

Content and Main Components of the Economic Mechanism of Family Business Development

Yuldashev Doniyor, PhD¹, Nishonboyev Doniyor²

Abstract: As economic mechanisms for the development of family business on the basis of existing organizational and legal forms, the following levers can be used, such as the management of organizational and economic, stimulating processes, outreach activities, constant monitoring of family business activities, as an economic mechanism of a favorable environment for family business, providing the rapid development of this industry.

Key words: family business, economic mechanism, individual entrepreneur, family business, preference, family business cluster.

Proper formation of its economic mechanism is important in the development of family entrepreneurship in Uzbekistan. The economic mechanism of family entrepreneurship development is a set of many interrelated components (elements) that ensure the development of family entrepreneurship in the country and mobilize the forces of influence in this regard.

First of all, it should be noted that the components of this economic mechanism will consist of two large blocks:

- 1) acting (objectively) based on market principles;
- 2) operating on the basis of administrative-management principles.

Elements operating on the basis of market principles embody the objective laws and signs of this economic and entrepreneurial form. In this, they are generally applicable to almost all countries, regardless of the description of the economic system, the level of development and other characteristics.

Elements acting on the basis of administrative-management principles include a set of measures implemented according to the decisions of various levels of the administrative-management system in a particular country.

It should be noted that the economic mechanism for the development of a specific organizational and legal form, including family entrepreneurship, cannot consist only of components of one or another block. Perhaps, the components of both blocks participate in the economic mechanism in some proportion.

In this case, the correct determination of the following components has a significant effect:

- 1) organizational and economic levers;
- 2) regulatory (regulatory and legal frameworks) levers;
- 3) levers stimulating activity;
- 4) activity and process control levers;
- 5) information and propaganda tools;
- 6) levers for regular monitoring of operation and development (Fig. 1).

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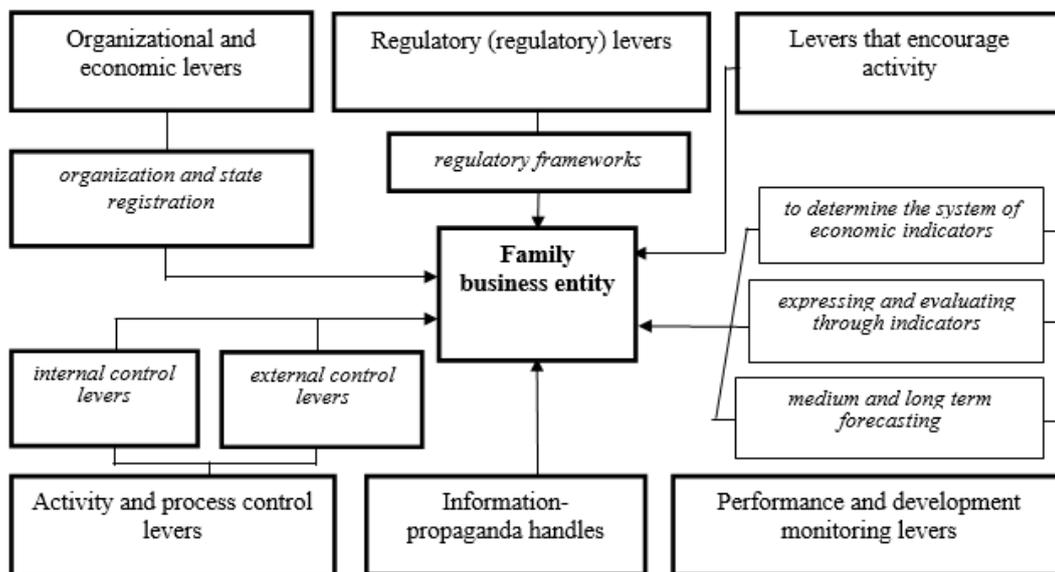


Figure 1. Economic mechanism of family business development

We will consider in detail the above components of the current economic mechanism of family business development in Uzbekistan.

1. Organizational and economic levers. These tools provide, first of all, the processes of establishing and state registration of family business entities.

The state registration of the family business was carried out until April 1, 2017 in accordance with the procedure established by the Regulation "On the notification procedure for the state registration and accounting of business entities" approved by the decision of the President of the Republic of Uzbekistan dated May 24, 2006 No. PQ-357[1].

