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INTEGRATED INSTITUTIONAL MECHANISM OF FORMATION AND MANAGEMENT OF NATIONAL CRAFT CLUSTER

Yakhshilikov Sardor Rustam ugli
PhD student, Tashkent State Agrarian University

Abstract: This article examines the integrated institutional mechanism for the formation and management of a national craft cluster. The study highlights the growing importance of traditional crafts in the development of the creative economy, cultural heritage preservation, regional entrepreneurship, tourism integration, and inclusive employment. The paper analyzes the role of artisans, local authorities, educational institutions, tourism organizations, financial institutions, digital platforms, and export promotion agencies in creating a coordinated craft cluster system. Special attention is paid to the experience of Uzbekistan, where the craft sector has significant potential due to rich historical traditions, regional specialization, women's and youth participation, and the institutional role of the "Hunarmand" Association. The findings show that the sustainable development of national craft clusters requires coordinated governance, digitalization, quality certification, financial support, training programs, tourism integration, and national branding. The article concludes that an integrated institutional mechanism can transform fragmented craft production into a competitive, sustainable, and culturally rooted economic sector.

Key words: national craft cluster, institutional mechanism, handicrafts, artisan entrepreneurship, creative economy, cultural heritage, cluster management, regional development, tourism integration.

Аннотация: В статье рассматривается интегрированный институциональный механизм формирования и управления национальным ремесленным кластером. Особое внимание уделено возрастающей роли традиционных ремёсел в развитии креативной экономики, сохранении культурного наследия, поддержке регионального предпринимательства, интеграции с туризмом и обеспечении инклюзивной занятости. Проанализирована роль ремесленников, органов местной власти, образовательных учреждений, туристических организаций, финансовых институтов, цифровых платформ и организаций по продвижению экспорта в создании единой системы ремесленного кластера. Особое внимание уделено опыту Узбекистана, где ремесленный сектор обладает значительным потенциалом благодаря богатым историческим традициям, региональной специализации, активному участию женщин и молодёжи, а также институциональной роли Ассоциации «Hunarmand». Результаты исследования показывают, что устойчивое развитие национальных ремесленных кластеров требует скоординированного управления, цифровизации, системы сертификации качества, финансовой поддержки, программ подготовки кадров, интеграции с туризмом и развития национального бренда. Сделан вывод о том, что интегрированный институциональный механизм способен преобразовать разрозненное ремесленное производство в конкурентоспособный, устойчивый и основанный на национальных культурных традициях сектор экономики.

Ключевые слова: национальный ремесленный кластер, институциональный механизм, ремесленничество, ремесленное предпринимательство, креативная экономика, культурное наследие, управление кластером, региональное развитие, интеграция с туризмом.

INTRODUCTION

In the context of globalization, structural transformation of national economies, and growing demand for authentic cultural products, the development of national crafts has become an important factor in strengthening local entrepreneurship, preserving cultural heritage, expanding employment opportunities, and increasing the competitiveness of regional economies. Traditional crafts represent not only a form of economic activity, but also a valuable component of national identity, historical continuity, and cultural expression. Therefore, the systematic development of the craft sector requires a comprehensive institutional approach that combines economic, social, cultural, organizational, and managerial dimensions.

In many countries, craft production is increasingly viewed as a promising direction for inclusive economic development, especially in regions with rich historical traditions and strong local production skills. Handicrafts contribute to the diversification of small business activities, the development of family entrepreneurship, the employment of women and youth, and the promotion of cultural tourism. At the same time, the craft sector

continues to strengthen its development through expanding production cooperation, improving access to finance, enhancing marketing channels, deepening integration with tourism and export markets, advancing technological modernization, and reinforcing coordinated institutional support. These developments enhance the ability of craft producers to enter wider domestic and international markets and support the transformation of traditional craftsmanship into a sustainable economic sector.

One of the effective approaches to overcoming these problems is the formation of national craft clusters. A craft cluster can be understood as an integrated territorial and institutional system that brings together artisans, family enterprises, small businesses, training centers, design studios, tourism organizations, financial institutions, public authorities, and support infrastructure around a common value chain. Unlike separate and fragmented craft production, the cluster approach creates opportunities for cooperation, specialization, quality improvement, innovation, branding, logistics, and market expansion. It also allows the craft sector to be managed not only as a cultural activity, but also as a competitive economic ecosystem.

The relevance of developing an integrated institutional mechanism for the formation and management of a national craft cluster is determined by the need to coordinate the interests and activities of multiple stakeholders. The effective functioning of such a cluster requires clear institutional roles, stable cooperation mechanisms, transparent management structures, legal and financial support instruments, training and certification systems, digital marketing platforms, and mechanisms for integrating crafts with tourism, creative industries, and export promotion.

In this regard, the concept of an integrated institutional mechanism is of particular scientific and practical importance. Such a mechanism should ensure the interaction of state bodies, local authorities, artisans' associations, educational institutions, financial organizations, tourism entities, business support centers, and digital platforms. It should also provide a framework for strategic planning, resource allocation, monitoring, quality control, product standardization, brand development, and market access. The institutional mechanism must therefore serve as a bridge between traditional craft knowledge and modern economic management.

