

Legal and Economic Mechanisms of Supporting the Development of Family Entrepreneurship

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The sustainable development of the economy depends in many ways on the level of development of entrepreneurship, the development of this sector and strengthening its position in the economy is of great importance for improving the living standards of the country's population. The great commander Amir Temur in his "Iron Statutes" praised the role of the entrepreneur in the economy of the country and the region and described it as follows: **"A determined, enterprising, vigilant, courageous and courageous man is better than a thousand careless and indifferent people."**¹ The organization of entrepreneurial activity is an important factor not only in strengthening the material strength of the family, or the individual, but also in ensuring the development of the country, the region.

Article 3 of the Law of the Republic of Uzbekistan No. ZRU-328 "On guarantees of freedom of entrepreneurial activity", as amended on May 2, 2012, defines entrepreneurial activity as follows: is an entrepreneurial activity that is carried out at its own risk and under its own property responsibility, aimed at gaining income (profit).²

Entrepreneurship development requires the following conditions:

- the entrepreneur must have certain guaranteed rights and freedoms in choosing the type of business, carrying out economic activities, if necessary, adapting business activities to changes in internal and external factors, free management of profits, etc.;
- the entrepreneur must be guaranteed the right of ownership of the available resources, the received income from the point of view of ownership;
- it is necessary to create a certain economic environment and socio-political conditions that provide a free choice of the type of activity, the opportunity to invest income, etc.;
- diversity in the spheres of ownership and possession is itself an objective phenomenon, emerging as a force for the development of the productive forces, that is, an environment of free competition;
- have the necessary financial resources for the activity, have sufficient knowledge and skills in the type of business and field of activity, which requires a system of business training and education courses, if necessary, explanatory and advisory services on legal, economic, financial and foreign economic activity.
- In addition, commercial legislation, tax incentives, the business environment and the presence of public interest in its development are the next conditions for the development of entrepreneurship.

¹ Amir Temur Koragon. Temur's rules. Tashkent "Ijod-Press" 2019.

² Law of the Republic of Uzbekistan No. ZRU-328 "On guarantees of freedom of entrepreneurial activity". Tashkent. 2012 y. May 2

Although the material basis of the economy in all countries based on a market economy is small business and private entrepreneurship, "Family Entrepreneurship" is not a separate organizational and legal form of entrepreneurial activity, and there is no separate legislation to strengthen it legally.

For the first time in our country, on April 26, 2012, the Law of the Republic of Uzbekistan "On Family Business" was adopted to further develop small business and private entrepreneurship. Chapter 7 of this law consists of 35 articles, which include the establishment and state registration of a family business, the rights and obligations of the family business and its participants, the activities of the family business, the organization of labor in the family business, social protection of its participants and employees. legal issues such as guarantees of freedom of family business.

Who is a family entrepreneur and what organizational and legal form of entrepreneurial activity is he an example of? Article 3 of this law defines family business as follows. Family business is an entrepreneurial activity carried out by family members for the purpose of earning income (profit) at risk and under their own property responsibility. Family business is based on the will of its participants.³

How to organize a family business? Family business can be carried out with or without the establishment of a legal entity.⁴

In order to further support the development of entrepreneurship in all sectors and industries in Uzbekistan, Resolution No. PQ-5041 of March 27, 2021 "On additional measures to be implemented in the framework of family business development programs" was adopted.

Over the past three years, more than 600,000 people and businesses have received soft loans worth more than 15 trillion soums within the programs aimed at developing family business and employment of young people and women.

If we analyze this indicator by sector, we can see that 9.1% of small businesses are engaged in agriculture, 20.9% in industry, 11% in construction, 34% in trade and catering, 5.2% in transportation and 19.7% in other sectors.

At the same time, we need to highlight the problems that hinder the full realization of small business potential.

More than 62% of small business employees are self-employed, while only 16% are small businesses and micro-firms. The lowest employment rates of small enterprises are in Navoi (11.3%), Kashkadarya (12.4%) and Tashkent region (13.2%).

34.2% of small businesses are engaged in agriculture, 12.7% in industry, 11.6% in construction, 13.4% in trade and 28.1% in services.

