

EVALUATING THE EFFECTIVENESS OF THE "HUNARMAND" ASSOCIATION'S ACTIVITIES IN DEVELOPING SELF-EMPLOYMENT

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Abstract

The article analyzes the institutional role of the "Hunarmand" Association in stimulating self-employment in Uzbekistan. Based on statistical data for the 2017–2025 period and an analysis of the traditional "Usta-Shogird" (Master-Apprentice) system, the study assesses the contribution of craftsmanship to the legalization of informal employment and household income growth. Applied recommendations for developing digital export supply chains through a system of customs bonded warehouses are formulated.

Keywords

self-employment, craftsmanship, "Hunarmand" Association, "Usta-Shogird", creative economy, export, Uzbekistan.

Introduction

For millennia, national craftsmanship in Uzbekistan has served not merely as a form of material production, but as a foundational socio-economic institution ensuring the survival and development of local communities. The historical significance of this sector is determined by its high adaptability to changing political and economic conditions, while simultaneously preserving a unique cultural code and maintaining the capacity to provide employment for a substantial segment of the population [1]. In contemporary Uzbekistan, the revival and support of national handicrafts have been elevated to the level of state policy. This shift is driven by the necessity to address a wide spectrum of objectives – ranging from the preservation of intangible cultural heritage to ensuring effective self-employment under conditions of demographic growth [2].

The historical origins of institutional support for craftsmanship in the region progressed through several key stages. At the beginning of the 20th century, during the existence of the Turkestan Republic, handicraft production accounted for up to 48% of total industrial output, uniting approximately 150,000 masters, including weavers, spinners, and blacksmiths [3]. However, the Soviet period witnessed a

forced transformation: artisans were consolidated into state cooperatives and artels (such as "Uzpromsoyuz"). This led to the gradual erosion of individual initiative and unique signature techniques in favor of mass production [4]. The status of a master was reduced to that of a "socialist worker," and the statistical tracking of individual production practically ceased, dealing a severe blow to the traditional "Usta-Shogird" system [4].

Following the acquisition of independence in 1991, the government of Uzbekistan faced the necessity of restoring this sector as a natural domain for entrepreneurship. The establishment of the "Hunarmand" Association in 1997 by Presidential Decree No. UP-1741 was a direct response to the need for a specialized body capable of unifying fragmented artisans, protecting their rights, and ensuring access to resources during the transition to a market economy [5]. From that pivotal moment, the Association became a central link in implementing the state strategy for self-employment development, functioning as a mediator between the state and individual producers [5].

The relevance of evaluating the effectiveness of the "Hunarmand" Association's activities in 2024–2025 is highlighted by the unprecedented growth of the self-employment sector. According to data from the Tax Committee, the number of self-employed citizens in the country reached 4.47 million by the beginning of 2025, reflecting a 76.5% year-on-year increase. In this context, craftsmanship stands out as an industry with high added value and significant export potential, particularly against the backdrop of Kokand's recognition as a "World Craft City" and the Association's admission to the World Crafts Council in 2019 [6].

The scientific problem lies in the necessity to identify the correlation between the institutional support measures implemented by the Association and the actual indicators of well-being and sustainability among self-employed artisans. Despite substantial tax incentives and preferences, the sector encounters challenges stemming from globalization, digital barriers, and logistical constraints [7]. Consequently, the object of this study is the system of state support for craftsmanship, while the subject is the effectiveness of the "Hunarmand" Association's mechanisms in terms of stimulating self-employment and fostering regional socio-economic development.

Methods

To comprehensively evaluate the performance of the "Hunarmand" Association, an interdisciplinary approach was applied, combining methods of economic analysis, sociological observation, and comparative legal studies. The study relies on a systematic analysis of quantitative and qualitative data spanning

2017–2025, which allows for tracking the developmental dynamics of the sector within the context of Uzbekistan's long-term national development strategies [8].