The formation of a national craft cluster is especially significant for countries with rich cultural heritage and strong regional craft traditions. In such contexts, craft clusters can contribute to the preservation of intangible cultural heritage, the creation of new jobs, the development of regional tourism routes, the promotion of local brands, and the expansion of export-oriented production. At the same time, the successful development of these clusters requires not only administrative support, but also a scientifically grounded model of institutional interaction and cluster management.

REVIEW OF LITERATURE ON THE SUBJECT

In recent years, the formation and management of craft clusters have attracted increasing scholarly attention due to their role in local economic development, cultural heritage preservation, creative entrepreneurship, tourism integration, and inclusive employment. The literature shows that traditional crafts are no longer considered only as cultural products or household-based activities; rather, they are increasingly analyzed as part of creative industries, regional value chains, and cluster-based development systems. Within this context, the institutional mechanism of craft cluster formation has become a significant research direction, as effective cluster development requires coordination among artisans, local authorities, financial institutions, tourism organizations, educational centers, marketing platforms, and export-support agencies.

S. Sehnem and co-authors conducted one of the important recent studies on public policies, management strategies, and sustainable competitive management in the handicraft sector. Their research emphasizes that handicraft development depends not only on the skills of artisans, but also on institutional support, public policies, market access, sustainability-oriented management, and coordination among stakeholders. The authors argue that sustainable and competitive craft management requires an integrated model that combines economic, social, environmental, and managerial dimensions. This approach is directly relevant to the formation of national craft clusters because it shows that fragmented artisan activity can be transformed into a more competitive system only when supported by coordinated institutional mechanisms¹.

A. Wondirad, D. Bogale, and Y. Li studied the practices and challenges of developing handicrafts as a core tourism product in southern Ethiopia. Their research demonstrates that handicrafts can become an important component of sustainable tourism development when they are integrated into tourism routes, local cultural experiences, and destination branding strategies. However, the authors also identify several barriers, including weak market linkages, limited institutional support, poor product development, insufficient promotion, and inadequate cooperation between the tourism and handicraft sectors. This study is important for the present topic because it confirms that craft clusters should not be managed in isolation from tourism, but should be

¹ Sehnem, S., Piekas, A., Dal Magro, C. B., Fabris, J., & Leite, A. (2020). *Public policies, management strategies, and the sustainable and competitive management model in handicrafts*. Journal of Cleaner Production, 266, 121695. <https://doi.org/10.1016/j.jclepro.2020.121695>

institutionally linked with destination management and cultural tourism development².

M. Shafi and co-authors examined innovation in traditional handicraft companies from the perspective of sustainable development. Their systematic literature review shows that innovation in handicrafts does not necessarily mean replacing traditional techniques with industrial production; rather, it includes design improvement, digital marketing, sustainable materials, new business models, product diversification, and organizational modernization. The authors highlight that handicraft enterprises need to balance tradition and innovation in order to remain competitive in modern markets. For the formation of national craft clusters, this finding is especially important, because cluster management should create conditions for artisans to preserve cultural authenticity while adopting modern technologies, design standards, and market-oriented production methods³.

A. Mohamed Soliman Mohamed analyzed the development barriers of Egyptian handicraft clusters and suggested policy reforms. The study identifies institutional fragmentation, weak coordination among stakeholders, limited access to finance, lack of reliable market channels, insufficient training, and inadequate policy implementation as major obstacles to cluster development. The author argues that handicraft clusters require a clear institutional body, defined responsibilities, effective governance mechanisms, and targeted support policies. This research is highly relevant to the concept of an integrated institutional mechanism, as it directly shows that the success of craft clusters depends on the presence of a coordinated governance structure and not merely on the existence of artisan groups⁴.

D. Fernández Bellver, M. B. Prados-Peña, A. M. García-López, and V. Molina-Moreno conducted a bibliometric analysis of crafts as a key factor in local development. Their study reveals that contemporary research on crafts is mainly concentrated around several themes: crafts as a source of local income, the relationship between crafts and tourism, job creation, sustainability, rural development, poverty reduction, and the socio-economic effects of new craft products and processes. The authors show that crafts are increasingly being studied as a multidimensional development factor rather than a narrow cultural activity. This conclusion supports the need for a national craft cluster model that integrates economic, social, cultural, and regional development functions within a single institutional framework⁵.

U. Hasanah, B. M. Sukoco, E. Supriharyanti, and W.-Y. Wu presented a systematic literature review on fifty years of artisan entrepreneurship. Their study identifies environmental, social, organizational, and individual factors that influence the development of artisan entrepreneurship. The authors also point out that artisan entrepreneurship produces outcomes at individual, organizational, and social levels, including income generation, identity preservation, community development, and entrepreneurial resilience. This study contributes to the theoretical foundation of national craft cluster formation by showing that artisans should be viewed not only as producers, but also as entrepreneurs operating within a broader institutional and socio-economic ecosystem⁶.

K. Rodriguez Echavarria and co-authors examined the place-based development of Egyptian handicraft clusters, focusing on the al-Darb al-Ahmar cluster in Historic Cairo. The study highlights the importance of place-based strategies, cultural heritage, digital transformation, local identity, and stakeholder collaboration in strengthening handicraft clusters. The authors argue that craft clusters should be developed in connection with their territorial context, historical environment, community networks, and cultural assets. This approach is essential for national craft cluster management because it demonstrates that cluster formation should be based on the specific cultural, spatial, and institutional characteristics of each region⁷.