An analysis of the above items by sector shows that we can see the relatively low level of small business in an industrial sector where the efficiency of job creation compared to other sectors is high. The maintenance of the current growth rate of this indicator may lead to problems in the future with the increase in wages and real incomes of the population from

³ Law of the Republic of Uzbekistan "On Family Business" No. ZRU-327. Tashkent. April 12, 2012. Official site of Lex.uz.

⁴ Law of the Republic of Uzbekistan "On Family Business" No. ZRU-327. Tashkent. April 12, 2012. Official site of Lex.uz.

entrepreneurial activities. This situation may lead to the restriction of social guarantees provided by the state to the population.

The share of the number of small businesses in trade remains high (26.7% of total small businesses or 63.7 thousand entities). In the retail trade turnover, the share of small businesses and micro-firms was 20.2%, while the share of individual entrepreneurs was 69.4%, which has a negative impact on cash inflows to the banking sector and inconsistencies in the tax base of small businesses.

If we look at the number of small businesses by region, the largest number of entities operate in Tashkent (22.6%), Tashkent (9.6%), Fergana (8.8%) and Andijan (8.7%) regions. In these four regions, around 50% of the total numbers of small businesses operate. This shows that in other regions of the country, such as Syrdarya (3.2%), Navoi (3.3%) and Jizzakh (4.2%), the existing potential of small businesses is not used enough.⁵

According to the Resolution of the President of the Republic of Uzbekistan No. PQ-5041 of March 27, 2021 "On additional measures to be taken in the framework of family business development programs" - In order to systematically continue measures to employ girls in lucrative work, to help them start their own businesses:

Target parameters for project lending in the framework of the Program 2021, aimed at the development of family business, employment of young people and women in lucrative work, have been identified.

1. Concessional loans provided to support family businesses under each family business program cover the following areas:
2. Small loan disbursements - up to one hundred and fifty times the minimum wage.
3. The volume of soft loans for the development of individual entrepreneurship and family businesses is set at up to a thousand times the minimum wage.
4. In order to finance investment projects of business entities, it is planned to allocate loans in excess of 1,000 times the minimum wage.

As of 2020, 78.3% of the employed population in Uzbekistan are engaged in entrepreneurship and small business. Entrepreneurship and small business development in our country is one of the important priorities of state policy today. As noted by President Sh. Mirziyoyev, **"only through active entrepreneurship, tireless work and aspiration can we achieve development and a prosperous life."**⁶

Financial support for small business is provided in the following ways:

- lending by banks at preferential rates;
- Guarantee in the amount of 50% of loans provided by the State Fund for Entrepreneurship Support for business activities and reimbursement of accrued interest on loans from commercial banks.

⁵Data from the State Statistics Committee of the Republic of Uzbekistan. Tashkent. 2019.

⁶From the report of the President of the Republic of Uzbekistan on November 7, 2019 "On the effectiveness of measures taken to ensure the implementation of the forecast of revenues to the state budget, identify and implement additional opportunities for further development of entrepreneurship and small business in the field."

Unscheduled inspections of small businesses have been abolished in Uzbekistan, and businesses have been exempted from all types of administrative fines for the first financial and economic offenses.

In addition, clusters for young entrepreneurs have been established throughout the country through training courses on entrepreneurship for entrepreneurs, the implementation of projects on the basis of privatized facilities, the allocation of land on a lease basis for 5 years at zero rate.

Share of small business and private entrepreneurship by industries and sectors⁷

Year	YAIM	Industry	Construction	Employment	Export	Import
2015	64,6	40,6	66,7	77,9	27,0	44,5
2016	66,8	45,3	66,9	78,2	26,0	46,8
2017	65,3	41,2	64,8	78,0	22,0	53,6
2018	62,4	37,4	73,2	76,3	27,2	56,2
2019	56,0	25,8	75,8	76,2	27,0	61,6
2020	55,7	27,9	72,5	74,5	20,5	51,7

The Resolution of the President of the Republic of Uzbekistan dated March 27, 2021 "On additional measures to be implemented in the framework of family business development programs" No PP-5041 provides:

- Target parameters in terms of sources of project financing under the Program in 2021.
- Target parameters of project lending by regions in 2021.

