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THE CONCEPT OF FAMILY ENTREPRENEURSHIP AND ITS ROLE IN THE ECONOMY

S.Qayumov
T.M. Qurbonov
U.J. Norboyev
Students of Group BI-322
Samarkand Institute of Economics and Service

Abdurakhmanov A.S.
Assistant Lecturer, Department of Banking
Samarkand Institute of Economics and Service

Abstract. This article examines the concept of family entrepreneurship, its economic essence, and its role in the national economy. Family entrepreneurship is analyzed as an important factor in ensuring employment, increasing household income, reducing poverty, and promoting regional socio-economic development. The study also highlights the significance of family businesses within the small business sector, the factors influencing their development, and the mechanisms of government support.

Keywords: family entrepreneurship, family business, small business, private entrepreneurship, employment, household income, economic development, government support.

Introduction

Family entrepreneurship is an entrepreneurial activity carried out by members of the same family and is typically organized in the form of small-scale business. This type of activity is considered an important component of the economic system, playing a significant role in ensuring employment, increasing real household incomes, and promoting regional economic balance. The main advantages of family entrepreneurship include the formation of a reliable working environment, the possibility of optimal allocation of labor resources within the family, reduced production costs, and a relatively simple management structure.

In modern conditions, family entrepreneurship is recognized in many developing countries as a strategic instrument of economic development. This model contributes to socio-economic stability and plays an especially important role in reducing unemployment and increasing employment opportunities for youth and women. International experience, particularly in countries such as Turkey, India, and Bangladesh, demonstrates significant achievements through the implementation of family business models based on the “Grameen” approach.

According to Joseph Schumpeter (1934) in The Theory of Economic Development: An Inquiry into Profits, Capital, Credit, Interest, and the Business Cycle (Cambridge, MA: Harvard University Press), entrepreneurship is viewed as the main driving force of economic development. He considers family entrepreneurship an important source of innovation and job creation in local economies. His concept of “creative destruction” emphasizes the adaptability of family businesses to changing market dynamics.

Legal Basis and Theoretical Aspects of Family Entrepreneurship

According to Article 1 of the Law "On Family Entrepreneurship," family entrepreneurship is an initiative-based activity carried out by family members with the aim of generating income (profit), undertaken under risk and under their own property responsibility, and based on the voluntary participation of its members. Family entrepreneurship may be conducted either with or without the formation of a legal entity.

Family entrepreneurship carried out as a legal entity is organized in the form of a family enterprise. When conducted without forming a legal entity, it is carried out in accordance with the procedures established by legislation. A family enterprise is a small business entity established voluntarily by its participants for the production and sale of goods, based on shared or joint property, as well as on the individual property of each participant.

The activity of a family enterprise is based on the personal labor of its members. It operates exclusively as a legal entity. The authorized capital of a family enterprise is formed from monetary funds, securities, other property, including property rights expressed in monetary value, or other transferable rights. However, a single residential house (or apartment) cannot be included in the authorized capital of a family enterprise.

According to Peter Drucker (1985) in Innovation and Entrepreneurship: Practice and Principles (New York: Harper & Row), entrepreneurship plays a crucial social and economic role, and family entrepreneurship can be considered the "heart of the economy," as it contributes to strengthening local communities and ensuring sustainable development.

A family enterprise is a small business entity established voluntarily by participants for the production of goods, performance of works, and provision of services, as well as their sale. It is formed on the basis of shared or joint property of its participants, as well as the individual property of each member. The activity of such an entity is primarily based on the personal labor of its participants. A family enterprise is one of the organizational and legal forms of business entities and may operate only as a legal entity.

A family enterprise has the right to own separate property, acquire and exercise property and non-property rights in its own name, assume obligations, and act as a plaintiff or defendant in court.

A distinctive feature of family entrepreneurship is that it is primarily based on the efficient utilization of existing family resources and is often organized in the form of family enterprises. In this type of activity, all members of the family actively participate according to their abilities and potential, while job positions and labor resources are allocated within the internal structure of the family.

The main characteristics of family entrepreneurship include:

- active participation of family members along with shared property and organizational responsibility;
- efficient and targeted use of family resources to the maximum extent;
- a high level of flexibility in the assortment of produced goods and services;
- continuity of labor activity as a form of family heritage, as well as preservation and strengthening of traditional family values.