Decree of the President of the Republic of Uzbekistan dated October 28, 2016 No. PQ-2646 "On improving the system of state registration and accounting of business entities" In accordance with the decision, in order to radically improve the procedure for state registration and registration of business entities, and on the basis of the wide introduction of modern information and communication technologies, to actively encourage the use of non-direct communication forms in their interactions with state bodies, starting from April 1, 2017, the State Interactive State Register of Business Entities of the Republic of Uzbekistan provision of round-the-clock transfer and accounting through the System on the Internet integrated into the single portal of services[3].

According to the decision of the Cabinet of Ministers of the Republic of Uzbekistan No. 66 of February 9, 2017 "On measures to implement the decision of the President of the Republic of Uzbekistan "On improving the system of state registration and accounting of business entities" No. PQ-2646 of October 28, 2016 "Entrepreneurship the regulation on the procedure for state registration of entities" was approved and implemented from April 1, 2017.

State registration of a family business entity is carried out by one of the following methods:

- 1) on the Single portal through the Internet world information network by means of the System;
- 2) on his own.

Both a family business entity that has not established a legal entity and a family enterprise shall pay state duties and fees in the amount of 1 times the minimum monthly salary for state registration in person, and 0.5 times the minimum monthly salary via the Internet.

State registration of family business entities, like other business entities, is carried out in real time, but in no more than 30 minutes. The state registration process can be divided into the following several stages:

Stage 1 - the family business entity selects the "business registration" - state service for state registration and forms a questionnaire according to the prescribed application forms.

2nd stage - choosing a company name by the family business entity. "The name of the company chosen when the questionnaire is created is stored by the System in the name of the applicant for 60 calendar days.

If the applicant does not send the completed questionnaire to the registration body within the period specified in this paragraph, the mark of the company name chosen by the applicant will be canceled by the System. In this case, the other information formed by the applicant is stored by the System in the personal cabinet of the user or the "personal cabinet of the business entity", as appropriate, with the possibility of viewing, changing and continuing to form the questionnaire.[3]

Step 3 – In the form of "PDF" (portable document format), constituent documents in the state language are attached to the appropriate questionnaire for state registration through the system.

Step 4 – the family business entity pays the state duty automatically determined by the System after completing the questionnaire. Payment can be made through the following methods:

- 1) in real time through the Internet global information network - in the form of cashless settlement using a bank card and the connected "SMS notification" service;
- 2) through cash registers of the banks of the Republic of Uzbekistan - in the form of cash or non-cash settlement, indicating the unique number of the questionnaire formed by the system;
- 3) in the form of cashless settlement using a bank transfer from the account number.

Step 4 – The system checks the information provided by the family business entity during the state registration deadlines. If all data are in accordance with the database, it performs state registration by automatically entering relevant entries into the Register, forms a certificate of registration according to the appropriate forms.

For legal entities - the notification in the form of a link (hyperlink) to the certificate of registration, founding documents is automatically signed with the ERI of the System user - the responsible officer of the registration body and is sent to the "personal office of the business entity" as well as to the e-mail address specified in the questionnaire.

The moment when the relevant electronic documents are received by the applicant through the "private office of the business entity" on the Single portal is considered the time of submission of the electronic documents referred to in this paragraph.

For legal entities, the applicant has the right to freely receive the certificate of registration, founding documents stored in the repository of electronic documents on the single portal, as well as to print their copies on paper.

After the state registration, the business entity applies to banks to open bank accounts in accordance with the procedure established by law. It is not required to provide original copies and copies of the certificate of registration, founding documents for opening bank accounts.

Seals and stamps, as well as their sketches, are not required when state registration of small business entities is carried out, as well as when business activities are carried out by them.[3].

2. Regulatory (regulatory) levers. In the economic mechanism of organization and development of family entrepreneurship in Uzbekistan, regulatory and legal frameworks that regulate all processes play an important role. Below we will get acquainted with their main ones.

The norms regarding the possibility of carrying out family entrepreneurship by individuals without establishing a legal entity are defined in the regulation "On the procedure for the implementation of family entrepreneurship and craft activities" approved by the decision of the Cabinet of Ministers of the Republic of Uzbekistan dated July 29, 2009 No. 216. These aspects are also expressed by the term "joint entrepreneurial activities of natural persons" and "individuals can carry out joint entrepreneurial activities in the form of family business, ordinary company and farm without establishing a legal entity. Relations related to the implementation of family business, the establishment, operation and termination of the ordinary company and farm are regulated by legal documents.[4]

A family business can hire employees in accordance with the norms established in the Labor Code of the Republic of Uzbekistan. In particular, employment in a family enterprise may be allowed from the age of sixteen.