A. K. Jha's case study of the Moradabad metal craft cluster analyzes the functioning of an export-oriented craft cluster and its vulnerability to global market fluctuations, policy changes, and institutional constraints. The study shows that even large and historically established craft clusters require continuous policy support, export facilitation, market diversification, technological upgrading, and institutional coordination. The Moradabad case is particularly useful for understanding how a national craft cluster can be linked to export markets while still

- 2 Wondirad, A., Bogale, D., & Li, Y. (2021). *Practices and challenges of developing handicrafts as a core tourism product in Chencha and Konso, southern Ethiopia*. International Journal of Cultural Policy. <https://doi.org/10.1080/10286632.2021.1938560>
- 3 Shafi, M., Szopik-Depczyńska, K., Cheba, K., Ciliberto, C., Depczyński, R., & Ioppolo, G. (2022). *Innovation in traditional handicraft companies towards sustainable development: A systematic literature review*. Technological and Economic Development of Economy, 28(6), 1589–1621. <https://doi.org/10.3846/tede.2022.17085>
- 4 Mohamed Soliman Mohamed, A. (2022). *Egyptian handicrafts clusters: Barriers to development & suggested policy reforms* [Master's thesis, The American University in Cairo]. AUC Knowledge Fountain. <https://fount.aucegypt.edu/etds/1864>
- 5 Fernández Bellver, D., Prados-Peña, M. B., García-López, A. M., & Molina-Moreno, V. (2023). *Crafts as a key factor in local development: Bibliometric analysis*. Heliyon, 9(1), e13039. <https://doi.org/10.1016/j.heliyon.2023.e13039>
- 6 Hasanah, U., Sukoco, B. M., Supriharyanti, E., & Wu, W.-Y. (2023). *Fifty years of artisan entrepreneurship: A systematic literature review*. Journal of Innovation and Entrepreneurship, 12, 46. <https://doi.org/10.1186/s13731-023-00308-w>
- 7 Rodriguez Echavarria, K., Samaroudi, M., Abdel Barr, O., Salah, A., Sharara, N., Aboufadi, A., Sakkout, S., Smythe, J., & Weyrich, T. (2023). *Place-based development of Egypt's handicraft clusters: A review of al-Darb al-Ahmar cluster in Historic Cairo*. Zenodo. <https://doi.org/10.5281/zenodo.7705912>

facing challenges related to subsidies, competitiveness, supply chains, and global demand instability⁸.

Overall, the reviewed literature shows that the development of craft clusters requires more than the concentration of artisans in one territory. Effective cluster formation depends on a well-designed institutional mechanism that connects production, training, finance, marketing, innovation, tourism, cultural heritage, digital platforms, and export promotion. The studies also indicate that sustainable craft cluster management should combine traditional skills with modern business practices, support artisans as entrepreneurs, strengthen cooperation among stakeholders, and integrate craft production into local and national development strategies. Therefore, the concept of an integrated institutional mechanism is scientifically justified as a necessary condition for transforming national crafts into a competitive, sustainable, and culturally rooted economic sector.

RESEARCH METHODOLOGY

This study applies a qualitative and analytical research approach to examine the integrated institutional mechanism for the formation and management of a national craft cluster. The methodological basis of the research is formed by the systematic analysis of scientific literature, institutional frameworks, cluster theory, artisan entrepreneurship, creative economy development, and public policy approaches related to the craft sector.

The study uses the systematic analysis method to investigate the national craft cluster as a complex socio-economic and institutional system. This method makes it possible to identify the main actors involved in cluster formation, including artisans, small enterprises, local authorities, educational institutions, tourism organizations, financial institutions, digital platforms, and export promotion agencies. It also helps to determine the functional relationships among these actors and their role in ensuring sustainable cluster management.

The comparative analysis method is used to examine different approaches to craft cluster development in international practice. Through this method, the study compares traditional fragmented craft production with cluster-based models of organization and management. This allows the research to identify the advantages of cluster formation, such as cooperation, specialization, product quality improvement, branding, market expansion, and integration with tourism and creative industries.

The institutional analysis method is applied to assess the role of formal and informal institutions in the development of national craft clusters. In particular, the study focuses on regulatory support, public policy instruments, financial mechanisms, training systems, certification procedures, marketing infrastructure, and stakeholder coordination. This method helps to justify the need for an integrated institutional mechanism that can coordinate the activities of different participants in the craft value chain.

In addition, the research uses the SWOT analysis method to identify the strengths, weaknesses, opportunities, and threats associated with the formation and management of national craft clusters. This approach provides a strategic assessment of internal and external factors influencing the development of the craft sector and helps to formulate practical recommendations for improving cluster governance.

Overall, the chosen methodological approach enables a comprehensive analysis of the institutional, economic, organizational, and managerial aspects of national craft cluster formation. The combination of systematic, comparative, institutional, and SWOT analysis methods provides a scientific basis for developing an integrated mechanism aimed at improving the competitiveness, sustainability, and socio-economic role of the national craft sector.

