



Article

Institutional Aspects of Regional Craftsmanship Based on The Principles of Subsidiarity and Cultural Sustainability

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Abstract: In the given research, attention is paid to the institutional background of local crafts as subsidiarity and cultural sustainability, their functions in strengthening the development of local economy and maintaining the cultural heritage of the region. Although the awareness of handicrafts as a cultural and economic resource has been increasing, effective institutional framework combining those postulates has not yet been developed clearly. In order to fill this gap, the research utilized qualitative analysis of the regional documents of an existing policy related to the family-based enterprises of the craft industry, empirical assessment of its evolution and existence in a given territory, as well as a comparison of the international experience. It emerges that governance grounded on subsidiarity promotes local initiative, whereas cultural sustainability will guarantee sustainability of traditional knowledge and competitiveness in the international markets. Findings reflect the significance of grouping family companies, mentorship in the vocations sector and incorporation of craftwork in tourism routes. The lessons provided present the framework of sustainable regional development, and it is proposed that the institutional frameworks based on cultural identity can successfully regulate the safeguarding of the heritage and modernization of an economy.

Keywords: subsidiarity, business, crafts, resources, exports, econometrics, forecast

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1. Introduction

The main goal of highlighting regional handicrafts in Uzbekistan based on the principles of subsidiarity and cultural sustainability from an institutional perspective is to ensure the economic and cultural sustainable development of the handicraft sector by encouraging the growth of local initiatives and autonomy in different regions [1]. Through the principle of subsidiarity, each region is enabled to carry out independent economic activities based on its available resources, traditional crafts, and historical heritage. This approach serves to create a scientifically grounded platform for diversifying the regional economy and strengthening regional socio-economic infrastructure [2].

The principle of cultural sustainability serves as a key guarantee for the long-term development of handicraft activities. The aim of this research is not only to preserve traditional crafts but also to integrate them with modern economic demands, regulate them on an institutional basis, and develop mechanisms for their active inclusion in economic processes. Thus, by managing regional handicrafts based on subsidiarity and cultural sustainability, folk crafts can be developed not only as cultural heritage but also as a sustainable economic resource [3]. If the management of regional handicrafts based

on the principle of subsidiarity is strengthened, a balance between regional economic development and the preservation of cultural heritage can be ensured. If institutional systems based on cultural sustainability are created within handicraft enterprises, their economic activities will gain both sustainable and innovative characteristics [4].

Consistent reforms are also underway to improve the system of involving regional populations in the field of folk handicrafts, to teach young people skills in local communities based on the "master-apprentice" tradition, to ensure employment, and to reduce poverty while developing the handicraft sector. Presidential Decree No. PQ-55 of December 20, 2021, "On additional measures for the development of family entrepreneurship and expanding sources of income for the population", and Presidential Decree No. PQ-77 of December 30, 2021, "On further improving the support system for handicraft activities", have been adopted. These decrees aim to increase employment, finance local projects, develop the handicraft sector, support artisans' activities, and provide preferential loans at an annual interest rate of 14% to members of the "Hunarmand" Association [5]. These loans are intended for up to three years for the purchase of tools, spare parts, and raw materials, and for up to 18 months to replenish working capital. They also support the establishment of handicraft development centers, "master-apprentice" schools, the construction of home museums and workshops, or the purchase of buildings and structures for these purposes all of which have led to positive changes in the field of folk handicrafts [6].

The role of the subsidiarity principle in the development of regional handicraft activities is analyzed. Subsidiarity the principle of delegating decision-making authority to the lowest possible level in handicrafts expands the ability of local artisans, family enterprises, and small communities to implement their initiatives independently. This process increases regional economic sustainability and helps transform local cultural values into economic assets. As a result, the freedom, openness to innovation, and self-governing capabilities of folk handicraft activities are enhanced [7].

Literature Review on the Topic

Foreign economists such as Basco have examined the economic issues of developing folk handicrafts and the digitization of national folk handicrafts in the regions through the development of applied arts by local artisans. Additionally, the positive aspects of family-based handicrafts in the national economy have been studied from the perspective of corporate governance and institutional approaches to the development of handicrafts, with the unique features of these systems explored by scholars such as Banalieva, Eddleston, Zellweger, and Steier [8].

In this direction, Uzbek researchers such as A. O'lmasov, D.T. Yuldashev, O.M. Pardaeva, and others have investigated the theoretical model of the relationship between family business and regional development, highlighting the advantages of folk handicrafts. Their primary focus has been on national handicrafts developed through family business models. However, the economic and social nature of the digitization of folk handicrafts has not yet been thoroughly revealed in these works.

Currently, the ongoing efforts in the digitization and future planning of the folk handicraft sector demand a more serious and scientific approach to research in this area [9].