The primary tool for quantitative analysis was the statistical grouping of data obtained from the Tax Committee and the Statistics Agency under the President of the Republic of Uzbekistan [9]. Key performance indicators analyzed included the total membership of the Association, the dynamics of job creation, export volumes, and the income structure of the self-employed population. Particular attention was paid to regional differentiation, which enabled the identification of growth leaders (Samarkand, Tashkent, and Fergana regions) as well as lagging regions requiring additional stimuli.

A comparative analysis (benchmarking) method was employed to contrast the Uzbek model of handicraft support with international counterparts, specifically examining the experiences of India and Turkey. This approach facilitated an evaluation of institutional structures such as the Export Promotion Council for Handicrafts (EPCH) in India and the role of the TİKA agency in developing infrastructure for artisans in Khiva [10]. The comparison was conducted based on criteria including tax burden levels, accessibility to international markets, and the efficiency of vocational training systems.

To evaluate the efficiency of the "Usta-Shogird" system, a qualitative analysis method was applied to educational programs and their impact on the labor market. The activities of approximately 20,000 artisans who established their own schools were examined, along with the transformation process of 12 educational institutions into national craft colleges providing instruction across 140 specialties [11]. The effectiveness of this training was assessed via the subsequent legalization rate of apprentices as self-employed individuals.

Economic-mathematical modeling was utilized to calculate the *fiscal effectiveness index* of support I_{fe} . The evaluation formula measures the ratio of the volume of provided tax incentives to the volume of generated value added and the public expenditure saved on unemployment benefits:

$$I_{fe} = \frac{\Delta V_{add} + \Delta S_{unemp}}{T_{pref} + C_{admin}}$$

Bu yerda:

I_{fe} - fiscal effectiveness index; fiskal samaradorlik indeksi;

ΔV_{add} - increase in value added within the craftsmanship sector;

ΔS_{unemp} - savings on social welfare payments resulting from the employment of self-employed individuals;

T_{pref} - total volume of provided tax incentives;

C_{admin} - administrative expenses for maintaining the Association and implementing its programs[12].

Additionally, the study incorporated content analysis of publications in the "Hunarmand" journal and proceedings of international scientific-practical conferences (such as "Prospects for the Development of Handicrafts and Folk Art"), allowing for the integration of expert opinions from leading masters and scholars. The informational density of the research is reinforced by the referencing of 50 sources, including scientific articles from the Scopus and Web of Science databases published between 2018 and 2025 [13].

Results

The research findings indicate that the activities of the "Hunarmand" Association have served as a catalyst for the large-scale legalization and development of the craftsmanship sector in Uzbekistan. Beginning in 2017, a qualitative transition has been observed, moving from the simple preservation of traditions toward the formation of a fully fledged, export- and tourism-oriented creative economy sector.

Dynamics of Membership and Employment in the Sector

A key indicator of effectiveness is the rapid growth in the number of registered masters. While during the initial stages (2017–2020), membership in the Association was viewed primarily as a mechanism for securing tax preferences, by 2024–2025 it had transformed into a marker of professional status, granting access to international markets and preferential credit lines [14].

Table 1.

Dynamics of Membership Indicators in the "Hunarmand" Association and Job Creation [15]

Parameter	2020	2021	2024	2025 (Actual)
Total Association Membership (persons)	36,000	38,928	83,400	> 85,000
Created Jobs (cumulative, units)	124,585	135,000	210,000	> 230,000
Share of Women Among Association Members (%)	38.0%	42.6%	43.2%	44.0%

Number of Craft Types (in the registry)	34	34	43	43
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It is worth noting that the growth in the number of artisans occurs against the backdrop of a general rise in self-employment across the country. As of January 1, 2025, there were 4.47 million self-employed individuals in Uzbekistan, with the consumer goods manufacturing and services sector (dominated by artisans) showing a 49.6% year-on-year increase. This demonstrates the successful integration of the "Hunarmand" Association's programs into the nationwide entrepreneurship support ecosystem.

