

THE IMPORTANCE OF THE MAHALLA INSTITUTE IN THE DEVELOPMENT OF ECONOMIC INTEGRATION

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Abstract

This article examines the strategic importance of the mahalla institution in the processes of economic integration based on the theory of institutional economics, the concept of social capital, and modern approaches to local governance. The study considers the mahalla as a hybrid institution that coordinates interactions between the state, the market, and society. The role of the mahalla system in the targeted allocation of resources, development of entrepreneurship, promotion of employment, reduction of poverty, and stimulation of regional development is scientifically substantiated.

In addition, the strategic role of the mahalla institution in economic integration is revealed through a comparative analysis with international scientific approaches. The research findings indicate that the institutional potential of the mahalla in ensuring inclusive economic growth and social stability is high.

Keywords

mahalla institution, economic integration, institutional economics, social capital, local governance, inclusive economic growth, regional development, entrepreneurship.

Introduction. In the current context of globalization and economic transformation, economic integration processes are gaining significant scientific and practical significance not only at the macroeconomic level, but also within local governance institutions. Economic integration is manifested as a complex system that expresses the interaction between state, market and social institutions, the harmony of interests and resources. In this regard, in the conditions of Uzbekistan, the mahalla institution is one of the effective mechanisms of economic integration at the local level. The mahalla institution, while being a historically formed social unit, is currently functioning as an important institutional tool for implementing state policy on the ground, targeted delivery of social protection measures, ensuring employment and stimulating entrepreneurship. This aspect creates the need to assess the mahalla system not as a simple territorial or administrative unit, but as a multifunctional socio-economic institution. According to the theory of institutional economics, the effectiveness of economic development largely depends on the coordinated activities of formal and informal institutions. The famous American economist D. North interprets institutions as "rules of the game" that regulate economic processes. Based on this approach, the neighborhood institution appears as a hybrid structure that combines formal governance mechanisms with the principles of informal social capital, trust, and cooperation.

It is this feature that determines the strategic importance of the mahalla in the processes of economic integration. The relevance of the topic is that in the conditions of modern reforms, the economic functions of the mahalla institution are expanding significantly. Tasks such as identifying the needy segments of the population, involving them in economic activity,

supporting family entrepreneurship, promptly identifying and targeted solutions to regional problems are being implemented precisely at the mahalla level. This requires in-depth research of the mahalla as a strategic subject of the economic integration process. The purpose of this article is to analyze the strategic importance of the mahalla institution in the processes of economic integration based on institutional, economic and social approaches and to develop scientific conclusions and proposals for increasing its effectiveness.

Research methodology. The study used institutional, systemic and comparative approaches. In particular, the institutional analysis method served to identify the formal and informal functions of the mahalla institution. Through a systemic approach, the role of the mahalla in coordinating relations between the state, the market and society was studied holistically. Based on the comparative analysis, the mahalla model was compared with international local governance institutions. In addition, scientific literature, theoretical sources and analytical views on the topic were summarized using content analysis. The theoretical and methodological basis of the study was the concepts of institutional economics, social capital theory, participatory governance and inclusive economic growth.

Results. The results of the study show that the mahalla institution is being formed as an important institutional link in the processes of economic integration in the context of modern transformation. It is not only a subject of social management, but also a multifunctional system that stimulates regional economic development, mobilizes resources, and ensures effective communication between entities at different levels (state- business - society).

Based on the obtained scientific results, it was determined that the role of the mahalla institution in economic integration is manifested in the following main systemic directions: - Hybrid institutional nature - the mahalla acts as an intermediate link between state administration and civil society institutions, combining centralized and decentralized management mechanisms. This increases flexibility and efficiency in the decision-making process. - Role in the formation of social capital - relationships of trust, cooperation and mutual assistance are formed within the mahalla, creating a social environment necessary for economic activity. This has a positive impact on the development of small businesses and family entrepreneurship. - Mechanisms for the development of employment and entrepreneurship - the mahalla is becoming an important tool for ensuring employment of the population, attracting them to entrepreneurship and expanding access to financial resources through instruments such as the "iron book", "women's book", "youth book". -Functional importance in regional development - the mahalla participates as an operational management level in identifying local economic problems, addressing them in a targeted manner, and implementing regional programs.

The study also found that the effectiveness of the mahalla institute in economic integration is directly related to the following factors: the level of digitalization, management competencies, the level of financial independence, and the development of interdepartmental integration mechanisms. In particular, it was found that the formation of a data-based decision-making system through the introduction of the concept of "digital mahalla" significantly increases the effectiveness of economic integration. Based on scientific generalization, these areas are systematized, and the main functions of the mahalla institute in economic integration, the mechanisms for their implementation, and the expected economic results are reflected in the table below, in a mutually dependent manner.