The programs aimed at the development of family business, employment of young people and women include:

- a) "Every family is an entrepreneur" program;
- b) Programs to support farmers, dehkan farms and landowners, as well as women's entrepreneurship;
- c) Craft Development Program;
- d) Employment Assistance Program.

As a result of measures taken to develop entrepreneurship, including targeted loans, taxes and mandatory payments, benefits for utility payments, expansion of moratoriums and financial support for inspections of business entities, positive trends in 2020 were identified in the following areas:

- the number of cases of damage to real estate belonging to entrepreneurs decreased by 13 times (96 cases, 1260 in 2019);
- the amount of compensation for interest on loans to entrepreneurs has tripled (2.8 trillion soums, in 2019 - 855 billion soums).
- statistics and observations show that the number of permanently operating entrepreneurs has increased over the last three years, their number has increased by 32.5% and accounted for 26% of the total number of entrepreneurs (21% in 2019).

⁷ Ўзбекистон Республикаси Давлат статистика қўмитаси расмий сайти. Stat.uz маълумотлари

- Disputes considered in economic and administrative courts with the participation of business entities decreased by 44% (97.6 thousand, 173.3 thousand in 2019) and the number of inspections of entrepreneurs decreased by 8.5% (52.3 thousand, in 2019 - 57.2 thousand).) decreased.

Rating of regions on the level of business development in Uzbekistan in 2020 ⁸

T/p	Regions	
1	Tashkent City	7,8
2	Namangan region	6,2
3	Navoi region	6,2
4	Bukhara region	6,1
5	The Republic of Karakalpakstan	6,0
6	Tashkent region	5,8
7	Andijan region	5,6
8	Syrdarya region	5,6
9	Fergana region	5,4
10	Khorezm region	5,1
11	Jizzakh region	5,0
12	Samarkand region	4,6
13	Kashkadarya region	4,5
14	Surkhandarya region	4,5

According to the results of the assessment, the highest level of entrepreneurship development was recorded in Tashkent (7.8 points). The lowest scores were recorded in Kashkadarya (4.5 points), Surkhandarya (4.5 points) and Samarkand (4.6 points) regions.

Bektemir (9.0 points), Moynak (8.9 points), Kurgantepa, Yakkasaray and Karmana (8.4 points) districts were the leaders. Bakhmal (6.3 points), Buvayda (6.4 points), Toprakkala, Uchkuprik, Samarkand, Bekabad and Yangiyul districts (6.5 points) took the last places in the rating.

Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 504 of August 9, 2021 "On measures to reduce family poverty through the development of family businesses in the regions and increasing sustainable sources of income" In order to increase the capacity, a number of tasks have been identified.

- **exemplary apartment** – high-income households with one or more families who do not need the help of others:
- **middle apartment** – households whose per capita income is higher than the minimum consumption expenditure, but who are unemployed or have a desire to expand their business activities within the family:
- **needy apartment** – per capita income is less than the minimum consumption expenditure, which includes households with one or more unemployed able-bodied family members.
- At the next stage, based on the results of the study of families, the practice of dividing the

⁸ Statistics from the Center for Economic Research and Reform. Tashkent-2020 y.

mahallas into categories of entrepreneurship and business activities of the existing households is envisaged. It is planned to divide the districts into three categories:

- **sample neighborhood** – Neighborhoods where the share of exemplary households is more than 60% of the total number of households and the share of needy households is less than 25%:
- **middle neighborhood** – mahallas where the share of middle-class households is more than 60% of the total number of households and the share of needy households is less than 25%:
- **heavy neighborhood** – Neighborhoods where the share of needy households is more than 25% of the total number of households are included:

A number of indicators are used as a basis for studying the general conditions of households related to the establishment of family business and entrepreneurship. These are:

- have regular and periodic income, need or do not need economic, legal and financial support:
- in recent years received a loan under the family business program:
- seasonal or informal income:
- willingness to work with experienced entrepreneurs:
- desire to start your own business:
- number of working age and able-bodied family members:
- the number of family members who do not want to work, and so on:

As a result of research on "Every family entrepreneur program and its role in the development of family business", it became clear that in recent years the efforts of the population to establish their own family business based on personal initiative are widely supported by our government.