Also, "in order to prepare young people for work, students of general education schools, secondary specialized, vocational educational institutions to do light work that does not harm their health and spiritual and moral development, does not disrupt the educational process - after they turn fifteen years old, parents employment is allowed with the written consent of one of the mothers or one of the substitutes for the parents"[5]

It is forbidden to use the labor of persons under the age of eighteen in unfavorable working conditions, underground works and other works that may harm the health, safety or morals of this category of employees in a family enterprise. Persons under the age of eighteen are not allowed to carry and transport heavy loads in excess of the established norm.

The total number of family business participants and its hired employees cannot exceed the average annual number of employees specified for the following small business entities. That is:

"1) individual entrepreneurs;

2) in the production sectors, the average annual number of employed employees is no more than twenty people, in the service sector and other sectors not related to production, the average annual number of employed employees is no more than ten people, in the wholesale, retail trade and catering industries, micro-enterprises with an average annual number of employees of no more than five people;

3) in the following networks:

the average annual number of employees in the light, food industry and construction materials industry provided for by legislation is no more than two hundred people;

the average annual number of employed employees in metalworking and instrument making, woodworking, furniture industry, as well as in other industrial and production areas provided for by law is no more than one hundred people;

the average annual number of employed employees in mechanical engineering, metallurgy, fuel and energy and chemical industry, production of agricultural products and their processing, construction and other industrial and production sectors stipulated by legislation is at most fifty people;

small enterprises in the fields of science, scientific service, transport, communication, service (except for insurance companies), trade and catering, and other industries not related to production, with an average annual number of employees of up to twenty-five people"[4].

Officials of state bodies, as well as the following persons prohibited from engaging in business activities cannot be participants in a family business:

- ✓ employees of state authorities and management bodies, law enforcement bodies;
- ✓ heads of state banks and their deputies, officials who are directly related to currency signs and monetary (bank) documents;
- ✓ heads of state enterprises, institutions and organizations and their deputies who have the right to sign bank documents;
- ✓ leading employees of state supply and trade enterprises and organizations;
- ✓ leading employees and specialists of state bodies responsible for solving issues related to the implementation of business activities or controlling such activities[4].

The use of toxic, radioactive substances and materials, high-pressure equipment, and other equipment that poses a great danger to people and the environment is prohibited in the activities of the family enterprise. The list of substances, materials and equipment that cannot be used by a family business is determined by the Cabinet of Ministers of the Republic of Uzbekistan.³

Also, in the organization and implementation of activities of family businesses, it is necessary to take into account the circumstances that may disrupt public places, especially the living and recreation processes of citizens. In this regard, the above-mentioned law "It is not allowed to carry out industrial activities by a family business in the residential areas of a multi-apartment building." [6], is marked as. It is clear from this that the process of creating various products through the processing of raw materials and materials cannot be carried out in high-rise buildings.

It is known that "Small business entities submit reports only to the state statistics bodies and state tax service bodies, and individual entrepreneurs to the state tax service bodies in the prescribed forms". Accordingly, a family enterprise established as a legal entity submits a report to the state statistical authorities and state tax service authorities, and family business entities established as an individual submits a report to the state tax service authorities.

The wages of the participants of the family business and hired employees are determined by the agreement of the parties, but not less than the amount specified in the first level of the single tariff table of the Labor Law.[6]

3. Levers that encourage activity.

Benefits and preferences are one of the important components of any economic mechanism. A number of benefits have been established for family business entities through legislation.

These benefits and preferences can be divided into two levels:

- 1) benefits and preferences determined for family business entities;
- 2) benefits and preferences determined by the family business entity (head).

In the first case, the determination of the relevant benefits and preferences for family business entities is carried out by the competent authorities. According to the legislation of Uzbekistan, family business entities are considered a form of small business, so the privileges and preferences established for small business entities are also applicable to family business entities.

In the second case, the family business entity has the right to implement privileges and preferences of a certain form or description in its activity. In particular, "The family enterprise has the right to independently determine more favorable labor and socio-economic conditions for the participants and hired employees of the enterprise compared to those established by law." So, it can be seen that the head of a family business has the right to set preferential conditions for his employees in terms of working hours, rest and working holidays and other issues.

³ O'zbekiston Respublikasi Vazirlar Mahkamasining qarori. Oilaviy korxonalar tomonidan foydalanishga yo'l qo'yilmaydigan moddalar, materiallar va asbob-uskunalar ro'yxatini tasdiqlash to'g'risida. 2012 yil 13 sentabr, 269-son. – www.lex.uz.