According to Modigliani and Miller (1958) in The Cost of Capital, Corporation Finance and the Theory of Investment (The American Economic Review), capital structure theory emphasizes the importance of balancing debt and equity in financing business activities. Family businesses typically rely on their own internal resources; however, bank loans remain an important source for expansion and growth.

The socio-economic significance of family entrepreneurship lies in its primary aim of ensuring the socio-economic stability of households, creating new jobs, and improving overall family

welfare. The widespread development of family entrepreneurship at the national level contributes to reducing unemployment and increasing economic activity among the population, especially youth and women. At the same time, it is considered a stable internal mechanism for ensuring employment and plays an important role in strengthening regional economic equality.

Analytical data show that in 2023, the number of new jobs created by family entrepreneurship entities exceeded 230,000, which represents a 34% increase compared to 2020.

Furthermore, family entrepreneurship contributes to strengthening the principles of social equality and justice, particularly by expanding the participation of women and young people in economic activities. Today, approximately 45% of family business entities are led by women, which demonstrates the growing role of women in entrepreneurial activities.

Economic Importance of Family Entrepreneurship

Family entrepreneurship is one of the key forms of small and medium-sized business and plays an important role in filling the domestic market, producing import-substituting goods, providing services, and creating added value within the economy.

According to statistical data, in 2025 the total volume of goods produced and services provided by family business entities reached 18.4 trillion Uzbek soums, which is 23% higher compared to 2024.

According to Gary Becker (1981) in A Treatise on the Family (Cambridge, MA: Harvard University Press), human capital theory emphasizes the importance of the knowledge and skills of family members in family entrepreneurship. He argues that improving financial literacy and entrepreneurial skills significantly increases the likelihood of success in family businesses.

The development of family entrepreneurship contributes to the achievement of the following key economic performance indicators:

- growth in production volume;
- increase in employment levels;
- expansion of goods and services offered;
- broadening of the tax base and growth of state budget revenues;
- diversification of family business entities and areas of activity.

By its nature, family entrepreneurship encompasses a wide range of economic activities. In particular, within agriculture and livestock farming, family members engage in cultivating agricultural products on household plots and land areas, as well as raising and caring for livestock.

According to Michael Porter (1990) in The Competitive Advantage of Nations (New York: Free Press), competitiveness theory emphasizes that innovation and state support are essential for family entrepreneurship to remain competitive in local markets.

The main areas of family entrepreneurial activity include:

- **Handicrafts** – traditional crafts such as home-based production, tailoring, carpet weaving, and other forms of applied arts;
- **Trade and services** – family-run shops, restaurants, hotels, transport services, and other service activities;
- **Production** – manufacturing of industrial goods in small workshops or family enterprises.

International Experience and Conclusion

International experience shows that family entrepreneurship plays a crucial role not only in economic development but also in ensuring social stability. In particular:

- In Germany, family business entities account for 60% of small and medium-sized enterprises;

- In the United States, family companies provide 78% of all jobs created in the country;
- In Japan and South Korea, family entrepreneurship is regarded as an integral part of national traditions and is recognized as an important guarantee of economic stability.

In conclusion, based on the above considerations, family entrepreneurship is an important factor not only in the economic sphere but also in ensuring social stability, equality, and sustainable development. Through this form of entrepreneurship, the existing internal resources of the national economy are mobilized, and socio-economic mechanisms that improve the living standards and welfare of the population are activated.

In this regard, the development of family entrepreneurship is recognized as one of the priority directions of state policy, where the role of the banking and financial system and the financial services it provides is of particular importance. Family entrepreneurship is defined as an initiative-based activity carried out by family members under risk and under their own property responsibility for the purpose of generating income (profit).

By its nature, family entrepreneurship is a form of activity based on the voluntary participation of its members and may be carried out either with or without the formation of a legal entity. When a legal entity is established, this activity takes the organizational and legal form of a family enterprise.

In cases where the property of a family enterprise is insufficient, its participants bear subsidiary liability for the obligations of the enterprise with their personal property in accordance with the norms of current legislation.

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