ANALYSIS AND RESULTS

In recent years, the development of national craft clusters has become increasingly relevant in the global economy due to the growing importance of cultural and creative industries, sustainable local production, heritage preservation, and creative entrepreneurship. Traditional crafts are no longer viewed only as cultural artifacts or household-based production. They are increasingly recognized as a component of the creative economy, regional branding, tourism development, women's and youth employment, and export-oriented small business activity.

At the global level, the craft sector is developing within the broader framework of cultural and creative industries. According to recent international assessments, the creative economy has become an important contributor to trade, employment, and economic diversification. UNCTAD emphasizes that the creative economy contributes differently across countries, ranging from 0.5% to 7.3% of GDP and from 0.5% to 12.5% of employment. This indicates that creative industries, including handicrafts, can serve as a meaningful development driver when supported by effective institutional mechanisms⁹. In addition, UNESCO's global

8 Jha, A. K. (2024). *A case study of Moradabad metal craft cluster*. Institute for Studies in Industrial Development Working Paper No. 281.

9 UNCTAD's *Creative Economy Outlook 2024* states that the creative economy contributes between 0.5% and 7.3% of GDP and employs

cultural policy agenda highlights the increasing recognition of culture as a key factor of inclusive and sustainable development, based on the analysis of national and local cultural policy reports submitted between 2019 and 2024¹⁰.

The global experience shows that positive changes in craft development are occurring in several directions. First, many countries are integrating crafts into creative economy policies and local development strategies. Second, traditional craft products are increasingly being linked with tourism, destination branding, cultural routes, and experiential travel. Third, digital platforms and e-commerce are expanding market access for artisans, enabling them to reach consumers beyond local bazaars and seasonal fairs. Fourth, craft clusters are being promoted as tools for strengthening cooperation among artisans, designers, training centers, tourism organizations, financial institutions, and local governments. These trends show that the competitiveness of the craft sector depends not only on artisan skills, but also on institutional coordination, market infrastructure, branding, digitalization, and value chain integration.

In this context, the formation of a national craft cluster requires an integrated institutional mechanism. Such a mechanism should connect production, education, finance, certification, marketing, tourism, digital platforms, and export promotion within a single coordinated system. Through this integration, artisans can strengthen access to finance, enhance their bargaining power, improve branding capacity, and expand their integration into national and international markets. Therefore, the cluster approach is important because it transforms individual craft activity into a structured socio-economic ecosystem.

The case of Uzbekistan is particularly significant because the country has a rich historical tradition of craftsmanship, including ceramics, silk weaving, embroidery, wood carving, metalwork, carpet weaving, jewelry, miniature painting, leatherwork, and other forms of applied arts. These crafts are closely linked with national identity, regional specialization, family entrepreneurship, and tourism potential. In recent years, positive institutional changes have been observed in the craft sector of Uzbekistan. The “Hunarmand” Association plays an important role in uniting artisans, supporting their rights, promoting handicraft development, and ensuring the transmission of traditional skills to future generations¹¹.

Recent data also confirm the growing institutional and economic role of the craft sector in Uzbekistan. According to the “Hunarmand” Association, as of the first quarter of 2025, 27,500 artisans were working across 43 handicraft sectors in the country. Of these, 14,300 artisans, or 52%, were men, while 13,200 artisans, or 48%, were women. In addition, 5,400 members, or 20%, were youth. The number of neighborhoods engaged in handicrafts reached 7,023¹². These figures demonstrate that handicrafts in Uzbekistan are not only a cultural activity, but also an important source of employment, local entrepreneurship, and social inclusion.

The gender and youth structure of the craft sector is especially important from the perspective of inclusive cluster development. The fact that women represent almost half of registered artisans shows that craft clusters can become an effective mechanism for supporting women’s entrepreneurship, home-based production, and family business development. The participation of young artisans also indicates that the sector has potential for generational renewal, although this requires systematic training, design education, digital skills, and market-oriented entrepreneurship programs.

Another positive trend in Uzbekistan is the strengthening of international cooperation in the field of traditional craftsmanship, design, and entrepreneurship. In 2024, UNESCO organized a national training program in Margilan in cooperation with local authorities, the “Hunarmand” Association, and the Margilan Crafts Development Centre. The program focused on traditional craftsmanship, design, and entrepreneurship for safeguarding intangible cultural heritage¹³. This initiative is important because it shows that the development of crafts in Uzbekistan is gradually moving from simple preservation toward a more modern model that combines heritage, design thinking, entrepreneurship, and institutional support.

The connection between crafts and tourism is another important area of positive change. Uzbekistan’s tourism sector has been expanding in recent years, and cultural tourism remains one of the key directions of the country’s tourism development. In 2024, the share of tourism in Uzbekistan’s GDP reached 4.7%, while the share of tourists visiting for leisure and travel increased from 8.3% in 2021 to 14.9% in 2024¹⁴.

between 0.5% and 12.5% of the workforce across countries.

10 UNESCO’s Global Report on Cultural Policies is based primarily on more than 1,200 national and local reports submitted between 2019 and 2024.

11 The IRCI profile of Uzbekistan’s “Hunarmand” Association describes its purpose as uniting artisans, protecting their rights, supporting handicraft development, and transmitting crafts to future generations.