2. Materials and Methods

This study is based on institutional economics analysis that incorporates an integrative approach to qualitative and quantitative methodology to make evaluative analysis of the growth of regional craftsmanship in the contexts of subsidiarity and cultural sustainability. At the center stage of the study is an empirical evaluation of individual handicraft enterprises, various regions of Uzbekistan a case study in the performance indicators have been figured out through the application of the statistical methods of

regression analysis and the correlation analysis. Due to these tools, it became possible to identify the significant tendencies and predict the pathways of the development of the handicraft sphere. A regional development model was made that collected the response of practitioners, artisans and policy experts making sure that the research was well based within the real life dynamics. Comparative analysis was also incorporated in the study to compare practices locally with international paradigms thus enriching the assessment of systems of governance anchored on subsidiarity. In this perspective, family entrepreneurship and local autonomy played an important role that was questioned in order to influence the factor on sustainability, innovation and inclusion in the economy. Specific attention was paid to discussing the digital technologies integration and its role in raising the competitiveness of handicraft products. The paper used a case methodology, as the policy documents including Presidential Decrees PQ-55 and PQ-77 were chosen as the points of context that proofed the institutional changes [10]. The thus yielded insights were integrated to suggest institutional processes, which, in turn, provided clustering of family businesses, improved intergenerational learning, and guaranteed the eco-cultural sustainability of the industry. In general, the methodology helps to determine comprehensively how the concepts of subsidiarity and cultural sustainability can be used as complementary forces supporting socio-economic processes that consist of the restoration of regional craftsmanship.

3. Results and Discussion

If mechanisms for independent decision-making are introduced in the handicraft sector based on a subsidiarity-based management model, the competitiveness and export potential of enterprises will increase. Moreover, if regional handicraft activities are developed through an integrated system where cultural heritage is treated as an economic resource, the international recognition of the regional brand will improve. When digital technologies (such as 3D and IoT) are implemented in harmony with the principle of subsidiarity, the efficiency and innovativeness of handicraft production will increase significantly [11]. The objectives of scientifically substantiating the theories of subsidiarity and cultural sustainability within the institutional approach are presented in the table 1.

Table 1. Directions of Subsidiarity and Cultural Sustainability¹

• Goal	• Task	• Implementation Mechanism
Preserve and develop national heritage	Identify, classify, and promote local craft types	Regional research, creation of catalogs, inclusion in cultural heritage registers
Modernize handicraft technologies	Provide artisans with modern tools and equipment	Government subsidies, establishment of technology centers, organization of training
Support artisans' activities	Provide loans, grants, and tax incentives	Cooperation with commercial banks, grant competitions through artisan associations
Certify products and increase competitiveness	Formalize products based on international standards	Quality control centers, issuance of national brand labels
Expand trade and export opportunities	Establish market linkages	Online trading platforms, participation in international exhibitions, logistics networks

Train personnel and guide them toward crafts	Develop vocational courses and mentorship systems	Vocational training centers, incentives for mentors, youth job fairs
Integrate handicrafts with tourism	Turn craft workshops and exhibitions into tourist attractions	Include craft centers in tourism routes, "Live Craft" projects
Ensure environmental sustainability	Use natural and renewable resources	Eco-craft centers, "green label" system, avoidance of environmental damage

The methodology for scientifically substantiating the theories of subsidiarity and cultural sustainability, and their place within the institutional approach, includes empirical analysis and statistical methods to assess the performance indicators of regional handicraft enterprises, identify and diagnose current trends, compare foreign and local practices, study the effectiveness of governance models based on subsidiarity and cultural sustainability, and develop a regional development model and forecast parameters for the handicraft sector. Institutional proposals are clarified and improved based on feedback from specialists and practitioners in the field of handicrafts [12].

The development of folk handicraft technologies requires a comprehensive approach at the regional level. Clearly defining the objectives and tasks in this area and scientifically developing mechanisms for their implementation plays a significant role in strengthening regional economies, preserving cultural heritage, and improving public welfare. In our view, supporting local initiatives should begin with promoting family entrepreneurship at the local level that is, in neighborhoods, villages, and urban microsystems based on the principle of subsidiarity [13]. For this purpose, regional administrative bodies should provide subsidies, preferential loans, and tax incentives for family business projects. Creating conditions for each family to make independent economic decisions based on their capabilities and resources will enhance their stability and strengthen the local economic system.

In order to strengthen the continuity between generations in master-apprentice relationships within family entrepreneurship, it is necessary to organize internal educational programs based on the principle of subsidiarity and the master-apprentice system. Each family business should equip the younger generation with practical knowledge and skills within its operations and maintain professional traditions. This approach ensures, on one hand, the transmission of knowledge and skills within the family and, on the other hand, increases the competitiveness of family businesses by incorporating the innovative ideas of the new generation. In forming regional family entrepreneurship clusters, it is appropriate to unite family business entities operating in the same region based on cooperation and clustering, in line with the principle of subsidiarity. Local governments and economic organizations should help interconnect family businesses, enabling efficient resource use, joint development of marketing, logistics, and innovation [14]. As a result, even small family business entities can integrate into larger economic systems and expand their operations.

