
THE THEORETICAL FOUNDATIONS OF FORMING A VALUE CHAIN IN UZBEKISTAN'S TEXTILE INDUSTRY

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Abstract

The structural transformations taking place in Uzbekistan's textile industry have brought to the forefront the need to transform this sector from a primarily raw-material-oriented field into an industrial system capable of generating high added value. In today's economic environment, the competitiveness of textile products is determined not only by the availability of cotton raw materials or the expansion of production capacities, but also by how effectively the entire process of value creation is organized from raw material to finished product. In this regard, the value chain approach serves as an important methodological basis for the theoretical analysis of the textile industry.

According to value chain theory, the competitive advantage of an enterprise or industry is formed not within a single production process, but within a system of interrelated activities. In the value chain concept proposed by M. Porter, inbound logistics, operations, outbound logistics, marketing, sales, and service are considered primary activities, while technological development, human resource management, procurement, and infrastructure are regarded as supporting activities (Porter, 1985). Therefore, in the textile industry, competitiveness should be assessed not only by production volume, but also by the level of value added across the entire chain. Porter's work is regarded as one of the key sources that substantiates the concept of the value chain as an analytical tool for strategic competitive advantage.

For Uzbekistan's textile industry, the value chain includes cotton cultivation, fibre processing, yarn production, fabric manufacturing, dyeing and finishing, design, garment and knitwear production, branding, packaging, and delivery to export markets. Each of these stages generates a different level of added value. For example, the export of cotton fibre or yarn creates

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Hosted online from Dubai, U. A. E., E - Conference.

Date: 30th June 2026

Website: <https://eglobalcongress.com/index.php/egc>

ISSN (E): 2836-3612

relatively low added value, whereas finished garments, branded products, and design-based textile goods provide greater economic returns. Therefore, the main direction of sectoral development should be the transition from a raw-material-based production model to an integrated industrial model focused on finished products.

In this process, the role of the cluster system becomes particularly important. The cluster approach makes it possible to unite cotton-growing farms, processing enterprises, textile factories, logistics entities, exporters, and service organizations into a single economic chain. From a theoretical point of view, a cluster may be considered not only as a form of production cooperation, but also as an institution that reduces transaction costs, accelerates information exchange and ensures the efficient use of internal resources. Therefore, the effectiveness of textile clusters should be assessed not only by their ability to organize raw material supply, but also by their active participation in the subsequent stages of the chain, including processing, design, marketing, export, and branding.

In supply chain management theory, the main emphasis is also placed on coordinated actions among enterprises. Mentzer et al. define supply chain management as the strategic coordination of business functions within and between firms (Mentzer et al., 2001). This approach is highly relevant to the textile industry, since the final production outcome in this sector depends on the coordination among numerous participants, including farmers, processors, weavers, dyers, garment producers, logistics operators, and exporters. The study by Mentzer and his co-authors provides a scientific explanation of the conceptual foundations of supply chain management and its role in inter-firm integration.

In the context of Uzbekistan, one of the key conditions for the effective formation of a value chain is the strengthening of vertical integration within the sector. Vertical integration refers to the economic, technological, and organizational interconnection of processes from cotton raw material to finished product. On the one hand, this reduces disruptions in production; on the other hand, it expands opportunities to control production costs, maintain stable product quality, and fulfil export contracts on time. At the same time, vertical integration directs enterprises not merely toward increasing output

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ISSN (E): 2836-3612

volume, but also toward adapting product range, design, quality standards, and market requirements.

Another important theoretical aspect of value chain management in the textile industry is the balance between cost efficiency and differentiation. If an enterprise focuses only on reducing costs, it enters the market as a producer of low-cost products, but its ability to secure long-term competitive advantage becomes limited. If, however, the enterprise pays attention to design, quality, environmental requirements, branding, and fast delivery, it gains the opportunity to enter higher price segments. For this reason, the value chain strategy in Uzbekistan's textile industry should be aimed not only at improving production efficiency but also at expanding opportunities for product differentiation in the market.

Analyses by international organizations also indicate that the transition to the export of higher value-added textile products is a priority direction for Uzbekistan. In particular, UNECE materials note that Uzbekistan is paying increasing attention to the export of products with higher added value, including textiles and garments. In addition, government sources emphasize the existence of significant opportunities for creating additional value in the textile industry and the implementation of support measures in this area. This further strengthens the need to scientifically and practically substantiate a development model based on the value chain approach in the national textile industry.

In conclusion, the theoretical basis for forming a value chain in Uzbekistan's textile industry rests on managing all stages from raw material to finished product as a single integrated system. Within this framework, clusters, supply chains, vertical integration, digital management, export marketing, and branding appear as interrelated processes. To ensure sustainable competitive advantage in the sector, the main share of added value should be generated not at the stage of yarn or raw fabric production, but through finished products, design, quality standards, and export market positioning. In this respect, the value chain approach serves as an important methodological foundation for the theoretical analysis of Uzbekistan's textile industry, the assessment of its economic potential, and the identification of its future development directions.

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ISSN (E): 2836-3612

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