12 The “Hunarmand” Association reported in April 2025 that 27,500 artisans work across 43 craft sectors, including 52% men, 48% women, 20% youth, and 7,023 neighborhoods engaged in handicrafts.

13 UNESCO reported that a national training program on traditional craftsmanship, design, and entrepreneurship was held in Margilan in 2024 with the “Hunarmand” Association and local partners.

14 Uzbekistan’s tourism strategy interim report noted that tourism reached 4.7% of GDP in 2024 and leisure/travel tourists rose from 8.3% in 2021 to 14.9% in 2024.

This creates favorable conditions for integrating craft clusters with tourism routes, historical cities, cultural festivals, museums, workshops, and destination branding strategies. In cities such as Samarkand, Bukhara, Khiva, Kokand, Margilan, Rishtan, and Tashkent, traditional crafts can become an essential part of the tourist experience and contribute to local income generation.

The analysis shows that the formation of a national craft cluster in Uzbekistan should be based on a multi-level institutional model. At the first level, artisans, family enterprises, and small craft businesses form the production base of the cluster. At the second level, educational institutions, craft development centers, design schools, and vocational training organizations support skills development and innovation. At the third level, financial institutions, business support centers, and public authorities provide credit, subsidies, infrastructure, legal support, and market access. At the fourth level, tourism organizations, digital platforms, export agencies, and branding institutions connect craft products with domestic and international consumers.

Based on the above analysis, the integrated institutional mechanism of national craft cluster formation should include several key elements. First, there should be a clear coordination body responsible for linking artisans with local authorities, training centers, tourism organizations, and financial institutions. Second, the cluster should have a unified database of artisans, craft types, regional specialization, production capacity, training needs, and market opportunities. Third, certification and quality standards should be introduced to improve consumer trust and export readiness. Fourth, digital marketing platforms should be developed to promote national craft products in domestic and international markets. Fifth, craft clusters should be integrated with tourism routes and cultural heritage programs to increase demand for authentic local products.

Uzbekistan has strong potential for developing a national craft cluster model. The main strengths include a rich craft heritage, regional specialization, an existing national artisan association, growing tourism demand, participation of women and youth, and increasing international cooperation. At the same time, several problems remain relevant: fragmented production, limited access to finance, insufficient use of digital marketing, uneven product quality, weak export readiness, and limited institutional coordination among stakeholders. These challenges show the need for an integrated institutional mechanism that can transform the craft sector from scattered artisan activity into a competitive national cluster.

The formation and management of a national craft cluster in Uzbekistan should be analyzed not only through the number of artisans, but also through institutional support measures, employment generation, tourism integration, market access, financial incentives, and the expansion of craft types. During 2021–2025, Uzbekistan implemented a number of important measures aimed at supporting artisans, strengthening the “master–apprentice” tradition, expanding the role of crafts in tourism, improving financial support mechanisms, and increasing the participation of women and youth in the craft sector. These indicators show that the national craft sector is gradually moving from fragmented individual production toward a more organized and institutionally supported cluster-based development model (Table 1).

Table 1. Key statistical and institutional indicators of craft sector development in Uzbekistan, 2021–2025¹⁵

Year	Key statistical / institutional indicator	Quantitative value	Relevance to national craft cluster formation
2021	Growth of master artisans over the previous five years	7 times increase	Indicates the expansion of the production base for future craft clusters and the growing number of skilled craft producers.
2021	Growth of apprentices over the previous five years	9 times increase	Demonstrates the strengthening of the “master–apprentice” system, which is essential for human capital formation in craft clusters.
2021	Employment in the craft sector	230,000 people	Shows that handicrafts had already become an important employment-generating sector and a potential base for regional cluster development.
2021	Artisans included in the National Catalogue of Folk Applied Art	340 masters	Reflects the institutional recognition of highly skilled artisans and creates a basis for quality standards and cultural branding.
2021	Artisans included in the tourism register	About 1,500 artisans	Confirms the growing integration of crafts with tourism routes and cultural tourism products.

¹⁵ Source: Compiled by the author.

2022	New jobs created in the craft sector during 11 months	87,297 jobs	Indicates that handicrafts were used as a practical tool for employment generation and local entrepreneurship development.
2022	Youth share in newly created jobs	59,436 jobs	Shows the role of the craft sector in youth employment and intergenerational transmission of craft skills.
2022	Share of women among youth-related newly created jobs	68%	Demonstrates the inclusive potential of craft clusters, especially in supporting women's employment and home-based production.
2023	Membership growth in the "Hunarmand" Association over seven years	From about 10,000 to nearly 80,000 members	Indicates the rapid institutional expansion of the national artisan community and the strengthening of organized sectoral representation.
2023	Employment in the craft sector	280,000 people	Shows that handicrafts had become a significant socio-economic sector with strong potential for cluster-based management.
2024	Preferential loans allocated to artisans	More than 1.1 trillion UZS	Reflects the strengthening of financial support mechanisms, which are necessary for production modernization, equipment purchase, and cluster infrastructure.
2024	Number of recognized craft types	43 craft sectors	Shows the diversification of the craft sector and creates opportunities for specialized sub-clusters such as ceramics, embroidery, wood carving, textiles, jewelry, and metalwork.
2024	Artisans admitted to the "Hunarmand" Association through incentives and preferences	83,400 artisans	Demonstrates the effect of institutional incentives and preferences in formalizing and organizing craft producers.
2025	Artisans working across the country	27,500 artisans	Reflects the current registered operational artisan base reported by the "Hunarmand" Association in the first quarter of 2025.
2025	Gender structure of artisans	14,300 men (52%), 13,200 women (48%)	Shows a relatively balanced gender structure and confirms the importance of crafts for women's entrepreneurship.
2025	Youth participation among artisans	5,400 youth (20%)	Indicates the potential for generational renewal and the need for training, design, and digital entrepreneurship programs.
2025	Neighborhoods engaged in handicrafts	7,023 mahallas	Demonstrates the territorial spread of craft activity and the potential for place-based regional craft clusters.
2025	Craft sectors covered by artisans	43 sectors	Confirms the diversified structure of national crafts and supports the formation of sector-specific and regional craft clusters.