In many sources, the principle of subsidiarity in the development of family entrepreneurship is linked with research on cultural values and traditions (see Table 2). Based on the aforementioned studies, theories related to the development of handicrafts continue to evolve across various specific approaches. It should be noted that, based on comparative analysis of local and international research within this topic, it is advisable to expand the following directions in the development of handicrafts, see Table 2.

Table 2. Opinions of Foreign Scholars Who Have Studied the Principle of Subsidiarity as a Means to Develop Family Entrepreneurship²

A.CMIT	Family entrepreneurship is considered the fundamental and advanced form of economic
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	management, viewed in terms of its production capacity and functions.
Г.Беккер	The division of labor within the household plays a significant role in studying the production functions of the household and the distribution of family income from a gender perspective.
Дж.М Кейнс	The income, consumption, and savings behavior of family households, as well as their interaction with the state and adaptability to rapidly changing economic conditions, are scientifically substantiated.
Anderson R. C.	Research related to the development of family-based craft entrepreneurship has been systematized by specific areas. In particular, the essence of family entrepreneurship and its distinguishing features compared to non-family enterprises have been explored.
Gallo	The role of family businesses in economic and industrial development, as well as issues of internationalization, have been studied.
Romano C. A.	The capital structure of family businesses, their financial resources, business-oriented expenditures, and the factors influencing their financial decisions have been examined.
Kelly L.M.	The founder's role in a family firm and the strategic behavior planning within the business have been addressed.
Duh M., Belak J. and Milfelner B	In studying the differences between family and non-family businesses, the cultural and ethical behavior patterns have been analyzed.
Basco, R.	A theoretical model has been developed to examine the relationship between family businesses and regional development.
Бархагова Н. М.	The socio-economic essence, types, classification, and theoretical-conceptual foundations of family-based craft entrepreneurship have been studied from both scientific and practical perspectives.
Смирнова М.М.	Family households are analyzed in terms of their role in shaping macroeconomic stability.

Institutional mechanisms based on subsidiarity and cultural sustainability enhance both vertical and horizontal integration in the management of the handicraft sector, ensuring the sustainable development of local economies. This approach, on the one hand, guarantees the transmission of traditional crafts and values to future generations and, on the other hand, improves the competitiveness of handicraft products in domestic and foreign markets. Consequently, regional handicraft activities develop in harmony not only with economic interests but also with cultural identity and historical continuity.

In our opinion, the definitions provided by the authors for the concepts of “handicraft” and “entrepreneurship” reflect their efforts to align with current conditions and the demands of a market economy, while also attempting to uncover their economic essence.

The primary goal of exploring regional handicrafts from an institutional perspective, based on the principles of subsidiarity and cultural sustainability, is to ensure the economic and cultural sustainable development of the handicraft sector by encouraging the growth

of local initiative and autonomy in the regions. Through the principle of subsidiarity, each region can conduct independent economic activities based on its existing resources, traditional crafts, and historical heritage. This approach serves to create a scientifically grounded platform for diversifying the regional economy and strengthening the regional socio-economic infrastructure.

The principle of cultural sustainability functions as a key guarantee for the long-term development of handicraft activities. The aim of the research is not only to preserve traditional crafts but also to integrate them with modern economic demands, regulate them on an institutional basis, and develop mechanisms for their active involvement in economic processes [15].

Thus, managing regional handicrafts based on the principles of subsidiarity and cultural sustainability ensures that folk crafts are developed not only as a form of cultural heritage but also as a stable economic resource. If the management of regional handicrafts is strengthened based on the principle of subsidiarity, a balance will be achieved between regional economic development and the preservation of cultural heritage. By establishing institutional systems in handicraft enterprises grounded in the principles of cultural sustainability, their economic activities will gain a stable and innovative character.

4. Conclusion

To sum up, this paper has evidenced that the application of the principles of subsidiarity and cultural sustainability to the development of regional handicrafts not only preserves the intangible cultural heritage but also becomes a driving force of the local economic development, especially to support the family-based entrepreneurship. The results document the importance of institutional mechanism-including subsidizing certain industries, vocational training, and intersection with tourism industry-in the viability and competitiveness of handicraft enterprises. Furthermore, a concentration of business families and facilitation of intergenerational knowledge transfer were defined as the major means of integrating sustainability and innovation into traditional crafts. Such results indicate that regionally adaptive and culturally rooted policy system will enable vertical and horizontal integration in the administration of handicraft effectively, enhancing their social and economic worth. The theoretical contribution of the study to the growth of the regional development models is the association between the craft entrepreneurship and institutional economics with cultural policy. As a follow-up to the research, it will be advisable to examine the effects of digitalization and e-commerce in the prolonged run over time on the environmental sustainability of handicrafts and do case study studies to compare diverse cultural areas to determine the universality of the suggested institutional interventions.

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