4. Activity and process control levers.

It is important to manage the overall activity of family business entities, as well as its specific processes, and the importance and role of levers (tools) in this regard should be clearly defined in the economic mechanism. First of all, it is appropriate to divide these control levers into two, i.e. internal and external control levers.

Internal control levers – a set of mutually coordinated measures implemented by the head of a family business entity to effectively organize its activities, run a business and achieve high results of financial activity.

Family business is conducted in the form of individual business activity in the form of a natural person without establishing a legal entity. Accordingly, its management will have a simple description, without a hierarchical structure.

A family business has the status of a legal entity, which requires a complex management structure. Accordingly, the current legislation specifies the rules on the management structure of a family enterprise.

First of all, it should be noted that "the general meeting of participants of the family enterprise is the top management body of the family enterprise.

The powers of the general meeting of family business participants include:

- making changes and additions to the foundation contract of the family enterprise;
- electing the head of the family enterprise;
- determining the types of family business activity;
- determining the authorized fund of the family enterprise and making changes to its amount;
- review of the annual report of the head of the family enterprise on the financial and economic activity of the family enterprise;
- making a decision on the distribution of the profit of the family enterprise in accordance with the founding agreement;
- making a decision on the conclusion of large transactions regarding the property of the family enterprise.

The powers of the general meeting of participants of the family enterprise may also include the resolution of other issues provided for in the founding agreement."[6]

In the initial version of the law "on family business" it was established that the participants of a family business have the right to elect its head. In the past period, the opportunities given to the development of business activities have given impetus to the expansion of the scope and scope of family business. As a result of this, the legal possibilities of the general meeting of the family enterprise are expanding. In particular, based on the amendments made to this law, the powers of the general meeting of family business participants now include "election (appointment) and dismissal of the head of the family business", as well as "consideration and resolution of the issue of changing the composition of family business participants". Expanding the opportunities and powers of the general meeting increases the responsibility of the head of the family business, his accountability to the general meeting.

The main economic decisions related to the activity of the family enterprise are made by the head of the enterprise. According to the legislation, "The head of a family business has the following rights:

- ✓ acting on behalf of a family business without a power of attorney;
- ✓ conclusion of contracts with legal entities and individuals related to the activities of the family enterprise;
- ✓ conclusion of labor contracts (contracts) and approval of staff;
- ✓ issuing power of attorney.

Head of family business:

- personally manage the family enterprise and organize its daily activities;
- obtaining the consent of the participants in the conclusion of large transactions related to the property of the family enterprise;
- ensuring compliance with the norms of labor legislation;
- Must ensure accounting.

The head of a family enterprise may have other rights and may have other obligations in accordance with the law."[6]

External control levers – a set of mutually coordinated measures that ensure the effective organization and management of family business activities by authorized organizations and agencies that regulate business activities.

External management levers of family entrepreneurship can be applied at the regional (district, regional and republican) and branch levels.

5. Information-propaganda handles.

The effective development of family business largely depends on the level of adequacy of information and ideas about this form of business management. First of all, entrepreneurs should know the advantages and conveniences of this form compared to other forms of business. Because, only in this case, they will be able to organize and operate family business entities in order to use these advantages and facilities.

Accordingly, it is appropriate to include information and promotion tools in the formation of the economic mechanism for the development of family entrepreneurship. These supports will consist of promoting the advantages and conveniences of family entrepreneurship as a form of business management and entrepreneurship, providing information about its success in the practice of business management. At the same time, it is one of the tasks of this support to shed light on the various problems that exist or arise in this form of entrepreneurship.

The following can be included in the information and promotion tools of the economic mechanism for the development of family entrepreneurship:

- ✓ mass media (television, radio, newspapers and magazines, electronic information sources, etc.);
- ✓ state and public organizations responsible for regulating and supporting business activities (Ministry of Economic Development and Poverty Alleviation, Ministry of Investments and Foreign Trade, State Tax Committee, State Committee for Assistance to Privatized Enterprises and Development of Competition, Chamber of Commerce and Industry, various associations and agencies);
- ✓ scientific-research institutions, higher educational institutions, scientific laboratories, etc., researching the problems related to the effective organization of business forms of activity.

6. Continuous monitoring of activity and development.

Continuous monitoring of the functioning and development of this form of entrepreneurship plays an important role in the economic mechanism of family business development. In our opinion, the following are the main directions of this monitoring:

- determination of the system of economic indicators describing the activity of family business;
- expressing and evaluating the main trends and processes in family business activities through special indicators;
- mid- and long-term forecasting of family business activity indicators.