Regional Specialization and Contribution to the Local Economy

The efficiency of the Association's regional branches is directly reflected on the economic map of the country. Analysis demonstrates that craftsmanship has become an economic pillar for several regions, generating a substantial share of household income.

The Fergana Valley merits special attention, where approximately 100 unique handicraft dynasties are concentrated within the cities of Kokand, Margilan, Shakhrikhan, and Chust. In the Samarkand region, the number of self-employed individuals reached 508,100 by 2025, establishing the region as the absolute leader in the scale of individual entrepreneurship.

Table 2.

Regional Specialization and Contribution of Craftsmanship to the Local Economy [16]

Region	Leading Sectors / Directions	Share in Regional Employment	Key Initiatives
Fergana Region	Textiles (atlas, adras), ceramics (Rishtan), knives (Chust)	13.0%	Kokand – World Craft City
Samarkand Region	Wood carving, gold embroidery, Samarkand paper	11.4%	Tourism-oriented craft clusters
Khorezm Region	Artistic wood carving, carpet weaving	8.5%	Khiva Craft Center (jointly with TIKA)
Tashkent Region	Ceramics, jewelry making, ganch (gypsum) carving	10.0%	Craft co-working spaces and exhibitions

Fiscal and Financial Support Mechanisms

The Association's effectiveness is reinforced by unprecedented tax incentives. Members of "Hunarmand" are entirely exempt from fixed income tax on revenues derived from the sale of their handcrafted items. In 2017, customs duties on the export of folk arts and crafts products were abolished, opening direct pathways to global markets for small-scale producers.

Beyond tax preferences, the Association actively participates in the allocation of preferential credit resources. Financial mechanisms are in place to fund the procurement of raw materials and equipment for artisans, alongside the allocation of land plots for building workshops in historical city centers. Consequently, the number of enterprises engaged in the handicraft sector increased from 12,000 at the beginning of 2020 to 39,000 by the end of 2023.

Export Potential and International Recognition

The foreign trade activities of the Association demonstrate high dynamics. In the first half of 2023, the export of artisanal products (actively distributed, among other channels, through art bazaars at airports and cooperation with IT Park residents) exceeded the figures for the entirety of 2022 [12].

Table 3.

Geographical Structure of Handicraft Product Exports [17]

Partner Country	Share in Total Handicraft Exports	Main Product Groups
USA	45.0%	Handmade carpets, ethnic apparel, silk
United Kingdom	14.0%	Jewelry, miniature paintings
EU Countries	8.0%	Ceramics, home accessories
Russia and CIS	33.0%	Household ceramics, fabrics, souvenir products

Since 2019, the Association has been a full member of the World Crafts Council, which facilitated the inclusion of 340 elite masters into the National Catalogue and supported their participation in international exhibitions in India, Germany, and the UAE. The International Festival of Folk Crafts, held biennially in Kokand, attracts hundreds of masters from over 70 countries, effectively converting cultural capital into tangible export contracts [18].

Discussion

The conducted analysis reveals that despite the extensive growth in the number of participants, the industry faces infrastructural bottlenecks in the sphere of digitalization. Only 34% of warehouse facilities in Uzbekistan meet contemporary Class "A" standards, which significantly impedes the systematic integration of masters with global marketplaces (Etsy, Amazon, eBay).

The Role of the "Usta-Shogird" System in Forming Human Capital

The "Usta-Shogird" mentorship institution serves not merely as a method for skill transfer, but as a vital social elevator for youth in rural regions. Research indicates that approximately 20,000 masters actively train apprentices, creating a self-sustaining employment ecosystem. This is critically important given that the classical formal vocational education system does not always adapt swiftly enough to the specific and flexible demands of the artistic products market [11].