The data presented in the table show that the craft sector in Uzbekistan has undergone significant institutional and socio-economic changes during 2021–2025. In 2021, the rapid increase in the number of master artisans and apprentices, as well as the employment of 230,000 people in the sector, demonstrated that handicrafts had already become an important source of local employment and cultural-economic activity. The inclusion of 340 masters in the National Catalogue and about 1,500 artisans in the tourism register also indicates that the sector was being connected with quality recognition and tourism-oriented development.

The year 2022 was characterized by the strengthening of employment-oriented craft development. The creation of 87,297 new jobs within 11 months, including 59,436 jobs related to youth participation, shows that the craft sector became an important tool for supporting youth employment, women's participation, and the "master-apprentice" tradition. This is particularly important for the cluster approach, because craft clusters require not only production facilities, but also skilled human capital and continuous knowledge transfer.

In 2023, the institutional expansion of the sector became more visible. The growth of "Hunarmand" Association membership from about 10,000 to nearly 80,000 over seven years and the increase of employment

in the sector to 280,000 people indicate that handicrafts were developing from a traditional household-based activity into a more organized socio-economic sector. This trend creates a foundation for cluster-based governance, as the presence of a large and institutionally organized artisan community is a necessary condition for coordinated management.

In 2024, financial and institutional support measures became more important. More than 1.1 trillion UZS of preferential loans allocated to artisans created opportunities for purchasing equipment, expanding production, improving product quality, and strengthening the material base of craft enterprises. At the same time, the expansion of recognized craft types to 43 sectors and the admission of 83,400 artisans to the “Hunarmand” Association through incentives and preferences show the diversification and formalization of craft activity.

The 2025 data demonstrate the current structure of the craft sector. According to the “Hunarmand” Association, 27,500 artisans were working across 43 craft sectors nationwide, including 14,300 men and 13,200 women. Women accounted for 48% of artisans, while youth made up 20%. In addition, 7,023 mahallas were engaged in handicrafts. These indicators are especially important for the national craft cluster model because they show that crafts are territorially widespread, socially inclusive, and institutionally connected with local communities.

The statistical and institutional indicators for 2021–2025 show that Uzbekistan has a strong foundation for the formation of national craft clusters. The sector has a wide territorial base, diverse craft specialization, significant employment potential, strong participation of women and youth, and growing institutional support. However, the next stage of development should focus on transforming this potential into an integrated cluster management system by strengthening coordination among artisans, local authorities, tourism organizations, training centers, financial institutions, digital platforms, and export promotion agencies.

To better illustrate the dynamics of national craft cluster development in Uzbekistan, the statistical indicators for 2021–2025 can be presented in visual form. The charts below summarize the key employment, participation, and structural indicators of the craft sector and help reveal the institutional and socio-economic changes taking place in recent years (Figure 1).

