as another promising direction for reducing production costs.

Effective cost management involves the establishment of a management support system at the enterprise that enables the adoption of well-grounded managerial decisions based on the use of modern methods of planning, standardisation, budgeting, accounting, and cost analysis.

The central role in addressing this issue is associated with the development of a scientifically grounded system for managing the costs of production and product sales, as well as determining the conditions for its effective application. The existence of an integrated cost management system (ICMS) is a prerequisite for improving the efficiency of production activities. Such a system continuously ensures coordinated actions aimed at the rational use of material, labour, financial, and other resources (Figure 1).

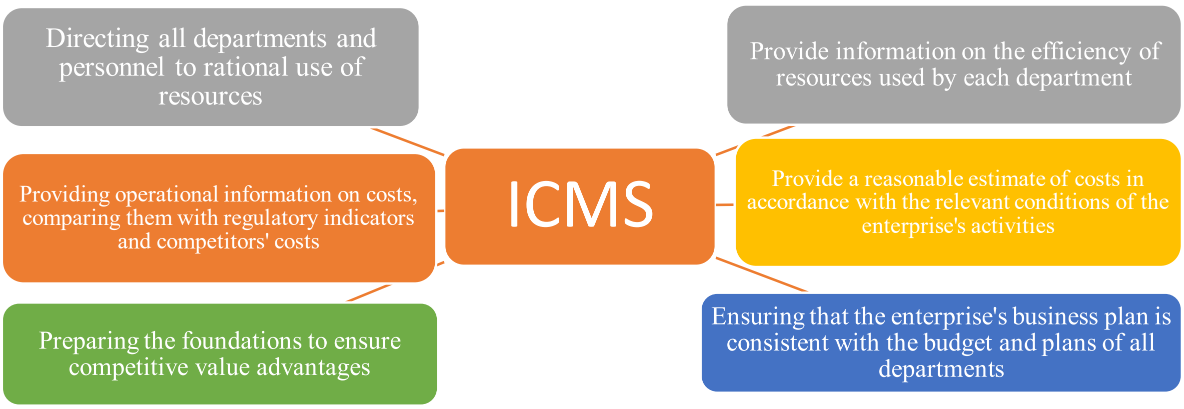

Figure 1. Structure of areas provided by the integrated cost management system[6]

Overall, the global textile industry has demonstrated steady growth over the past five years. Despite a number of factors that have negatively affected the development of the industry, its average annual growth rate has remained at approximately 4.1% (Table 2).

Table 2
Dynamics of development of the global textile industry[7]

Year	Global textile market value, billions of dollars	Growth rate, %
2018	667.5	1.1%
2019	714.0	7.0%
2020	746.1	4.5%
2021	778.2	4.3%
2022	810.4	4.1%
2023	842.6	4.0%

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The major costs in the textile industry are material costs, primarily those associated with the production or procurement of fibres. After many years of steady growth, global fibre production was significantly affected by the COVID-19 pandemic. As a result, worldwide fibre production declined from 111 million tonnes in 2019 to 109 million tonnes in 2020. However, this reduction was relatively modest compared with the substantial contraction observed in the global apparel retail market.

This situation can largely be explained by the fact that the cotton harvesting and processing season was already underway when the pandemic began. In addition, lower demand in the apparel sector was partially offset by increased demand in other segments, particularly in the medical and hygiene product industries.

Textile enterprises possess considerable potential for reducing production costs. The specific stages and measures implemented in this process should be determined by each enterprise in accordance with the characteristics of its financial, economic, and resource management system.

The global recycled textile market is expected to continue expanding, largely because products manufactured from recycled materials are generally less expensive than those produced from primary raw materials. Nevertheless, the growth of this market may be constrained by several factors, including the insufficient availability of recycling technologies, a shortage of qualified personnel capable of operating such technologies, and a relatively low level of environmental awareness among producers and consumers in certain regions. Despite these challenges, ongoing advancements in recycling technologies are expected to create significant growth opportunities for the recycled textile industry.

Today, one of the most important approaches to reducing production costs in the global textile industry is the implementation of product-sharing practices and the expansion of textile recycling systems (Figure 2).

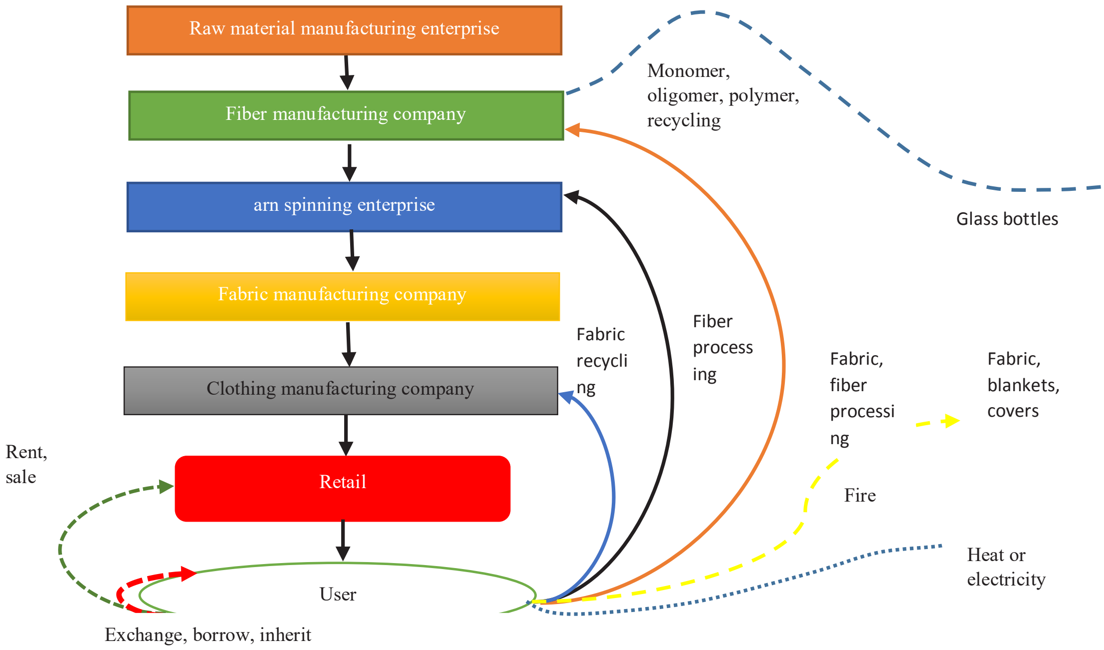

Figure 2. Classification of ways to reuse and recycle textile products[8]

As a result of the conducted scientific research and the implementation of a production cost reduction system aimed at increasing competitiveness, textile enterprises can achieve higher economic efficiency.

CONCLUSIONS AND RECOMMENDATIONS

Based on the above considerations, it can be concluded that the legal, economic, and organisational aspects of regulating and stimulating the development of the textile industry have been analysed through the study of the scientific works of classical and modern economists. The cost reduction approaches proposed by the author should be introduced into the activities of textile enterprises in Uzbekistan as important sources of reducing production costs.

In this regard, the organisational structure of cost reduction activities and the importance of each component in improving the efficiency of textile enterprises have been substantiated. The implementation of

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these measures will contribute to strengthening cost management, increasing competitiveness, and improving the overall economic efficiency of textile enterprises.

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