Nevertheless, formalizing this process remains an issue. Experts agree on the necessity of legally embedding the status of the "Usta-Shogird" system within the new law "On National Craftsmanship." This legislative step would allow master-mentors to receive additional exemptions regarding land and property taxes. This is particularly relevant for rural areas, where the maintenance of a workshop constitutes a significant share of total operational costs.

Digital Transformation and E-Commerce Barriers

Despite export growth, the majority of artisans remain disconnected from direct retail sales via global platforms. The projected expansion of the e-commerce market in Uzbekistan to 2.2 billion dollars by 2027 will heavily depend on how successfully artisans can integrate into digital supply chains.

The primary barriers include:

1. **Logistical Costs:** The cost of shipping individual items from regions to international destinations often exceeds the prime cost of the product itself. The deficit of modern Class "A" warehouses limits opportunities for cargo consolidation.
2. **Payment Systems:** The lack of full integration with international payment gateways (such as PayPal) complicates receiving payments from retail buyers in the US and Europe.
3. **Digital Literacy:** For many masters of the older generation, navigating marketplaces presents a complex barrier that requires intermediary support from the Association or specialized agencies.

A breakthrough solution for the 2026–2028 period could be the implementation of a customs bonded warehouse model (Customs Bonded Warehouses), the pilot launch of which for electronic trade is already outlined by regulatory acts [13]. This would allow artisans to establish product stocks abroad or

within specialized zones with deferred duty payments, radically shortening delivery times to the final consumer.

Comparative Analysis: The Experiences of India and Turkey

Comparative analysis indicates that the Uzbek "Hunarmand" Association performs a much broader spectrum of social functions than similar structures in India. In India, handicraft support is highly segmented (separate entities for wood, textiles, etc.), and the primary emphasis is placed on marketing promotion and the implementation of international quality standards (ASTM, EN 71). Conversely, in Uzbekistan, the Association acts as a "single window" for all types of artisans, additionally providing them with social protection through agreements with insurance companies (e.g., "Ishonch") [19].

The experience of Turkey, represented by TİKA agency projects in Khorezm, demonstrates the effectiveness of a cluster-based approach. Constructing integrated craft centers where a workshop is combined with an exhibition hall and a retail shop for tourists eliminates intermediaries and significantly increases the profit margins of self-employed masters. Household income dynamics confirm the appropriateness of the chosen strategy: revenues from entrepreneurial activities within the self-employment sector grew by 15.9% in 2024 [14]. However, the wage gap between craftsmanship and high-tech sectors persists, necessitating a transition toward more complex forms of cooperation.

Conclusion

To summarize, the "Hunarmand" Association has successfully fulfilled its initial mission of rescuing traditional crafts from extinction and legalizing self-employed masters. The current stage necessitates a shift from quantitative to qualitative growth, transforming craftsmanship into a high-tech and high-income sector of Uzbekistan's creative economy. The efficiency of this process will depend on the Association's capacity to adapt to the demands of the digital era and ensure sustainable income growth for each individual master.

To enhance the operational efficiency of the "Hunarmand" Association for the 2025–2030 period, it is essential to focus on the following strategic directions:

1. **Institutionalization of Craft Clusters:** Establishing regional associations that provide shared access to expensive raw materials (such as silkworm cocoons or high-quality clay) and a unified marketing strategy.
2. **Harmonization of Statistics:** Introducing specific economic activity codes (IFUT/OKED) for craftsmanship will enable the collection of reliable data regarding the sector's contribution to GDP and allow for more precisely targeted support measures.

3. **Educational Reform:** Integrating the traditional "Usta-Shogird" system with contemporary business courses covering marketing, commercial photography, and export fundamentals, thereby enabling masters to become fully fledged entrepreneurs.

4. **The Green Agenda:** Stimulating the utilization of eco-friendly dyes and materials (natural dyeing, recycling), which aligns with global "slow fashion" trends and enhances product value in Western markets.

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