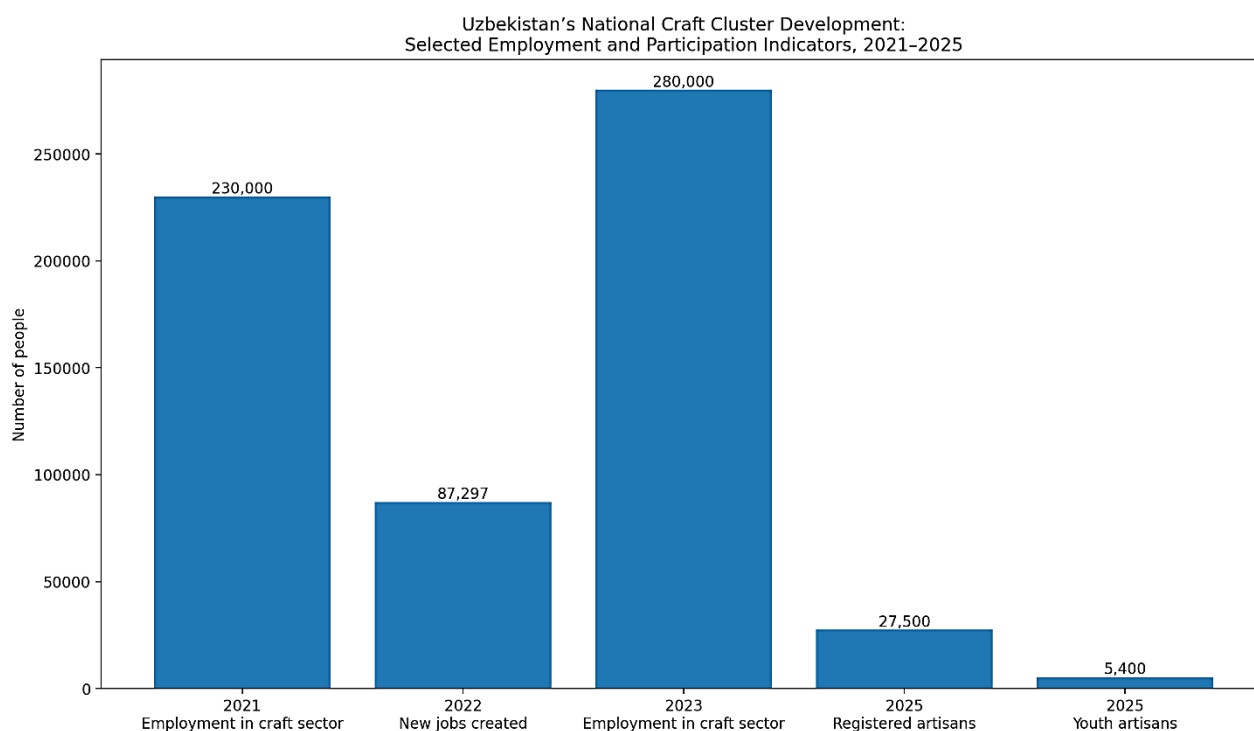


Figure 1. Employment and Participation Indicators in Uzbekistan's National Craft Cluster (2021–2025) ¹⁶

The first chart shows that the craft sector in Uzbekistan has maintained a strong socio-economic role over the period under review. In 2021, employment in the craft sector reached 230,000 people, and by 2023 this figure increased to 280,000 people, indicating the growing importance of crafts in local employment and regional economic activity. In 2022, 87,297 new jobs were created in the sector, which confirms that handicrafts also served as an active instrument for income generation and labor market expansion. The 2025 data, in

¹⁶ Source: Compiled by the author.

turn, show that 27,500 registered artisans and 5,400 youth artisans were active in the system, reflecting the formalized and institutionally organized base of the national craft sector (Figure 2).

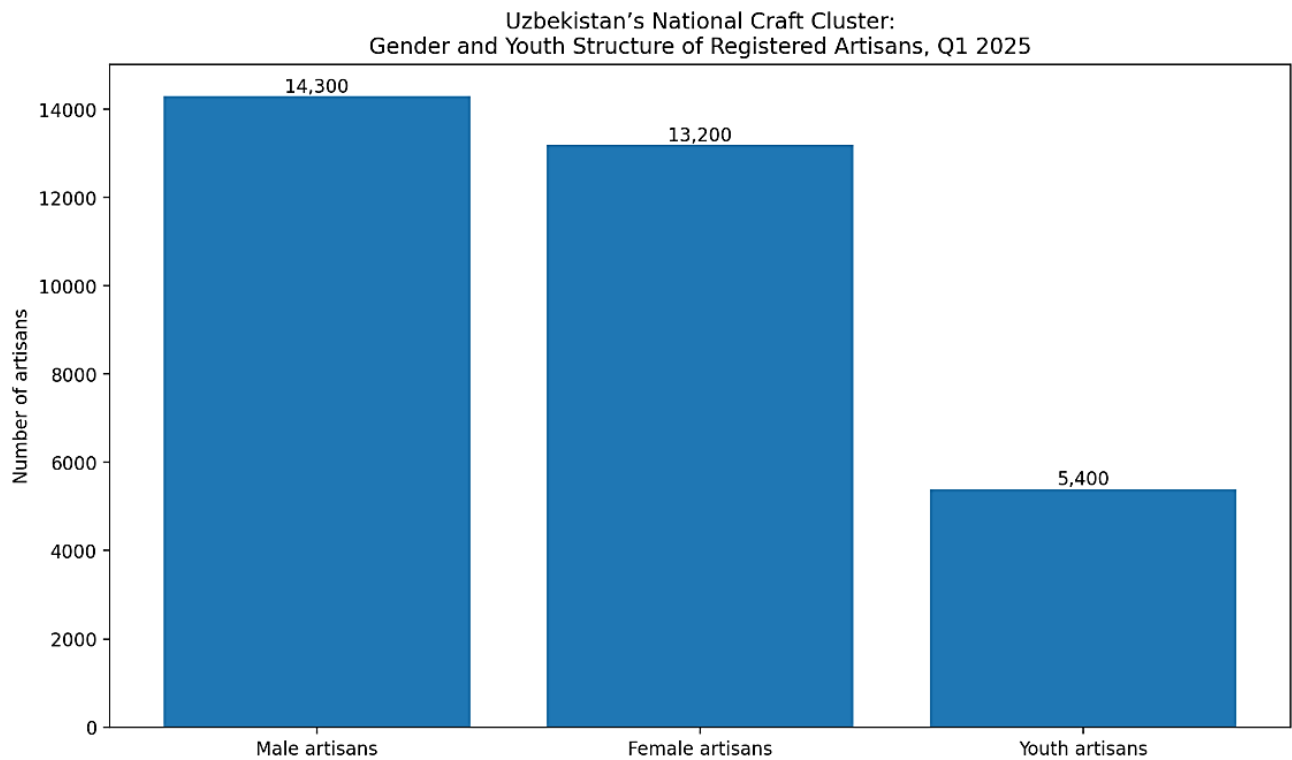


Figure 2. Analysis of National Craft Cluster Development in Uzbekistan (2021–2025)¹⁷