State and public organizations responsible for the regulation and support of business activities (Ministry of Economic Development and Poverty Alleviation, Ministry of Investments and Foreign Trade, State Tax Committee, Anti-Monopoly Committee, Chamber of Commerce and Industry), various associations and agencies) and can be conducted by research institutions, universities, scientific laboratories, etc.

Currently, various proposals are being put forward regarding the use of various levers of the economic mechanism in the development of family entrepreneurship in Uzbekistan. In particular, B. Berkinov and others, based on their research, have shown that the potential of families is not fully involved in the development of family entrepreneurship, labor resources in families, knowledgeable specialists, temporary employment in various fields and other family assets are still used in the establishment of sole entrepreneurship, home labor or family enterprises. They emphasize that it is not fully used. They propose a new approach in this regard - to use the cluster mechanism to develop family entrepreneurship in the neighborhood and increase its potential (Figure 2).

According to the authors, the following can be defined as the main tasks of the cluster of family business activities in the neighborhood:

- ✓ to compile a list of those who are interested in organizing and running family business activities in the neighborhood and to determine the possibilities of developing these types of activities in the neighborhood in the future;
- ✓ analyzing the processes of allocating land to family enterprises from the neighborhood or district and using them for their purpose, establishing new workplaces;
- ✓ justification of projects on opening family enterprises, individual entrepreneurship, household activities in the neighborhood, evaluating their efficiency and providing them with practical assistance in obtaining loans;
- ✓ interaction with city and district administrations, state and non-state organizations, as well as regional working groups on the coordination of implementation of the "Every family is an entrepreneur" program, as well as solving problems in cooperation, etc.

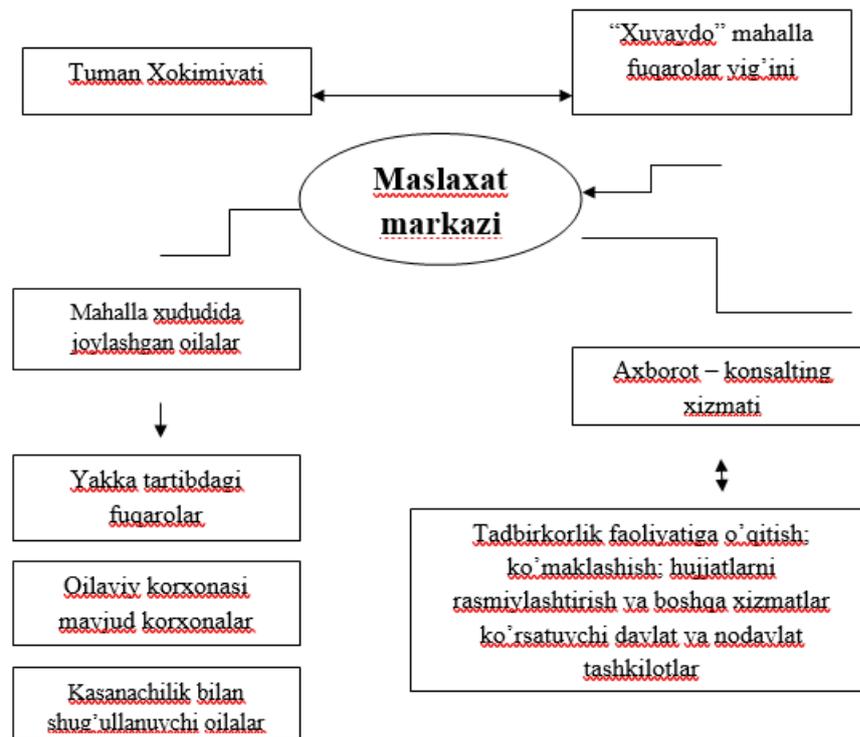


Figure 2. Structural structure of neighborhood family business cluster [8].

The costs of cluster activity (management) can be covered by allocations of family business enterprises included in it, donations, funds of foreign partners, etc.

In our opinion, the above proposal does not fully take into account a number of factors and circumstances that may prevent the successful implementation of this cluster. Including:

- 1) allotment of land from the neighborhood to family enterprises is not within their scope of authority;
- 2) the justification of projects on the organization of business activities in each neighborhood requires a large number of specialists in this regard;
- 3) providing practical assistance in obtaining loans also requires the establishment of a staff of relevant specialists within the neighborhood office;
- 4) since the functions of the information-consulting center envisaged to be established within the framework of the cluster are currently performed by many specialized commercial structures, it is difficult to ensure their sufficient level of competitiveness.

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