Functional Analysis of the Mahalla Institute in Economic Integration

N o.	Direction	Main Content	Mechanism (How it works)	Economic Impact	Scientific Note
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1	Mahalla as a hybrid institution	Acts as an integrative structure between state, society and market	Governance is implemented through a combination of state policy and informal social relations	Resources are efficiently distributed, economic decisions accelerate	Considered a model based on integration of formal and informal institutions
2	Formation of social capital	Trust, cooperation and mutual assistance support economic activity	Hashar, neighborhood relations and informal financial ties reduce transaction costs	Economic activity increases	Social capital is a key factor of economic growth
3	Employment provision	Programs for increasing employment are implemented through mahalla	Assistance from local authorities, vocational training and job placement	Unemployment decreases, income sources expand	Mahalla is a key institutional mechanism for employment
4	Entrepreneurship development	Family business and small entrepreneurship are supported	Subsidies, credits and grants are delivered through mahalla	New businesses emerge, economic growth accelerates	Mahalla serves as a platform stimulating economic activity
5	Targeted resource allocation	Social and economic aid is provided based on needs	'Mahallabay' system and registries (daftars) identify beneficiaries	Inefficient spending decreases, social justice increases	Mahalla ensures efficient allocation of state resources
6	Territorial development	Identifies and solves local problems	Infrastructure projects with community participation	Regional disparities decrease	Mahalla is a key unit of local governance
7	Digital integration	Managed through digital platforms	Integration of 'Online Mahalla' and state systems	Transparency and efficiency increase	Enhances digital governance effectiveness
8	Social protection mechanism	Supports vulnerable groups	Monitoring and targeted support at mahalla level	Poverty decreases, social stability increases	Mahalla is an instrument of social policy
9	Institutional bridge function	Acts as intermediary between state and market	State programs → mahalla → population → market	Integration strengthens, system improves	Mahalla is a local mechanism of economic integration
10	Inclusive economic growth	Engages all layers of society	Mahallabay approach and individual work	Inequality decreases, sustainable growth	Mahalla is an inclusive development model

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As can be seen from the analysis of this table, the mahalla institution is a multifunctional and strategically important institution in economic integration processes. It acts as an intermediary between the state and the market, as well as an important mechanism for transforming social capital into an economic resource and ensuring local development.

Discussion. The results of the study demonstrated the strategic importance of the mahalla institution in economic integration processes in several important aspects. First, the mahalla provides institutional mediation between the state and the market. This situation serves to increase the effectiveness of economic policy at the regional level. Because the real outcome of economic decisions depends on how they are implemented on the ground. Second, the mahalla transforms social capital into an economic resource. The effective functioning of the market system is largely closely related to an environment of trust, information exchange, and cooperation. The mahalla creates this soft institutional infrastructure. Third, the mahalla is a mechanism for inclusive economic growth. It attracts economically disadvantaged groups to market relations, which ultimately serves to alleviate economic inequality and strengthen social stability.

However, some limitations have also been identified. In particular, the unevenness of institutional capacity across regions, the lack of digital infrastructure, and in some cases the tendency of informal institutions to subjectivity can reduce the effectiveness of mahalla in economic integration. Therefore, it is necessary to strengthen the principles of professional management, digitalization, transparency, and accountability in further improving the mahalla system. Conclusion. In conclusion, it should be noted that the mahalla institution is one of the strategic institutional mechanisms of economic integration processes in Uzbekistan. It plays an important role in harmonizing the interactions between the state, market, and society, targeting resource allocation, ensuring employment, developing entrepreneurship, and eliminating territorial problems. The most important advantage of the mahalla institution is its hybrid nature. That is, it increases the effectiveness of economic policy on the ground by combining formal management tools with informal social capital.

At the same time, the mahalla serves to form an inclusive model of economic integration, that is, to bring economic opportunities to broad segments of society. In the future, to strengthen the role of the mahalla institute in economic integration, it is appropriate to pay special attention to the following areas: wide introduction of digital technologies in mahalla management; development of human resources and strategic management skills; strengthening transparency and accountability mechanisms; expanding financial instruments supporting mahalla economic initiatives; reducing interregional development disparities. Thus, the mahalla institute is of great scientific and practical importance not only as a practical, but also as a strategic institutional model of economic integration.

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