The second chart highlights the gender and youth structure of registered artisans in the first quarter of 2025. It shows a relatively balanced gender composition, with 14,300 male artisans and 13,200 female artisans. This indicates that the craft sector has a high capacity for inclusive development and can serve as an important platform for supporting women's entrepreneurship. At the same time, the presence of 5,400 young artisans demonstrates the sector's potential for generational continuity, innovation, and long-term sustainability.

Overall, the visual analysis confirms that Uzbekistan has a solid foundation for developing an integrated national craft cluster. The combination of strong employment potential, institutional organization, gender balance, and youth participation creates favorable conditions for strengthening cluster-based governance, expanding market access, integrating crafts with tourism, and improving the competitiveness of the national craft sector.

CONCLUSIONS AND SUGGESTIONS

The analysis of the integrated institutional mechanism for the formation and management of a national craft cluster shows that the craft sector has significant socio-economic, cultural, and entrepreneurial potential. In the modern economy, traditional crafts are no longer limited to household-based production or cultural preservation alone. They are increasingly becoming part of the creative economy, regional development strategies, tourism value chains, export-oriented small business activity, and inclusive employment policies.

The experience of recent years demonstrates that the development of national craft clusters benefits from a coordinated institutional approach. The effective functioning of such clusters is strengthened through the interaction of artisans, local authorities, educational institutions, tourism organizations, financial institutions, export promotion agencies, digital platforms, and business support centers. Through this coordination, craft producers can enhance access to finance, strengthen their market position, improve export readiness, and deepen integration with tourism and creative industries.

In the case of Uzbekistan, the craft sector has a strong foundation for cluster-based development. The country has rich craft traditions, regional specialization, a growing number of artisans, active participation of women and youth, and an established institutional actor represented by the "Hunarmand" Association. At the

¹⁷ Source: Compiled by the author.

same time, the sector continues to expand its potential through the wider use of digital marketing, increasing access to modern design and branding services, continuous improvement of product quality, and stronger integration into global value chains. These developments further highlight the importance of developing an integrated institutional mechanism for managing national craft clusters.

The proposed institutional mechanism should be based on the principles of coordination, specialization, quality improvement, innovation, market orientation, and cultural authenticity. It should ensure the systematic cooperation of all stakeholders involved in craft production and promotion. Such a mechanism can help transform traditional crafts into a competitive and sustainable economic sector while preserving their cultural and historical value.

Based on the research findings, the following recommendations can be proposed:

1. Develop a unified institutional coordination mechanism for national craft clusters. A special coordination framework should be established to link artisans, local governments, the “Hunarmand” Association, tourism organizations, financial institutions, educational centers, and export agencies. This mechanism would reduce institutional fragmentation and improve the efficiency of cluster management.

2. Create a digital database and platform for craft cluster management. The platform should include information on artisans, craft types, regional specialization, production capacity, training needs, product catalogues, market opportunities, and export potential. This would improve transparency, support evidence-based decision-making, and strengthen communication between producers and consumers.

3. Strengthen training, design, and entrepreneurship programs for artisans. Craft cluster development requires not only traditional skills, but also modern competencies in design, branding, digital marketing, financial literacy, quality control, and export procedures. Special training programs should be organized for women, youth, and family-based craft producers.

4. Integrate craft clusters with tourism routes and regional branding strategies. Traditional crafts should be promoted as an important component of cultural tourism. Workshops, craft villages, museums, festivals, and artisan markets should be included in tourism routes in regions such as Samarkand, Bukhara, Khiva, Kokand, Margilan, Rishtan, and Tashkent.

5. Introduce quality standards, certification, and national branding for craft products. A unified certification system would help improve consumer trust, protect authentic handmade products, and increase export readiness. National branding should emphasize cultural authenticity, regional identity, handmade quality, and sustainable production.

6. Expand financial support mechanisms for artisans and craft enterprises. Preferential loans, grants, subsidies, leasing programs, and public-private partnership mechanisms should be expanded to support equipment modernization, workshop development, product diversification, and participation in domestic and international exhibitions.

7. Promote digital marketing and e-commerce for national craft products. Artisans should be supported in using online platforms, social media, digital catalogues, and international marketplaces. This would help expand market access, increase sales, and reduce dependence on traditional offline sales channels.

Overall, the formation of a national craft cluster based on an integrated institutional mechanism can significantly enhance the competitiveness of Uzbekistan’s craft sector. It can contribute to cultural heritage preservation, regional employment, women’s and youth entrepreneurship, tourism development, export promotion, and the growth of the creative economy. Therefore, the cluster approach should be considered not only as an economic development tool, but also as a strategic mechanism for preserving national identity and transforming traditional crafts into a sustainable and innovative sector.

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